

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.52

Applicability; public utilities other than canal, turnpike, tunnel, bridge and wharf companies.

- (a) Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement effecting changes in the terms and conditions of service rendered or to be rendered, it shall submit to the Commission, with the tariff, revision or supplement, statements showing all of the following:

- (1) The specific reasons for each change.

Response (Kempic):

The rate changes are being proposed to allow Columbia Gas of Pennsylvania a reasonable opportunity to recover revenue sufficient to cover its operating expenses and increases to rate base and provide a reasonable opportunity to earn a fair rate of return.

- (2) The total number of customers served by the utility.

Response (Kempic): Refer to Exhibit No. 3.

- (3) A calculation of the number of customers, by tariff subdivisions, whose bills will be affected by the change.

Response (Johnson): Refer to Exhibit No.103, Schedule No. 8.

- (4) The effect of the change on the utility's customers.

Response (Johnson): Refer to Exhibit No. 103, Schedule No. 8.

- (5) The direct or indirect effect of the proposed change on the utility's revenue and expenses.

Response (Kempic): Refer to Exhibit Nos. 3 and 4.

COLUMBIA GAS OF PENNSYLVANIA, INC.

53.52

- (6) The effect of the change on the service rendered by the utility.

Response (Kempic): Service rendered by the utility will not be impacted by the changes to rates.

- (7) A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement about why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa. C.S. §1308 (relating to voluntary changes in rates).

Response (Kempic): Not Applicable.

- (8) Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa. C.S. §1308.

Response (Kempic): Not Applicable.

- (9) Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided

Response (Kempic): No customer polls were taken to indicate customer acceptance and desire for the proposed rate changes.

COLUMBIA GAS OF PENNSYLVANIA, INC.

53.52

- (10) Plans the utility has for introducing or implementing the changes with respect to its ratepayers.

Response (Kempic): Columbia will notify its ratepayers of the proposed changes through a bill insert in compliance with the Commission's Regulations (Pa Code Section 53.45).

- (11) F.C.C., F.E.R.C. or Commission orders or rulings applicable to the filing.

Response (Kempic): There are no orders or rulings that directly apply to this change.

- (b) Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision, or supplement which will increase or decrease the bills to its customers, it shall submit in addition to the requirements of subsection (a), to the Commission, with the tariff, revision or supplement, statements showing all of the following:

- (1) The specific reason for each increase or decrease.

Response (Kempic): The rate changes are being proposed to allow Columbia Gas of Pennsylvania a reasonable opportunity to recover revenue sufficient to cover its operating expenses and increases to rate base and provide a reasonable opportunity to earn a fair rate of return.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.52

- (2) The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing.

Response (Kempic): Refer to Exhibit No.2.

- (3) A calculation of the number of customers, by tariff subdivision, whose bills will be increased.

Response (Johnson): Refer to Exhibit No. 103, Schedule No. 8.

- (4) A calculation of the total increase, in dollars, by tariff subdivision, projected to an annual basis.

Response (Johnson): Refer to Exhibit No. 103, Schedule No. 8.

- (5) A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.

Response (Johnson): Refer to Exhibit No.103, Schedule No. 8.

- (6) A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis.

Response (Johnson): Refer to Exhibit No.103, Schedule No. 8.

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

13. Attach copies of the summaries of the projected two years' Company's budgets (revenues, expense, and capital).

Response:

Please see the Company's response to Standard Data Request GAS-ROR-13 for projected revenues and expenses.

Please see the Company's response to Standard Data Request GAS-ROR-14 for the projected construction budget.

Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499
Referenced by Commission Regulations

| Commission Regulation Number | Commission Regulation | Historic Test Year Twelve Months Ended <u>November 30, 2024</u> | | Fully Projected Future Test Year Twelve Months Ended <u>December 31, 2026</u> | | Witness |
|------------------------------|--|---|-----------------|--|-----------------|----------------|
| | | <u>Exhibit</u> | <u>Schedule</u> | <u>Exhibit</u> | <u>Schedule</u> | |
| 53.52 | Applicability: Public Utilities Other Than Canal, Turnpike, Bridge, and Wharf Companies | | | | | |
| 53.52(a) | Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement effecting changes in the terms and conditions of service rendered or to be rendered, it shall submit to the Commission, with the tariff, revision, or supplement, statements showing all of the following: | 13 | 3 | | | Kempic |
| 53.52(a)1 | The specific reasons for each change. | 13 | 1 | 113 | 1 | Kempic/Johnson |
| 53.52(a)2 | The total number of customers served by the utility. | 3 13 | 1 | 103 113 | 1 | Battig Kempic |
| 53.52(a)3 | A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change. | 3 13 | 1 | 103 113 | 1 | Battig Kempic |
| 53.52(a)4 | The effect of the change on the utility's customers. | 3 13 | 1 | 103 113 | 1 | Battig Kempic |
| 53.52(a)5 | The direct or indirect effect of the proposed change on the utility's revenue and expenses. | 13 | 1 | 113 | 1 | Kempic/Johnson |
| 53.52(a)6 | The effect of the change on the service rendered by the utility | 13 | 1 | 113 | 1 | Kempic/Johnson |
| 53.52(a)7 | A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement about why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a change seeking a general rate increase as defined in 66 Pa. C. S. & 1308 (relating to voluntary changes in rates). | 13 | 1 | 113 | 1 | Kempic/Johnson |
| 53.52(a)8 | Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa. C. S. & 1308. | 13 | 1 | 113 | 1 | Kempic/Johnson |
| 53.52(a)9 | Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided. | 13 | 1 | 113 | 1 | Kempic/Johnson |
| 53.52(a)10 | Plans the utility has for introducing or implementing the changes with respect to its ratepayers. | 13 | 1 | 113 | 1 | Kempic/Johnson |
| 53.52(a)11 | FCC, FERC or Commission orders or rulings applicable to the filing. | 13 | 1 | 113 | 1 | Kempic/Johnson |
| 53.52(b) | Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement which will increase or decrease the bills to its customers, it shall submit in addition to the requirements of subsection (a), to the Commission, with the Tariff, revision, or supplement, statements showing all of the following: | 13 | 3 | | | Kempic/Johnson |

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| | | Exhibit | Schedule | Exhibit | Schedule | |
| 53.52(b)1 | The specific reasons for each Increase or decrease. | 13 | 1 | 113 | 1 | Kempic/Johnson |
| 53.52(b)2 | The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing. | 2 3 13 | 1 | 102 103 113 | 1 1 | Vassalotti Battig Kempic |
| 53.52(b)3 | A calculation of the number of customers, by tariff subdivision, whose bills will be increased. | 3 13 | 1 | 103 113 | 1 | Battig Kempic |
| 53.52(b)4 | A calculation of the total increases, in dollars, by tariff subdivision, projected to an annual basis. | 3 13 | 1 | 103 113 | 1 | Battig Kempic |
| 53.52(b)5 | A calculation of the number of customers, by tariff subdivision, whose bills will be decreased. | 3 13 | 1 | 103 113 | 1 | Battig Kempic |
| 53.52(b)6 | A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis. | 3 13 | 1 | 103 113 | 1 | Battig Kempic |
| 53.52(c)1 | A Statement showing the utility's calculation of the rate of return earned in the 12-month period referred to on subsection (b)(2), and the anticipated rate of return to be earned when the tariff, revision, or supplemental becomes effective. The rate base used in this calculation shall be supported by summaries of original cost for the rate of return calculation. | 8 | | 108 | | Covert |
| 53.52(c)2 | A detailed balance sheet of the utility as of the close of the period referred to in subsection (b)f2). | 1 | 1 | 101 | | Vassalotti |
| 53.52(c)3 | A summary, by detailed plant accounts, of the book value of the property of the utility at the date of the balance sheet required by paragraph (2). | 8 | 1, 2 | 108 | | Covert |
| 53.52(c)4 | A statement showing the amount of the depreciation reserve, at the date of the balance sheet required by paragraph (2), applicable to the property, summarized as required by paragraph (3). | 8 | 3 | 108 | 3 | Covert |
| 53.52(c) 5 | A statement of operating income, setting forth the operating revenues and expenses by detailed accounts for the 12-month period ending on the balance sheet required by paragraph (2). | 2 | 1 | 102 | 1 | Vassalotti |
| 53.52(c) 6 | A brief description of a major change in the operating or financial condition of the utility occurring between the date of the balance sheet required by paragraph (2) and the date of transmittal of the tariff, revision or supplement. As used on this paragraph, a major change is one which materially alters the operating or financial condition of the utility from that reflected in paragraphs (1) - (5). | 1 | 2 | 101 | | Vassalotti |
| 53.53 I A | 53.53 I. VALUATION A. ALL UTILITIES | | | | | |
| 53.53.I.A.1 | Provide a corporate history (include the dates of original incorporation, subsequent mergers and/or acquisitions). Indicate all countries and cities and other governmental subdivisions to which service is provided (including service areas outside the state), and the total population in the area served. | 15 | 1 | 115 | | Danhires |

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| | | <u>Exhibit</u> | <u>Schedule</u> | <u>Exhibit</u> | <u>Schedule</u> | |
| 53-53.I.A.2 | Provide a schedule showing the measures of value and the rates of return at the original cost and trended original cost measures of value at the spot, three-year and five-year average price levels. All claims made on this exhibit should be cross-referenced to appropriate exhibits. Provide a schedule similar to the one listed above, reflecting respondent's final claim in its previous rate case. | 8 | | 108 | | Covert |
| 53-53.I.A.3 | Provide a description of the depreciation methods utilized in calculating annual depreciation amounts and depreciation reserves, together with a discussion of all factors which were considered in arriving at estimates of service life and dispersion by account. Provide dates of all field inspections and facilities visited. | 9 | 1 | 109 | 1 | Spanos |
| 53-53.I.A.4 | Set forth, in exhibit form, charts depicting the original and estimated survivor curves and a tabular presentation of the original life table plotted on the chart for each account where the retirement rate method of analysis is utilized. a. If any utility plant was excluded from the measures of value because it was deemed not to be "used and useful" in the public service, supply a detailed description of each item of property. b. Provide the surviving original cost at test year end by vintage by account and include applicable depreciation reserves and annuities. (i) These calculations should be provided for plant in service as well as other categories of plant, including, but not limited, to contributions in aid of construction, customer's advances for construction, and anticipated retirements associated with any construction work in progress claims (if Applicable) | 9 | 1 | 109 | 1 | Spanos |
| 53-53.I.A.5 | Provide a comparison of respondent's calculated depreciation reserve vs. book reserve by account at the end of the test year. | 9 | 2 | 109 | 2 | Spanos |
| 53-53.I.A.6 | Supply a schedule by account and depreciable group showing the survivor curve and annual accrual rate estimated to be appropriate: a. For the purposes of this filing. b. For the purposes of the most recent rate increase filing prior to the current proceedings. (i) Supply a comprehensive statement of any changes made in method of depreciation and in the selection of average service lives and dispersion. | 9 | 3 | 109 | 3 | Spanos |
| 53-53.I.A.7 | Provide a table, showing the cumulative depreciated original cost by year of installation for utility plant in service at the end of the test year (depreciable plant only) as claimed in the measures of value, in the following form: a. Year installed. b. Original cost - the total surviving cost associated with each installation year from all plant accounts. | 9 | 4 | 109 | 4 | Spanos |

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| | | Exhibit | Schedule | Exhibit | Schedule | |
| | c. Calculated depreciation reserve-the calculated depreciation reserve associated with each installation year from all plant accounts. d. Depreciated original cost - (Column B minus Column C). e. Total - cumulation year by year of the figures from Column D. f. Column E divided by the total of the figure in Column D. | 9 | 4 | 109 | 4 | Spanos |
| 53-53.I.A.8 | Provide a description of the trending methodology which was utilized. Identify all indexes which were used (include all backup workpapers) and all the reasons particular indexes were chosen. If indexes were spliced, indicate which years were utilized in any splices. if indexes were composite, show all supporting calculations, include any analysis made to "test" the applicability of any index. | 8 | | 108 | | Covert |
| 53-53.I.A.9 | Provide an exhibit indicating the spot trended original cost at test year end by vintage by account and include applicable depreciation reserves. Include total by account for all other trended measures of value. | 8 | | 108 | | Covert |
| 53-53.I.A.10 | Supply an exhibit indicating the percentages of Undepreciated original cost which were trended with the following indexes: a. Boeckh. b. Handy-Whitman. c. Indexes developed from suppliers' prices. d. Indexes developed from company records and company price histories. e. Construction equipment. f. Government statistical releases. | 8 | | 108 | | Covert |
| 53-53.I.A.11 | Provide a table, showing the cumulative trended depreciated original cost (at the spot price level) by year installation for utility plant in service at the end of the test year (depreciable plant only) as claimed in the measures of value, in the following form: a. Year installed. b. Trended original cost (at the spot price level) - the total surviving cost associated with each installation year from all plant accounts. c. Trended calculated depreciation reserve - the calculated depreciation reserve associated with each installation year from all plant accounts. d. Depreciated trended original cost - (Column B minus Column C). e. Total-accumulation year by year of the figures from Column D. f. Column E divided by the total of the figures in Column D. | 8 | | 108 | | Covert |
| 53-53.I.A.12 | If a claim is made for construction work in progress, include, in the form of an exhibit, the summary page from all work orders, amount expensed at the end of the test year and anticipated in-service dates. Indicate if any of the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion date and estimated total amounts to be spent on each project. [These exhibits should be updated at the conclusion of these proceedings.] | 8 | | 108 | | Covert |

Columbia Gas of Pennsylvania, Inc.
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| | | <u>Exhibit</u> | <u>Schedule</u> | <u>Exhibit</u> | <u>Schedule</u> | |
| 53-53.I.A.13 | If a claim is made for non-revenue producing construction work in progress, include, in the form of an exhibit, the summary page from all work orders, amount expensed at the end of the test year and anticipated in-service dates. Indicate if any of the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion date and estimated total amounts to be spent on each project. [These exhibits should be updated at the conclusion of these proceedings.] | 8 | | 108 | | Covert |
| 53-53.I.A.14 | If a claim is made for plant held for future use, supply the following: a. A brief description of the plant or land site and its cost. b. Expected date of use for each item claimed. c. Explanation as to why it is necessary to acquire each item in advance of its date of use. d. Date when each item was acquired. e. Date when each item was placed in plant held for future use. | 8 | | 108 | | Covert |
| 53-53.I.A.15 | If materials and supplies comprise part of the cash working capital claim, attach an exhibit showing the actual book balances for materials and supplies by month for the thirteen months prior to the end of the test year. Explain any abrupt changes in monthly balances. [Explain method of determining claim if other than that described above.] | 8 | | 108 | | Covert |
| 53-53.I.A.16 | If fuel stocks comprise part of the cash working capital claim, provide an exhibit showing the actual book balances (quantity and price) for the fuel inventories by type of fuel for the thirteen months prior to the end of the test year by location, station, etc. [Explain the method of determining claim if other than that described above.] | 8 | | 108 | | Covert |
| 53-53.I.A.17 | Regardless of whether a claim for net negative or positive salvage is made, attach an exhibit showing gross salvage, cost of removal, and net salvage for the test year and four previous years by account. | 9 | 5 | 109 | 5 | Spanos |
| 53-53.I.A.18 | Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not previously mentioned, in the measures of value. | 8 | | 108 | | Covert |
| 53-53.I.C | 53-53.I VALUATION C. GAS UTILITIES | | | | | |
| 53-53.I.C.1 | Provide, with respect to the scope of operations of the utility, a description of all property, including an explanation of the system's operation, and all plans for any significant future expansion, modification, or other alterations of facilities. This description should include, but not be limited to the following: a. If respondent has various gas service areas, indicate if they are integrated, such that the gas supply is available to all customers. b. Provide all pertinent data regarding company policy related to the addition of new consumers in the company's service area. c. Explain how respondent obtains its gas supply, as follows: (i) Explain how respondent stores or manufactures gas; if applicable. (ii) State whether the company has peak shaving facilities. (iii) Provide details of coal-gasification programs, if any. iv) Describe the potential for emergency purchases of gas. (v) Provide the amount of gas in MCF supplied by various suppliers in the test year (include a copy of all contracts). | 17 | | 117 | | Battig |

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| | | <u>Exhibit</u> | <u>Schedule</u> | <u>Exhibit</u> | <u>Schedule</u> | |
| | d. Provide plans for future gas supply, as follows: (i) Supply details of anticipated gas supply from respondent's near-term development of gas wells, if any. (ii) Provide gas supply agreements and well development ventures and identify the parties thereto. e. Indicate any anticipated curtailments and explain the reasons for the curtailments. f. Provide current data on any Federal Power Commission action or programs that may affect, or tend to affect, the natural gas supply to the gas utility. | 17 | | 117 | | Battig |
| 53-53.I.C.2 | Provide an overall system map, including and labeling all measuring and regulating stations, storage facilities, production facilities transmission and distribution mains, by size, and all interconnections with other utilities and pipelines. | 15 | 2 | 115 | | Danhires |
| 53-53.II.A | 53-53.II. RATE RETURN A. ALL UTILITIES | | | | | |
| 53-53.II.A.1 | Provide capitalization and capitalization ratios for the last five-year period and projected through the next two years. (With short-term debt and without short-term debt.) Company, Parent and System (consolidated)). a. Provide year-end interest coverages before and after taxes for the last three years and at latest date. (Indenture and SEC Bases.) (Company, Parent and System (consolidated)). b. Provide year-end preferred stock dividend coverages for last three years and at latest date (Charter and SEC bases). | 401 | | 401 | | Rea |
| 53-53.II.A.2 | Provide latest quarterly financial report (Company and Parent). | 402 | | 402 | | Rea |
| 53-53.II.A.3 | Provide latest Stockholder's Report (Company and Parent). | 403 | | 403 | | Rea |
| 53-53.II.A.4 | Provide latest Prospectus (Company and Parent). | 404 | | 404 | | Rea |
| 53-53.II.A.5 | Supply projected capital requirements and sources of Company, Parent and System (consolidated) for each of future three years. | 405 | | 405 | | Rea |
| 53-53.II.A.6 | Provide a schedule of debt and preferred stock of Company, Parent and System (Consolidated) as of test year-end and latest date, detailing for each issue (if applicable): a. Date of issue b. Date of maturity c. Amount issued d. Amount outstanding e. Amount retired f. Amount reacquired g. Gain on reacquisition h. Coupon rate i. Discount or premium at issuance j. Issuance expenses k. Net proceeds l. Sinking Fund requirements m. Effective interest rate n. Dividend rate o. Effective cost rate p. Total average weighted effective Cost Rate | 406 | | 406 | | Rea |

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| | | <u>Exhibit</u> | <u>Schedule</u> | <u>Exhibit</u> | <u>Schedule</u> | |
| 53-53.II.A.7 | Supply financial data of Company and/or Parent for last five years: a. Earnings-price ratio (average) b. Earnings-book value ratio (per share basis) (avg. book value) c. Dividend yield (average) d. Earnings per share (dollars) e. Dividends per share (dollars) f. Average book value per share yearly g. Average yearly market price per share (monthly high-low basis) h. Pre-tax funded debt interest coverage i. Post-tax funded debt interest coverage j. Market price-book value ratio | 407 | | 407 | | Rea |
| 53-53.II.A.8 | State amount of debt interest utilized for income tax calculations, and details of debt interest computations, under each of the following rate cases vases: a. Actual test year b. Annualized test year-end c. Proposed test year-end | 7 | | 107 | | Harding |
| 53-53.II.A.9 | State amount of debt interest utilized for income tax calculations which has been allocated from the debt interest of an affiliate, and details of the allocation, under each of the following rate cases vases: a. Actual test year b. Annualized test year-end c. Proposed test year-end | 7 | | 107 | | Harding |
| 53-53.II.A.10 | Under Section 1552 of the Internal Revenue Code and Regulations 1.1552-1 thereunder, if applicable, Parent Company, in filing a consolidated income tax return for the group, must choose one of four options by which it must allocate total income tax liability of the group to the participating members to determine each member's tax liability to the federal government. (If this interrogatory is not applicable, so state.) a. State what option has been chosen by the group. b. Provide, in summary form, the amount of tax liability that has been allocated to each of the participating members in the consolidated income tax return c. Provide a schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return. Provide total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members. d. Provide annual income tax return for group, and if income tax return shows net operating loss, provide details of amount of net operating loss allocated to the income tax returns of each of the members of the consolidated group. | 7 | | 107 | | Harding |

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| | | <u>Exhibit</u> | <u>Schedule</u> | <u>Exhibit</u> | <u>Schedule</u> | |
| 53-53.II.A.11 | Provide AFUDC charged by company at test year-end and latest date, and explain method by which rate was calculated. | 408 | | 408 | | Covert |
| 53-53.II.A.12 | Set forth provisions of Company's and Parent's charter and indentures (if applicable) which describe coverage requirements, limits on proportions of types of capital outstanding, and restrictions on dividend payouts. | 409 | | 409 | | Rea |
| 53-53.II.A.13 | Attach copies of the summaries of the projected 2 year's Company's budgets (revenue, expense and capital). | 13 | 2 | 113 | 2 | Vassalotti |
| 53-53.II.A.14 | Describe long-term debt reacquisition's by Company and Parent as follows: a. Reacquisition's by issue by year. b. Total gain on reacquisition's by issue by year. c. Accounting of gain for income tax and book purposes. | 410 | | 410 | | Rea |
| 53-53.II.A.15 | Set forth amount of compensating bank balances required under each of the following rate base bases: a. Annualized test year operations. b. Operations under proposed rates. | 411 | | 411 | | Rea |
| 53-53.II.A.16 | Provide the following information concerning compensating bank balance requirements for actual test year: a. Name of each bank. b. Address of each bank. c. Types of accounts with each bank (checking, savings, escrow, other services, etc.). d. Average Daily Balance in each account. e. Amount and percentage requirements for compensating bank balance at each bank. f. Average daily compensating bank balance at each bank. g. Documents from each bank explaining compensating bank balance requirements. h. Interest earned on each type of account. | 411 | | 411 | | Rea |
| 53-53.II.A.17 | Provide the following information concerning bank notes payable for actual test year: a. Line of Credit at each bank. b. Average daily balances of notes payable to each bank, by name of bank. c. interest rate charged on each bank note (Prime rate, formula rate or other). d. Purpose of each bank note (e.g., construction, fuel storage, working capital, debt retirement). e. Prospective future need for this type of financing | 412 | | 412 | | Rea |
| 53-53.II.A.18 | Set forth amount of total cash (all cash accounts) on hand from balance sheets for last 24-calendar months preceding test year-end. | 1 | 3 | 101 | | Vassalotti |
| 53-53.II.A.19 | Submit details on Company or Parent common stock offerings (past 5 years to present) as follows: a. Date of Prospectus b. Date of offering c. Record date d. Offering period-dates and number of days e. Amount and number of share of offering | 413 | | 413 | | Rea |

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| | | <u>Exhibit</u> | <u>Schedule</u> | <u>Exhibit</u> | <u>Schedule</u> | |
| | f. Offering ratio (if rights offering) g. Per cent subscribed h. Offering price i. Gross proceeds per share j. Expenses per share j. Net proceeds per share (i-j) l. Market price per share 1. At record date 2. At offering date 3. One month after close of offering m. Average market price during offering 1. Price per share 2. Rights per share-average value of rights n. Latest reported earnings per share at time of offering o. Latest reported dividends at time of offering | 413 | | 413 | | Rea |
| 53-53.II.A.20 | Provide latest available balance sheet and income statement for Company, Parent and System (consolidated). | 414 | | 414 | | Vassalotti |
| 53-53.II.A.21 | Provide Original Cost, Trended Original Cost and Fair Value rate base claims. | 8 | | 108 | | Covert |
| 53-53.II.A.22 | a. Provide Operating Income claims under: (i) Present rates (ii) Pro forma present rates (annualized & normalized) (iii) Proposed rates (annualized & normalized) b. Provide Rate of Return on Original Cost and Fair Value claims under: (i) Present rates (ii) Pro forma present rates (iii) Proposed rates | 2 | 2 | 102 | 2 | Vassalotti |
| 53-53.II.A.23 | List details and sources of "Other Property and Investments," "Temporary Cash Investments and Working Funds on test year-end balance sheet. | 1 | 4 | 101 | | Vassalotti |
| 53-53.II.A.24 | Attach chart explaining Company's corporate relationship to its affiliates (System Structure). | 15 | 3 | 115 | | Kempic |
| 53-53.II.A.25 | If the utility plans to make a formal claim for a specific allowable rate of return. Provide the following data in statement form: a. Claimed capitalization and capitalization ratios with supporting data. b. Claimed cost of long-term debt with supporting data. c. Claimed cost of short-term debt with supporting data. d. Claimed cost of total debt with supporting data. e. Claimed cost of preferred stock with supporting data f. Claimed cost of common equity with supporting data. | 400 | | 400 | | Rea |
| 53-53.II.A.26 | Provide the following income tax data: a. Consolidated income tax adjustments, if applicable. b. Interest for tax purposes (basis). | 7 | | 107 | | Harding |
| 53-53.II.C | 53-53.II. RATE RETURN C. GAS UTILITIES | | | | | |
| 53-53.II.C.1 | Provide test year monthly balances for "Current Gas Storage" and notes financing such storage. | 1 | 5 | 101 | | Vassalotti |

Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499
Referenced by Commission Regulations

| Commission Regulation Number | Commission Regulation | Historic Test Year Twelve Months Ended <u>November 30, 2024</u> | | Fully Projected Future Test Year Twelve Months Ended <u>December 31, 2026</u> | | Witness |
|------------------------------|--|---|----------|--|----------|------------|
| | | Exhibit | Schedule | Exhibit | Schedule | |
| 53-53.III.A | 53-53.III. BALANCE SHEET AND OPERATING STATEMENT A ALL UTILITIES | | | | | |
| 53-53.III.A1 | Provide a comparative balance sheet for the test year and the preceding year which corresponds with the test year date. | 1 | 1 | 101 | | Vassalotti |
| 53-53.III.A2 | Set forth the major items of Other Physical Property, Investments in Affiliated Companies and Other Investments. | 1 | 6 | 101 | | Vassalotti |
| 53-53.III.A3 | Supply the amounts and purpose of Special Cash Accounts of all types, such as: a. Interest and Dividend Special Deposits. b. Working Funds other than general operating cash accounts. c. Other special cash accounts and amounts (Temporary cash investments). | 1 | 7 | 101 | | Vassalotti |
| 53-53.III.A4 | Describe the nature and/or origin and amounts of notes receivable, accounts receivable from associated companies, and any other sign fact receivables, other than customer accounts, which appear on balance sheet. | 1 | 8 | 101 | | Vassalotti |
| 53-53.III.A5 | Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued, and amounts written-off in each of the last three years. | 1 | 9 | 101 | | Vassalotti |
| 53-53.III.A6 | Provide a list of prepayments and give an explanation of special prepayments. | 1 | 10 | 101 | | Vassalotti |
| 53-53.III.A7 | Explain in detail any other significant (in amount) current assets listed on balance sheet. | 1 | 11 | 101 | | Vassalotti |
| 53-53.III.A8 | Explain in detail, including the amount and purpose, the deferred asset accounts that currently operate to effect or will at a later date effect the operating account supplying: a. Origin of these accounts. b. Probable changes to this account in the near future. c. Amortization of these accounts currently charged to operations or to be charged in the near future. d. Method of determining yearly amortization for the following accounts: Temporary Facilities Miscellaneous Deferred Debits Research and Development Property Losses Any other deferred accounts that effect operating results. | 1 | 12 | 101 | | Vassalotti |
| 53-53.III.A9 | Explain the nature of accounts payable to associated companies, and note amounts of significant items. | 1 | 13 | 101 | | Vassalotti |
| 53-53.III.A10 | Provide details of other deferred credits as to their origin and disposition policy (e.g. - amortization). | 1 | 14 | 101 | | Vassalotti |
| 53-53.III.A11 | Supply basis for Injury and Damages reserve and amortization thereof. | 1 | 15 | 101 | | Vassalotti |
| 53-53.III.A12 | Provide details of any significant reserves, other than depreciation, bad debt, injury and damages, appearing on balance sheet. | 1 | 16 | 101 | | Vassalotti |
| 53-53.III.A13 | Provide an analysis of Unappropriated retained earnings for the test year and three preceding calendar years. | 1 | 17 | 101 | | Vassalotti |
| 53-53.III.A14 | Provide schedules and data in support of the following working capital items: a. Prepayments - List and identify all items b. Federal Excise Tax accrued and prepaid c. Federal Income Tax accrued or prepaid d. Pa. State Income Tax accrued or prepaid e. Pa. Gross Receipts Tax accrued or prepaid | 8 | | 108 | | Covert |

Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499
Referenced by Commission Regulations

| Commission Regulation Number | Commission Regulation | Historic Test Year Twelve Months Ended <u>November 30, 2024</u> | | Fully Projected Future Test Year Twelve Months Ended <u>December 31, 2026</u> | | Witness |
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| | f. Pa. Capital Stock Tax accrued or prepaid g. Pa. Public Utility Realty Tax accrued or prepaid h. State sales tax accrued or prepaid i. Payroll taxes accrued or prepaid j. Any adjustment related to the above items for ratemaking purposes. | 8 | | 108 | | Covert |
| 53-53.III.A15 | Supply an exhibit supporting the claim for working capital requirement based on the lead-lag method. a. Pro forma expenses and revenues are to be used in lieu of book data for computing lead-lag days. b. Respondent must either include sales for resale and related expenses in revenues and in expenses or exclude from revenues and expenses. Explain procedures followed (exclude telephone). | 8 | 4 | 108 | 4 | Covert |
| 53-53.III.A16 | Provide detailed calculations showing the derivation of the tax liability offset against gross cash working capital requirements. | 8 | 4 | 108 | 4 | Covert |
| 53-53.III.A17 | Prepare a Statement of Income for the various time frames of the rate proceeding including: Col. 1-Book recorded statement for the test year. 2-Adjustments to book record to annualize and normalize under present rates. 3-Income statement under present rates after adjustment in Col. 2 4-Adjustment to Col. 3 for revenue increase requested. 5-Income statement under requested rates. a. Expenses may be summarized by the following expense classifications for purposes of this statement: Operating Expenses (by category) Depreciation Amortization Taxes, Other than Income Taxes Total Operating Expense Operating Income Before Taxes Federal Taxes State Taxes Deferred Federal Deferred State Income Tax Credits Other Credits Other Credits and Charges, etc. Total Income Taxes Net Utility Operating Income Other Income & Deductions Other Income Detailed listing of Other Income used in Tax Calculation Other Income Deduction Detailed Listing Taxes Applicable to Other Income and Deductions | 2 2 | 3 4 | 102 | 3 | Vassalotti Vassalotti |

Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499
Referenced by Commission Regulations

| Commission Regulation Number | Commission Regulation | Historic Test Year Twelve Months Ended <u>November 30, 2024</u> | | Fully Projected Future Test Year Twelve Months Ended <u>December 31, 2026</u> | | Witness |
|------------------------------|---|---|-----------------|--|-----------------|------------|
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| | Listing Income Before Interest Charges Listing of all types of Interest Charges and all amortization of Premiums and/or Discounts and expenses on Debt issues Total Interest Net Income After Interest Charges (Footnote each adjustment to the above statements with explanation in sufficient clarifying detail.) | 2 | 3, 4 | | | Vassalotti |
| 53-53.III.A18 | Provide comparative operating statements for the test year and the immediately preceding 12 months showing increases and decreases between the two periods. These statements should supply detailed explanation of the causes of the major variances between the test year and preceding year by detailed account number. | 2 | 5 | 102 | 4 | Vassalotti |
| 53-53.III.A19 | List extraordinary property losses as a separate item, not included in operating expenses or depreciation and amortization. Sufficient supporting data must be provided. | 13 | 5 | 113 | 3 | Vassalotti |
| 53-53.III.A20 | Supply detailed calculations of amortization of rate case expense, including supporting data for outside services rendered. Provide the items comprising the rate case expense claim (include the actual billings or invoices in support of each kind of rate case expense), the items comprising the actual expenses of prior rate cases and the unamortized balances. | 4 | 4 | 104 | 4 | Vassalotti |
| 53-53.III.A21 | Submit detailed computation of adjustments to operating expenses for salary, wage and fringe benefit increases (union and non-union merit, progression, promotion and general) granted during the test year and six months subsequent to the test year. Supply data showing for the test year: a. Actual payroll expense (regular and overtime separately) by categories of operating expenses. i.e. maintenance, operating transmission, distribution, other. b. Date, percentage increase, and annual amount of each general payroll increase during the test year. c. Dates and annual amounts of merit increases or management salary adjustments. d. Total annual payroll increases in the test year e. Proof that the actual payroll plus the increases equal the payroll expense claimed in the supporting data (by categories of expenses). f. Detailed list of employee benefits and cost thereof for union and non-union personnel. Any specific benefits for electives and officers should also be included, and cost thereof. g. Support the annualized pension cost figures (i) State whether these figures include any unfunded pension costs. Explain. (ii) Provide latest actuarial study used for determining pension accrual rates. h. Submit a schedule showing any deferred income and consultant fee to corporate officers or employees. | 4 | 5 | 104 | 5 | Vassalotti |
| 53-53.III.A22 | Supply an exhibit showing an analysis, by functional accounts, of the charges by affiliates (Service Corporations, etc.) for services rendered included in the operating expenses of the filing company for the 12-month period ended prior to the test year. a. Supply a copy of contracts, if applicable. b. Explain the nature of the services provided. c. Explain basis on which charges are made. d. If charges allocated, identify allocation factors used. | 4 | 11 | 104 | 9 | Vassalotti |

Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499
Referenced by Commission Regulations

| Commission Regulation Number | Commission Regulation | Historic Test Year Twelve Months Ended <u>November 30, 2024</u> | | Fully Projected Future Test Year Twelve Months Ended <u>December 31, 2026</u> | | Witness |
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| 53-53.III.A23 | e. Supply the components and amounts comprising the expense in this account. f. Provide details of initial source of charge and reason thereof. Describe costs relative to leasing equipment, computer rentals, and office space, including terms and conditions of the lease. State method for calculating monthly or annual payments. | 4 | 12 | 104 | 9 | Vassalotti |
| 53-53.III.A24 | Submit detailed calculations (or best estimates) of the cost resulting from major storm damage. | 4 | 13 | 104 | 9 | Vassalotti |
| 53-53.III.A25 | Submit details of expenditures for advertising (National and Institutional and Local media). Provide a schedule of advertising expense by major media categories for the test year and the prior two comparable years with respect to: a. Public health and safety b. Conservation of energy c. Explanation of Billing Practices. Rates, etc. d. Provision of factual and objective data programs in educational institutions e. Other advertising programs f. Total advertising expense | 4 | 8 | 104 | 6 | Vassalotti |
| 53-53.III.A26 | Provide a list of reports, data, or statements requested by and submitted to the Commission during and subsequent to the test year. | 14 | 1 | 114 | 1 | Danhires |
| 53-53.III.A27 | Prepare a detailed schedule for the test year showing types of social and service organization memberships paid for by the Company and the cost thereof. | 4 | 14 | 104 | 9 | Vassalotti |
| 53-53.III.A28 | Submit a schedule showing, by major components, the expenditures associated with Outside Services Employed, Regulatory Commission Expenses and Miscellaneous General Expenses, for the test year and prior two comparable years. | 4 | 14 | 104 | 9 | Vassalotti |
| 53-53.III.A29 | Submit details of information covering research and development expenditures, including major projects within the company and forecasted company programs. | 4 | 9 | 104 | 7 | Vassalotti |
| 53-53.III.A30 | Provide a detailed schedule of all charitable and civic contributions by recipient and amount for the test year. | 4 | 15 | 104 | 9 | Vassalotti |
| 53-53.III.A31 | Provide a detailed analysis of Special Services-Account 795. | 4 | 14 | 104 | 9 | Vassalotti |
| 53-53.III.A32 | Provide a detailed analysis of Miscellaneous General Expense-Account No. 801. | 4 | 14 | 104 | 9 | Vassalotti |
| 53-53.III.A33 | Provide a labor productivity schedule. | 4 | 10 | 104 | 8 | Vassalotti |
| 53-53.III.A34 | List and explain all non-recurring abnormal or extraordinary expenses incurred in the test year which will not be present in future years. | 4 | 16 | 104 | 9 | Vassalotti |
| 53-53.III.A35 | List and explain all expenses included in the test year which do not occur yearly but are of a nature that they do occur over an extended period of years. (e.g., -Non-yearly maintenance programs, etc.) [Responses shall be submitted and identified as exhibits.] | 4 | 16 | 104 | 9 | Vassalotti |
| 53-53.III.A36 | Using the adjusted year's expenses under present rates as a base, give detail necessary for clarification of all expense adjustments. Give clarifying detail for such adjustments that occur due to changes in accounting procedure, such as charging a particular expense to a different account than was used previously. Explain any extraordinary declines in expense due to such change of account use. | 4 | 16 | 104 | 9 | Vassalotti |

Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499
Referenced by Commission Regulations

| Commission Regulation Number | Commission Regulation | Historic Test Year Twelve Months Ended <u>November 30, 2024</u> | | Fully Projected Future Test Year Twelve Months Ended <u>December 31, 2026</u> | | Witness |
|------------------------------------|--|---|-----------------|--|-----------------|------------|
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| 53-53.III.A37 | Indicate the expenses that are recorded in the test year, which are due to the placement in operating service of major plant additions or the removal of major plant from operating service, and estimate the expense that will be incurred on a full-year's operation. | 4 | 16 | 104 | 9 | Vassalotti |
| 53-53.III.A38 | Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures. | 4 | 16 | 104 | 9 | Vassalotti |
| 53-53.III.A39 | Identify the specific witness for all statements and schedules of revenues, expenses, taxes, property, valuation, etc. | 13 | 3 | 113 | 3 | Kempic |
| 53-53.III.A40 | Adjustments which are estimated shall be fully supported by basic information reasonably necessary. | 13 | 4 | 113 | 3 | Vassalotti |
| 53-53.III.A41 | Submit a statement explaining the derivation of the amounts used for projecting future test year level of operations and submit appropriate schedules supporting the projected test year level of operations. | 13 | 4 | 113 | 3 | Vassalotti |
| 53-53.III.A42 | If a company has separate operating divisions, an income statement must be shown for each division, plus an income statement for company as a whole. | 2 | 6 | 102 | 5 | Vassalotti |
| 53-53.III.A43 | If a company's business extends into different states or jurisdictions, then statements must be shown listing Pennsylvania jurisdictional data, other state data and federal data separately and jointly (Balance sheets and operating accounts) | 2 | 6 | 102 | 5 | Vassalotti |
| 53-53.III.A44 | Ratios, percentages, allocations and averages used in adjustments must be fully supported and identified as to source. | 13 | 4 | 113 | 3 | Vassalotti |
| 53-53.III.A45 | Provide an explanation of any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in the prior rate case. | 13 | 4 | 113 | 3 | Vassalotti |
| 53-53.III.A46 | Supply a copy of internal and independent audit reports of the test year and prior calendar year, noting any exceptions and recommendations and disposition thereof. | 13 | 4 | 113 | 3 | Vassalotti |
| 53-53.III.A47 | Submit a schedule showing rate of return on facilities allocated to serve wholesale customers. | 11 | | 111 | | Johnson |
| 53-53.III.A48 | Provide a copy of the latest capital stock tax report and the latest capital stock tax settlement. | 6 | 3 | 106 | 3 | Harding |
| 53-53.III.A49 | Submit details of calculations for Taxes, Other than Income where a company is assessed taxes for doing business in another state, or on its property located in another state. | 6 | 4 | 106 | 3 | Harding |
| 53-53.III.A50 | Provide a schedule of federal and Pennsylvania taxes, other than income taxes, calculated on the basis of test year per books, pro forma at present rates, and pro forma at proposed rates, to include the following categories: a. social security b. unemployment c. capital stock d. public utility realty e. PUC assessment f. other property g. any other appropriate categories | 6 | 2 | 106 | 2 | Harding |
| 53-53.III.A51 | Submit a schedule showing for the last five years the income tax refunds, plus interest (net of taxes), received from the federal government due to prior years' claims. | 7 | | 107 | | Harding |

Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499
Referenced by Commission Regulations

| Commission Regulation Number | Commission Regulation | Historic Test Year Twelve Months Ended <u>November 30, 2024</u> | | Fully Projected Future Test Year Twelve Months Ended <u>December 31, 2026</u> | | Witness |
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| 53-53.III.A52 | Provide detailed computations showing the deferred income taxes derived by using accelerated tax depreciation applicable to post-1969 utility property increases productive capacity, and ADR rates on property. (Separate between state and federal, also rate used). | 7 | | 107 | | Harding |
| | a. State whether tax depreciation is based on all rate base items claimed as of the end of the test year, and whether it is the annual tax depreciation at the end of the test year. b. Reconcile any difference between the deferred tax balance, as shown as a reduction to measures of value (rate base), and the deferred tax balance as shown on the balance sheet. | 7 | | 107 | | Harding |
| 53-53.III.A53 | Submit a schedule showing a breakdown of the deferred income taxes by state and federal per books, pro-forma existing rates, and under proposed rates. | 7 | | 107 | | Harding |
| 53-53.III.A54 | Submit a schedule showing a breakdown of accumulated investment tax (credits 3 percent, 4 percent, 7 percent, 10 percent and 11 percent), together with details of methods used to write-off the unamortized balances. | 7 | | 107 | | Harding |
| 53-53.III.A55 | Submit a schedule showing the adjustments for taxable net income per books (including below-the-line items) and pro-forma under existing rates, together with an explanation of any difference between the adjustments. Indicate charitable donations and contributions in the tax calculation for rate making purposes. | 7 | | 107 | | Harding |
| 53-53.III.A56 | Submit detailed calculations supporting taxable income before state and federal income taxes where the income tax is subject to allocation due to operations in another state, or due to operation of other taxable utility or non-utility business, or by operating divisions or areas. | 7 | | 107 | | Harding |
| 53-53.III.A57 | Submit detailed calculations showing the derivation of deferred income taxes for amortization of repair allowance if such policy is followed. [Note: Submit additional schedules if the company has more than one accounting area.] | 7 | | 107 | | Harding |
| 53-53.III.A58 | Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other deferred income tax credits and reserves by accounting areas. | 7 | | 107 | | Harding |
| 53-53.III.A59 | Provide details of the Federal Surtax Credit allocated to the Pennsylvania jurisdictional area, if applicable. | 7 | | 107 | | Harding |
| 53-53.III.A60 | Explain the reason for the use of cost of removal of any retired plant figures in the income tax calculations. | 7 | | 107 | | Harding |
| 53-53.III.A61 | Submit the corresponding data applicable to Pennsylvania Corporate Income Tax deferment. a. Show the amounts of straight line tax depreciation and accelerated tax depreciation, the difference between which gave rise to the normalizing tax charged back to the test year operating statement. b. Show normalization for both Federal and State Income Taxes. c. Show tax rates used to calculate tax deferment amount. | 7 | | 107 | | Harding |

Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499
Referenced by Commission Regulations

| Commission Regulation Number | Commission Regulation | Historic Test Year Twelve Months Ended <u>November 30, 2024</u> | | Fully Projected Future Test Year Twelve Months Ended <u>December 31, 2026</u> | | Witness |
|------------------------------|--|---|-----------------|--|-----------------|---------|
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| 53-53.III.A62 | Provide the accelerated tax depreciation and the book depreciation used to calculate test year deferrals in amounts segregated as follows: For: a. Property installed prior to 1970. b. Property installed subsequent to 1969 (indicate increasing capacity additions and no increasing capacity additions). | 7 | | 107 | | Harding |
| 53-53.III.A63 | State whether all tax savings due to accelerated depreciation on property installed prior to 1970 have been passed through to income. (If not, explain). | 7 | | 107 | | Harding |
| 53-53.III.A64 | Show any income tax loss/gain carryovers from previous years that may effect test year income taxes or future year income taxes. Show loss/gain carryovers by years of origin and amounts remaining by years at the end of the test year. | 7 | | 107 | | Harding |
| 53-53.III.A65 | State whether the company eliminates any tax savings by the payment of actual interest on construction work in progress not in rate base claim. If response is affirmative: a. Set forth amount of construction claimed in this tax savings reduction. Explain the basis for this amount. b. Explain the manner in which the debt portion of this construction is determined for purposes of the deferral calculations. c. State the interest rate used to calculate interest on this construction debt portion, and the manner in which it is derived. d. Provide details of calculation to determine tax saving reduction. State whether state taxes are increased to reflect the construction interest elimination. | 7 | | 107 | | Harding |
| 53-53.III.A66 | Provide a detailed analysis of Taxes Accrued per books as of the test year date. Also supply the basis for the accrual and the amount of taxes accrued monthly. | 7 | | 107 | | Harding |
| 53-53.III.A67 | For the test year as recorded on test year operating statement: a. Supply the amount of federal income taxes actually paid. b. Supply the amount of the federal income tax normalizing charge to tax expense due to excess of accelerated tax depreciation over book depreciation. c. Supply the normalizing tax charge to federal income taxes for the 10% Job Development Credit during test year. d. Provide the amount of the credit of federal income taxes due to the amortization or normalizing yearly debit to the reserve for the 10% Job Development Credit. e. Provide the amount of the credit to federal income taxes for the normalizing of any 3% Investment Tax Credit Reserve that may remain on the utility books. | 7 | | 107 | | Harding |
| 53-53.III.A68 | Provide the debit and credit in the test year to the Deferred Taxes due to Accelerated Depreciation for federal income tax, and provide the debit and credit for the Job Development Credits (whatever account) for test year. | 7 | | 107 | | Harding |

Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499
Referenced by Commission Regulations

| Commission Regulation Number | Commission Regulation | Historic Test Year Twelve Months Ended <u>November 30, 2024</u> | | Fully Projected Future Test Year Twelve Months Ended <u>December 31, 2026</u> | | Witness |
|------------------------------|--|---|-----------------|--|-----------------|------------|
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| 53-53.III.A69 | Reconcile all data given in answers to questions on income taxes charged on the test year operating statement with regard to income taxes paid, income taxes charged because of normalization and credits due to yearly write-offs of past years' income tax deferrals, and from normalization of investment tax and development credits. (Both state and federal income taxes.) | 7 | | 107 | | Harding |
| 53-53.III.A70 | With respect to determination of income taxes, federal and state: a. Show income tax results of the annualizing and normalizing adjustments to the test year record before any rate increase. b. Show income taxes for the annualized and normalized test year. c. Show income tax effect of the rate increase requested. d. Show income taxes for the normalized and annualized test year after application of the full rate increase. [It is imperative that continuity exists between the income tax calculations as recorded for the test year and the final income tax calculation under proposed rates. If the company has more than one accounting area, then additional separate worksheets must be provided in addition to those for total company.] | 7 | | 107 | | Harding |
| 53-53.III.A71 | In adjusting the test year to an annualized year under present rates, explain any changes that may be due to book or tax depreciation change and to debits and credits to income tax expense due to accelerated depreciation, deferred taxes, job development credits, tax refunds or other items. (The above refers only the adjustments going from recorded test year to annualized test year). | 7 | | 107 | | Harding |
| 53-53.III.E | 53-53.III.BALANCE SHEET AND OPERATING STATEMENT E. GAS UTILITIES | | | | | |
| 53-53.III.E.1 | If Unrecovered Fuel Cost policy is implemented, provide the following: a. State manner in which amount of Unrecovered Fuel Cost on balance sheet at the end of the test year was determined, and the month in test year in which such fuel expense was actually incurred. Provide amount of adjustment made on the rate case operating account for test year-end unrecovered fuel cost. (If different than balance sheet amount, explain.) b. Provide amount of Unrecovered Fuel Cost that appeared on the balance sheet at the opening date of the test year, and the manner in which it was determined. State whether this amount is in the test year operating account.. | 1 | 18 | 101 | | Vassalotti |
| 53-53.III.E.2 | Provide details of items and amounts comprising the accounting entries for Deferred Fuel Cost at the beginning and end of the test year. | 1 | 18 | 101 | | Vassalotti |
| 53-53.III.E.3 | Submit a schedule showing a reconciliation of test year MCF sales and line losses. List all amounts of gas purchased, manufactured and transported. | 10 | 7 | 110 | 7 | Battig |
| 53-53.III.E.4 | Provide detailed calculations substantiating the adjustment to revenues for annualization of changes in number of customers and annualization of changes in volume sold for all customers for the test year. a. Break down changes in number of customers by rate schedules. b. If an annualization adjustment for changes in customers and changes in volume sold is not submitted, please explain. | 3 | | 103 | | Battig |
| 53-53.III.E.5 | Submit a schedule showing the sources of gas supply associated with annualized MCF sales. | 12 | 1 | 112 | 1 | Battig |

Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499
Referenced by Commission Regulations

| Commission Regulation Number | Commission Regulation | Historic Test Year Twelve Months Ended <u>November 30, 2024</u> | | Fully Projected Future Test Year Twelve Months Ended <u>December 31, 2026</u> | | Witness |
|------------------------------|---|---|-----------------|--|-----------------|---------|
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| 53-53.III.E.6 | Supply, by classification. Operating Revenues - Miscellaneous for test year | 3 | | 103 | | Battig |
| 53-53.III.E.7 | Provide details of respondent's attempts to recover uncollectible and delinquent accounts. | 16 | | 116 | 1 | Battig |
| 53-53.III.E.8 | Describe how the net billing and gross billing is determined. For example, if the net billing is based on the rate blocks plus FCA and STA, and the gross billing is determined by a percentage increase (1, 3, 5 percent), then state whether the percentage increase is being applied to all three items of revenue - rate blocks plus FCA and STA. | 3 | | 103 | | Battig |
| 53-53.III.E.9 | Describe the procedures involved in determining whether forfeited discounts or penalties are applied to customers billing. | 3 | | 103 | | Battig |
| 53-53.III.E.10 | Provide annualization of revenues as a result of rate changes occurring during the test year, at the level of operations as of end of the test year. | 3 | | 103 | | Battig |
| 53-53.III.E.11 | Provide a detailed billing analysis supporting present and proposed rates by customer classification and/or tariff rate schedule. | 3 | | 103 | | Battig |
| 53-53.III.E.12 | Provide a schedule showing residential and commercial heating sales by unit (MCF) per month and degree days for the test year and three preceding twelve month periods. | 10 | 1 | 110 | 1 | Girata |
| 53-53.III.E.13 | Provide a schedule of present and proposed tariff rates showing dollar change and percent of change by block. Also, provide an explanation of any change in block structure and the reasons therefore. | 3 | | 103 | | Battig |
| 53-53.III.E.14 | Provide the following statements and schedules. The schedules and statements for the test year portion should be reconciled with the summary operating statement. a. An operating revenues summary for the test year and the year preceding the test year showing the following (Gas MCF): (i) For each major classification of customers (a) MCF sales (b) Dollar Revenues (c) Forfeited Discounts (Total if not available by classification) (d) Other and Miscellaneous revenues that are to be taken into the utility operating account along with their related costs and expenses. (ii) A detailed explanation of all annualizing and normalizing adjustments showing method utilized and amounts and rates used in calculation to arrive at adjustment. (iii) Segregate, from recorded revenues from the test year, the amount of revenues that are contained therein, by appropriate revenue categories, from: (a) Fuel Adjustment Surcharge (b) State Tax Surcharge (c) Any other surcharge being used to collect revenues. (d) Provide explanations if any of the surcharges are not applicable to respondent's operations. [The schedule should also show number of customers and unit of sales (Mcf), and should provide number of customers by service classification at beginning and end of test year.] | 3 | | 103 | | Battig |

Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499
Referenced by Commission Regulations

| Commission Regulation Number | Commission Regulation | Historic Test Year Twelve Months Ended <u>November 30, 2024</u> | | Fully Projected Future Test Year Twelve Months Ended <u>December 31, 2026</u> | | Witness |
|------------------------------------|--|---|----------|--|----------|------------|
| | | Exhibit | Schedule | Exhibit | Schedule | |
| | b. Provide details of sales for resale, based on periods five years before and projections for five years after the test year, and for the test year. List customers, Mcf sold, revenues received, source of Mcf sold (storage gas, pipeline gas, manufactured gas, natural or synthetic), contracted or spot sales, whether sales are to affiliated companies, and any other pertinent information. | 3 | | 103 | | Battig |
| 53-53.III.E.15 | State manner in which revenues are being presented for ratemaking purposes: a. Accrued Revenues b. Billed Revenues c. Cash Revenues Provide details of the method followed. | 3 | | 103 | | Battig |
| 53-53.III.E.16 | If revenue accruing entries are made on the books at end of each fiscal period, give entries made accordingly at the end of the test year and at the beginning of the year. State whether they are reversed for ratemaking purposes. | 2 | 7 | 102 | 6 | Vassalotti |
| 53-53.III.E.17 | State whether any adjustments have been made to expenses in order to present such expenses on a basis comparable to the manner in which revenues are presented in this proceeding (i.e.- accrued, billed or cash). | 4 | 1 | 104 | 1 | Vassalotti |
| 53-53.III.E.18 | If the utility has a Fuel Adjustment Clause: a. State the base fuel cost per MCF chargeable against basic customers' rates during the test year. If there was any change in this basic fuel charge during the test year, give details and explanation thereof. b. State the amount in which the fuel adjustment clause cost per MCF exceeds the fuel cost per MCF charged in base rates at the end of the test year. c. If fuel cost deferment is used at the end of the test year, give (i) The amount of deferred fuel cost contained in the operating statement that was deferred from the 12-month operating period immediately preceding the test year. (ii) The amount of deferred fuel cost that was removed from the test period and deferred to the period immediately following the test year. d. State the amount of Fuel Adjustment Clause revenues credited to the test year operating account. e. State the amount of fuel cost charged to the operating expense account in the test year which is the basis of Fuel Adjustment Clause billings to customers in that year. Provide summary details of this charge f. From the recorded test year operating account, remove the Fuel Adjustment Clause Revenues. Also remove from the test year recorded operating account the excess of fuel cost over base rate fuel charges, which is the basis for the Fuel Adjustment charges. Explain any differences between FAC Revenues and excess fuel costs. [The above is intended to limit the operating account to existing customers' base rate revenues and expense deductions relative thereto]. | 12 | 2 | 112 | 2 | Battig |
| 53-53.III.E.19 | Provide growth patterns of usage and customer numbers per rate class, using historical and projected data. | 10 | 2 | 110 | 2 | Girata |
| 53-53.III.E.20 | Provide, for test year only, a schedule by tariff rates and by service classifications showing proposed increase and percent of increase. | 3 | | 103 | | Battig |

Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499
Referenced by Commission Regulations

| Commission Regulation Number | Commission Regulation | Historic Test Year Twelve Months Ended <u>November 30, 2024</u> | | Fully Projected Future Test Year Twelve Months Ended <u>December 31, 2026</u> | | Witness |
|------------------------------|--|---|-----------------|--|-----------------|------------|
| | | <u>Exhibit</u> | <u>Schedule</u> | <u>Exhibit</u> | <u>Schedule</u> | |
| 53-53.III.E.21 | If a gas company is affiliated with another utility segment, such as a water or electric segment, explain the effects, if any, upon allocation factors used in the gas rate filing of current or recent rate increases allowed to the other utility segment (or segments) of the company. | 2 | 8 | 102 | 7 | Vassalotti |
| 53-53.III.E.22 | Provide supporting data detailing curtailment adjustments, procedures and policies. | 10 | 3 | 110 | 3 | Battig |
| 53-53.III.E.23 | Submit a schedule showing fuel cost in excess of base compared to fuel cost recovery for the period two months prior to test year and the test year | 12 | 3 | 112 | 2 | Battig |
| 53-53.III.E.24 | Supply a detailed analysis of Purchased Gas for the test year and the twelve month period prior to the test year. | 12 | 4 | 112 | 2 | Battig |
| 53-53.III.E.25 | Submit calculations supporting energy cost per MCF and operating ratio used to determine increase in costs other than production to serve additional load. | 12 | 4 | 112 | 2 | Battig |
| 53-53.III.E.26 | Submit detailed calculations for bulk gas transmission service costs under supply and/or interconnection agreements. | 12 | 4 | 112 | 2 | Battig |
| 53-53.III.E.27 | Submit a schedule for gas producing units retired or scheduled for retirement subsequent to the test year showing station, units, MCF capacity, hours of operation during test year, net output produced and cents/MCF of maintenance and fuel expenses. | 13 | 6 | 113 | 4 | Covert |
| 53-53.III.E.28 | Provide a statement explaining the details of firm gas purchase (long-term) contracts with affiliated and nonaffiliated utilities, including determination of costs, terms of contract, and other pertinent information. | 17 | | 117 | | Battig |
| 53-53.III.E.29 | Provide intrastate operations percentages by expense categories for two years prior to the test year. | 4 | 17 | 104 | 9 | Vassalotti |
| 53-53.III.E.30 | Provide a schedule showing suppliers, MCF purchased, cost (small purchases from independent suppliers may be grouped); emergency purchases, listing same information; curtailments during the year; gas put into and taken out of storage; line loss, and any other gas input or output not in the ordinary course of business. | 12 | 4 | 112 | 2 | Battig |
| 53-53.III.E.31 | Provide a schedule showing the determination of the fuel costs included in the base cost of fuel. | 12 | 5 | 112 | 2 | Battig |
| 53-53.III.E.32 | Provide a schedule showing the calculation of any deferred fuel costs shown in Account 174. Also, explain the accounting, with supporting detail, for any associated income taxes. | 1 | 19 | 101 | | Vassalotti |
| 53-53.III.E.33 | Submit a schedule showing maintenance expenses, gross plant and the relation of maintenance expenses thereto as follows. (i) Gas Production Maintenance Expenses per MCF production, per \$1,000 MCF production, and per \$1,000 of Gross Production Plant; (ii) Transmission Maintenance Expenses per MCF mile and per \$1,000 of Gross Transmission Plant; (iii) Distribution Maintenance Expenses per customer and per \$1,000 of Gross Distribution Plant; (iv) Storage Maintenance Expenses per MCF of Storage Capacity and per \$1,000 of Gross Storage Plant. This schedule shall include three years prior to the test year, the test year and one year's projection beyond the test year. | 4 | 18 | 104 | 9 | Vassalotti |
| 53-53.III.E.34 | Prepare a 3-column schedule of expenses, as described below for the following periods (supply sub-accounts, if significant, to clarify basic accounts): a. Column 1 - Test Year b. Column 2 and 3 - The two previous years | 4 | 3 19 | 104 | 3 | Vassalotti |

Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499
Referenced by Commission Regulations

| Commission Regulation Number | Commission Regulation | Historic Test Year Twelve Months Ended <u>November 30, 2024</u> | | Fully Projected Future Test Year Twelve Months Ended <u>December 31, 2026</u> | | Witness |
|------------------------------|---|---|-----------------|--|-----------------|----------|
| | | <u>Exhibit</u> | <u>Schedule</u> | <u>Exhibit</u> | <u>Schedule</u> | |
| | Provide the annual recorded expense by accounts. (Identify all accounts used but not specifically listed below.) | | | | | |
| 53-53.III.E.35 | Submit a schedule showing the Gross Receipts Tax Base used in computing Pennsylvania Gross Receipts Tax Adjustment. | 6 | 1 | 106 | 1 | Harding |
| 53-53.III.E.36 | State the amount of gas, in MCF, obtained through various suppliers in past years. | 12 | 4 | 112 | 2 | Battig |
| 53-53.III.E.37 | In determining pro forma expense, exclude cost of gas adjustments applicable to fuel adjustment clause and exclude fuel adjustment clause revenues, so that the operating statement is on the basis of base rates only. | 3 | | 103 | | Battig |
| 53-53.III.E.38 | Identify company's policy with respect to replacing customers lost through attrition. | 10 | 4 | 110 | 4 | Battig |
| 53-53.III.E.39 | Identify procedures developed to govern relationship between the respondent and potential customers - i.e., basically expansion, alternate energy requirements, availability of supply, availability of distribution facilities, ownership of metering and related facilities. | 10 | 4 | 110 | 4 | Danhires |
| 53-53.IV.B | 53-53.IV. RATE STRUCTURE B. GAS UTILITIES Each gas utility shall submit the following simultaneously with any rate increase filing: | | | | | |
| 53-53.IV.B.1 | Provide a Cost of Service Study showing the rate of return under the present and proposed tariffs for all customer classifications. The study should include a summary of the allocated measures of value, operating revenues, operating expenses and net return for each of the customer classifications at original cost and at the 5-year trended original cost. | 11 | | 111 | 1 - 3 | Johnson |
| 53-53.IV.B.2 | Provide a statement of testimony describing the complete methodology of the cost of service study. | 11 | | 111 | | Johnson |
| 53-53.IV.B.3 | Provide a complete description and back-up calculations for all allocation factors. | 11 | | 111 | 4 | Johnson |
| 53-53.IV.B.4 | Provide an exhibit for each customer classification showing the following data for the test year and the four previous years: a. The maximum coincident peak day demand. b. The maximum coincident 3-day peak day demand. c. The average monthly consumption in Mcf during the Primary Heating Season (November-March). d. The average monthly consumption in Mcf during the Non-heating season (April-October). e. The average daily consumption in Mcf for each 12-month period | 10 | 5 | 110 | 5 | Girata |
| 53-53.IV.B.5 | Submit a Bill Frequency Analysis for each rate. The analysis should include the rate schedule and block interval, the number of bills at each interval, the cumulative number of bills at each interval, the Mcf or therms at each interval, the cumulative Mcf or therms at each interval, the accumulation of Mcf or therms passing through each interval, and the revenue at each interval for both the present rate and the proposed rates. The analysis should show only those revenues collected from the basic tariff. | 11 | | 111 | | Battig |
| 53-53.IV.B.6 | Supply copies of all present and proposed Gas Tariffs. | 14 | 2 | 114 | 1 | Danhires |
| 53-53.IV.B.7 | Supply a graph of present and proposed base rates on hyperbolic cross section paper. | 11 | | 111 | 5 | Battig |

Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499
Referenced by Commission Regulations

| Commission Regulation Number | Commission Regulation | Historic Test Year Twelve Months Ended <u>November 30, 2024</u> | | Fully Projected Future Test Year Twelve Months Ended <u>December 31, 2026</u> | | Witness |
|------------------------------|--|---|-----------------|--|-----------------|----------|
| | | <u>Exhibit</u> | <u>Schedule</u> | <u>Exhibit</u> | <u>Schedule</u> | |
| 53-53.IV.B.8 | Supply a map showing the Gas System Facilities and Gas Service Areas. The map should include transmission lines, distribution lines, other companies' lines interconnecting with the interconnecting points clearly designated, major compressor stations, gas storage and gas storage lines. The normal direction of gas flow within the transmission system should be indicated by arrows. Separate service areas within the system should be clearly designated. | 15 | 2 | 115 | | Danhires |
| 53-53.IV.B.9 | Supply a cost analysis supporting minimum charges for all rate schedules. | 11 | | 111 | 2 - 3 | Johnson |
| 53-53.IV.B.10 | Supply a cost analysis supporting demand charges for all tariffs which contain demand charges. | 11 | | 111 | | Johnson |
| 53-53.IV.B.11 | Supply the net fuel clause adjustment by month for the test year. | 12 | 6 | 112 | 2 | Battig |
| 53-53.IV.B.12 | Supply a tabulation of base rate bills for each rate schedule comparing the existing rates to proposed rates. The tabulation should show the dollar difference and the per cent increase or decrease. | 11 | | 111 | 6 | Battig |
| 53-53.IV.B.13 | Submit the projected demands for all customer classes for both purchased and produced gas for the three years following the test year filing. | 10 | 6 | 110 | 6 | Girata |
| 53-53.IV.B.14 | Supply an exhibit showing the gas deliveries to each customer class for the most recent 24 month period. The exhibit should identify the source of the gas, such as "purchased" (pipeline), "production" (include purchases from local producers), "storage withdrawal", "propane/air", and "unaccounted for". | 10 | 7 | 110 | 7 | Battig |
| 53.62 | 53.62 RECOVERY OF FUEL COSTS BY GAS UTILITIES In addition to information otherwise required to be filed by a jurisdictional natural gas distributor with gross intrastate annual operating revenues in excess of \$40 million seeking a change in its base rates, each gas utility must also file updates to the information required by &53.64(c) (relating to filing requirements for natural gas distributors with gross intrastate annual operating revenues in excess of \$40 million). In the case of a utility purchasing gas as defined at &53.61 (a) (relating to purpose) from an affiliated interest, it shall also file updates to the information required at &53.65 (relating to special provisions relating to natural gas distributors with gross interstate annual operating revenues in excess of \$40 million with affiliated interests). These updates shall be made at the time the base rate case under 66 Pa.C.S. 1308 (relating to voluntary changes in rates) is originally filed. Deficiencies in filing will be treated as set forth at &53.51 (c) (relating to general). | | | | | |
| | Weather Normalization Adjustment | 10 | 8 | 110 | 8 | Girata |
| | Volumetric Portion of Load Growth Adjustment | 10 | 9 | 110 | 9 | Girata |
| | Estimated Number of Bills and Normalized Sales Volumes | 10 | 9 | 110 | 9 | Girata |
| | Future Test Year Sales Forecast | 10 | 9 | 110 | 10 | Girata |
| | Adjustment to Purchase Gas Expense | 12 | 7 | 112 | 3 | Battig |
| | Recovery of Fuel Costs by Gas Utilities (1307-F) | 12 | 8 | 112 | 4 | Battig |

COLUMBIA GAS OF PENNSYLVANIA, INC
53.53 III. BALANCE SHEET AND OPERATING STATEMENT
A. ALL UTILITIES

40. Adjustments which are estimated shall be fully supported by basic information reasonably necessary.

Response: All adjustments made were based on annualizing and normalizing the 12 months ended November 30, 2024. The derivation and support behind the adjustments are shown on the following exhibits:

| | |
|---------------|-------------------------------|
| Exhibit No. 2 | Income Statement |
| Exhibit No. 3 | Revenues |
| Exhibit No. 4 | Expenses |
| Exhibit No. 5 | Depreciation |
| Exhibit No. 6 | Taxes Other Than Income Taxes |
| Exhibit No. 7 | Income Taxes |
| Exhibit No. 8 | Measures of Value |

41. Submit a statement explaining the derivation of the amounts used for projecting future test year level of operations and submit appropriate schedules supporting the projected test year level of operations.

Response: Exhibits explaining the derivation of the amounts used for projecting a future test year (12 months ending November 30, 2025) and a fully projected future test year (12 months ended December 31, 2026) are:

| | |
|-----------------|-------------------------------|
| Exhibit No. 102 | Income Statement |
| Exhibit No. 103 | Revenues |
| Exhibit No. 104 | Expenses |
| Exhibit No. 105 | Depreciation |
| Exhibit No. 106 | Taxes Other Than Income Taxes |
| Exhibit No. 107 | Income Taxes |
| Exhibit No. 108 | Measures of Value |

COLUMBIA GAS OF PENNSYLVANIA, INC
53.53 III. BALANCE SHEET AND OPERATING STATEMENT
A. ALL UTILITIES

44. Ratios, percentages, allocations and averages used in adjustments must be fully supported and identified as to source.

Response: When allocation factors are used, they are identified on the appropriate exhibit.

45. Provide an explanation of any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in the prior rate case.

Response: There are no differences.

46. Supply a copy of internal and independent audit reports of the test year and prior calendar year, noting any exceptions and recommendations and disposition thereof.

Response: Please see Exhibit 13, Schedule 4 Attachment A for copies of internal audits. There were no independent audit reports performed specifically for Columbia Gas of Pennsylvania during the test year and prior calendar year.

Rate Case List of Completed Audits during timeframe (12/23-11/24):

| Request Number: | Date of Report: | Audit: | Report Issued Y/N: |
|------------------------|------------------------|---|--|
| 1 | 12/20/2023 | Equipment and Tools and Safeguarding | Yes |
| 2 | 1/5/2024 | Executive and BOD Travel & Entertainment Expense Review | No - Email Communication of results |
| 3 | 1/9/2024 | Patch & Vulnerability Management Controls | Yes |
| 4 | 1/10/2024 | Gas Infrastructure Physical Security | Yes but this audit was conducted under "Attorney Client Privilege" |
| 5 | 1/11/2024 | Gas Pipeline In-line Inspection Processes | Yes |
| 6 | 2/16/2024 | AntiBribery & AntiCorruption Compliance Programs | Yes |
| 7 | 2/23/2024 | Gas Distribution Companies -Major Project Processes | Yes |
| 8 | 3/4/2024 | Human Resource Compliance Activities | Yes |
| 9 | 3/8/2024 | Technology Vendor Security Review Process | Yes |
| 10 | 3/9/2024 | Cybersecurity Incident Response & Recovery Controls | Yes but this audit was conducted under "Attorney Client Privilege" |
| 11 | 4/29/2024 | Operations and Regulatory Compliance Reporting Framework | Yes |
| 12 | 4/29/2024 | Gas Control Processes | Yes |
| 13 | 5/2/2024 | Occupational Health and Safety Program | Yes |
| 14 | 7/31/2024 | Gas Pipeline Damage Prevention Program | Yes |
| 15 | 7/31/2024 | Enterprise Gas & Electric Operations Emergency Response Plans | Yes |
| 16 | 8/1/2024 | Cross Bore Management | Yes |
| 17 | 10/9/2024 | Technology Security Baselines & Configuration Mgmt | Yes |
| 18 | 10/10/2024 | Corporate Aviation | Yes |
| 19 | 10/10/2024 | PHMSA Rupture Mitigation Rules Compliance | Yes |

From: [Cotey \ Heidie \ L](#)
To: [Acevedo Beristain \ Adolfo \ A](#); [Bancroft \ Ashley](#); [Brummitt \ Sandra \ Elizabeth](#); [Gode \ Gunnar \ J](#); [Felton \ Darin](#); [Miller \ Crystal](#); [Nassos \ John \ G](#); [Roy \ David \ A](#)
Cc: [Executive Leadership Team](#)
Subject: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results
Date: Friday, January 5, 2024 4:11:25 PM

Hello All:

We have completed a risk-based review of the design and effectiveness of procedural and systematic controls related to NiSource Inc. (NiSource or the Company) executive (specifically, members of the Executive Leadership Team (ELT) and their executive administrative assistants) and Board of Director (BOD) travel and entertainment expense activities from January – September 2023. During this period, ELT and BOD members incurred approximately \$479,000 in expenses that were subject to reimbursement.

During the audit, we specifically evaluated:

- Sufficiency of and compliance with policies and procedures – including the Business Expense Policy, Travel Policy, and Use of Aircraft Policy
- Expense report approval, review, and associated supporting documentation requirements, including independent expense report review controls
- Processes and controls over the use of Company-owned aircraft

The following items were excluded from the scope of the review:

- Non-executive expense reimbursements
- Compliance with IRS and SEC rules and regulations associated with business and non-business use of Company-owned aircraft as this will be evaluated during a separate audit of Corporate Aviation in 2024

We did not identify fraudulent or inappropriate expenses and found that controls are generally sufficient to mitigate reputational risk. We did, however, identify some policy exceptions and opportunities to further enhance control processes; specifically:

- Within expense reports that were audited by Tata Consultancy Services (TCS), we identified the following instances of non-conformance with the Company's policy on business expenses and travel (issued in January 2023):
 - Twenty-five (25) instances where an itemized receipt was not provided for meals (greater than \$25), hotels, conference room rental and catering expenses
 - Eleven (11) instances where a listing of attendees was not provided or did not align with the supporting receipt for meals and catering expenses
 - Five (5) instances where the ground travel utilized was not the most practical/economical
 - Six (6) instances where the business purpose was not appropriately disclosed within the expense report
 - Three (3) instances where the incorrect expense type was used
 - Four (4) instances where a personal credit card was used instead of a corporate card
 - Two (2) instances where there was no evidence that charitable contributions were pre-approved by the Government and Public Affairs team
- Processes are not formalized to ensure flight approvals and business purposes are retained and documented in compliance with the Use of Aircraft policy
- Use of the corporate aircraft is not always independently approved, and we identified instances where employees approved their own flights
- Guidelines regarding appropriate Board of Directors (BOD) business expenses are not defined (i.e., a BOD expense policy does not exist)
- Charges incurred for alcohol are not segregated in expense reporting for meals and entertainment (but do appear on itemized receipts), which may impair the Company's

flexibility to identify and remove certain expenses for rate cases

As we did not identify fraudulent or inappropriate expenses or policy noncompliance that poses a significant risk, we are not requesting formal management action plans and we will not track action items related to this audit; however, based on the observations identified above, Internal Audit recommends the following:

- In consideration of risk and the cost of compliance, Supply Chain, Accounts Payable, Accounting, and Legal management should evaluate current Company policies on business expense and travel and determine if policy adjustments (or separate guidelines for executive business expense and travel requirements) are merited
- Corporate Aviation management should formalize processes for approving the use of corporate aircraft (including updating the policy approval requirements to ensure the duties of requesting and approving use of the corporate aircraft are appropriately segregated) and maintaining supporting evidence for business purpose prior to scheduling flights
- Legal management should formalize guidelines (i.e., an expense policy) for BOD business expenses
- Accounts Payable management should perform an evaluation to determine if alcohol charges can be broken out from meal and entertainment expenses to facilitate reporting and exclusion, if appropriate, from rate case filings

While we are not requesting management action plans, we ask that you please respond via email to acknowledge receipt of the audit results.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Kind regards,

Heidie Cotey, CIA, CISA
NiSource Inc.
Internal Audit Department
(708) 228-0711

From: [Bancroft \ Ashley](#)
To: [Cotey \ Heidie \ L](#)
Cc: [Bancroft \ Ashley](#)
Subject: RE: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results
Date: Friday, January 5, 2024 4:39:06 PM

Hi Heidie,
I'm acknowledging receipt, thank you.
Ashley

From: Cotey \ Heidie \ L <HCotey@nisource.com>
Sent: Friday, January 5, 2024 4:11 PM
To: Acevedo Beristain \ Adolfo \ A <aacevedo@nisource.com>; Bancroft \ Ashley <abancroft@nisource.com>; Brummitt \ Sandra \ Elizabeth <SBrummitt@nisource.com>; Gode \ Gunnar \ J <GGode@nisource.com>; Felton \ Darin <dfelton@nisource.com>; Miller \ Crystal <crystallmiller@nisource.com>; Nassos \ John \ G <JNassos@nisource.com>; Roy \ David \ A <DRoy@nisource.com>
Cc: Executive Leadership Team <Executive_Leadership_Team@nisource.com>
Subject: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results

Hello All:

We have completed a risk-based review of the design and effectiveness of procedural and systematic controls related to NiSource Inc. (NiSource or the Company) executive (specifically, members of the Executive Leadership Team (ELT) and their executive administrative assistants) and Board of Director (BOD) travel and entertainment expense activities from January – September 2023. During this period, ELT and BOD members incurred approximately \$479,000 in expenses that were subject to reimbursement.

During the audit, we specifically evaluated:

- Sufficiency of and compliance with policies and procedures – including the Business Expense Policy, Travel Policy, and Use of Aircraft Policy
- Expense report approval, review, and associated supporting documentation requirements, including independent expense report review controls
- Processes and controls over the use of Company-owned aircraft

The following items were excluded from the scope of the review:

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- o Eleven (11) instances where a listing of attendees was not provided or did not align with the supporting receipt for meals and catering expenses
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 - o Six (6) instances where the business purpose was not appropriately disclosed within the expense report
 - o Three (3) instances where the incorrect expense type was used
 - o Four (4) instances where a personal credit card was used instead of a corporate card
 - o Two (2) instances where there was no evidence that charitable contributions were pre-approved by the Government and Public Affairs team
- Processes are not formalized to ensure flight approvals and business purposes are retained and documented in compliance with the Use of Aircraft policy
 - Use of the corporate aircraft is not always independently approved, and we identified instances where employees approved their own flights
 - Guidelines regarding appropriate Board of Directors (BOD) business expenses are not defined (i.e., a BOD expense policy does not exist)
 - Charges incurred for alcohol are not segregated in expense reporting for meals and entertainment (but do appear on itemized receipts), which may impair the Company's flexibility to identify and remove certain expenses for rate cases

As we did not identify fraudulent or inappropriate expenses or policy noncompliance that poses a significant risk, we are not requesting formal management action plans and we will not track action items related to this audit; however, based on the observations identified above, Internal Audit recommends the following:

- In consideration of risk and the cost of compliance, Supply Chain, Accounts Payable, Accounting, and Legal management should evaluate current Company policies on business expense and travel and determine if policy adjustments (or separate guidelines for executive business expense and travel requirements) are merited
- Corporate Aviation management should formalize processes for approving the use of corporate aircraft (including updating the policy approval requirements to ensure the duties of requesting and approving use of the corporate aircraft are appropriately segregated) and maintaining supporting evidence for business purpose prior to scheduling flights
- Legal management should formalize guidelines (i.e., an expense policy) for BOD business expenses
- Accounts Payable management should perform an evaluation to determine if alcohol charges can be broken out from meal and entertainment expenses to facilitate reporting and exclusion, if appropriate, from rate case filings

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We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Kind regards,

Heidie Cotey, CIA, CISA
NiSource Inc.
Internal Audit Department
(708) 228-0711

From: [Cotey \ Heidie \ L](#)
To: [Vanson \ Janet \ R](#)
Subject: FW: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results
Date: Friday, January 5, 2024 6:46:18 PM
Attachments: [image001.png](#)

From: Brummitt \ Sandra \ Elizabeth <SBrummitt@nisource.com>
Sent: Friday, January 5, 2024 6:00 PM
To: Jefferson \ William <wjefferson@nisource.com>; Cotey \ Heidie \ L <HCotey@nisource.com>; Acevedo Beristain \ Adolfo \ A <aacevedo@nisource.com>; Bancroft \ Ashley <abancroft@nisource.com>; Gode \ Gunnar \ J <GGode@nisource.com>; Felton \ Darin <dfelton@nisource.com>; Miller \ Crystal <crystalmiller@nisource.com>; Nassos \ John \ G <JNassos@nisource.com>; Roy \ David \ A <DRoy@nisource.com>
Cc: Executive Leadership Team <Executive_Leadership_Team@nisource.com>
Subject: RE: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results

Thank you for the summary. I acknowledge receipt of the audit report results and commit to working with Legal and Accounting to implement these recommendations as soon as practical. If there is more information you can share as we work to implement solutions, please share.

Have a great weekend,
Sandra

Sandra Brummitt
SVP Administrative Services & Chief Procurement Officer
sbrummitt@nisource.com | www.nisource.com
614-369-2671
[240 W Nationwide Blvd, Columbus, Ohio 43215](#)



From: Jefferson \ William <wjefferson@nisource.com>
Sent: Friday, January 5, 2024 5:51 PM
To: Cotey \ Heidie \ L <HCotey@nisource.com>; Acevedo Beristain \ Adolfo \ A <aacevedo@nisource.com>; Bancroft \ Ashley <abancroft@nisource.com>; Brummitt \ Sandra \ Elizabeth <SBrummitt@nisource.com>; Gode \ Gunnar \ J <GGode@nisource.com>; Felton \ Darin <dfelton@nisource.com>; Miller \ Crystal <crystalmiller@nisource.com>; Nassos \ John \ G <JNassos@nisource.com>; Roy \ David \ A <DRoy@nisource.com>
Cc: Executive Leadership Team <Executive_Leadership_Team@nisource.com>
Subject: RE: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results

Audit results received.

From: Cotey \ Heidie \ L <HCotey@nisource.com>
Sent: Friday, January 5, 2024 4:11 PM
To: Acevedo Beristain \ Adolfo \ A <aacevedo@nisource.com>; Bancroft \ Ashley <abancroft@nisource.com>; Brummitt \ Sandra \ Elizabeth <SBrummitt@nisource.com>; Gode \ Gunnar \ J <GGode@nisource.com>; Felton \ Darin <dfelton@nisource.com>; Miller \ Crystal <crystalmiller@nisource.com>; Nassos \ John \ G <JNassos@nisource.com>; Roy \ David \ A <DRoy@nisource.com>
Cc: Executive Leadership Team <Executive_Leadership_Team@nisource.com>
Subject: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results

Hello All:

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 - Two (2) instances where there was no evidence that charitable contributions were pre-

approved by the Government and Public Affairs team

- Processes are not formalized to ensure flight approvals and business purposes are retained and documented in compliance with the Use of Aircraft policy
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We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Kind regards,

Heidie Cotey, CIA, CISA
NiSource Inc.
Internal Audit Department
(708) 228-0711

From: [Cotey \ Heidie \ L](#)
To: [Vanson \ Janet \ R](#)
Subject: FW: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results
Date: Friday, January 5, 2024 6:47:06 PM

From: Gode \ Gunnar \ J <GGode@nisource.com>
Sent: Friday, January 5, 2024 5:38 PM
To: Cotey \ Heidie \ L <HCotey@nisource.com>
Subject: RE: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results

Acknowledge receipt – thanks!

Gunnar Gode
Chief Accounting Officer, NiSource Inc.
614-460-6004 (office)
571-299-9585 (cell)

From: Cotey \ Heidie \ L <HCotey@nisource.com>
Sent: Friday, January 5, 2024 4:11 PM
To: Acevedo Beristain \ Adolfo \ A <aacevedo@nisource.com>; Bancroft \ Ashley <abancroft@nisource.com>; Brummitt \ Sandra \ Elizabeth <SBrummitt@nisource.com>; Gode \ Gunnar \ J <GGode@nisource.com>; Felton \ Darin <dfelton@nisource.com>; Miller \ Crystal <crystallmiller@nisource.com>; Nassos \ John \ G <JNassos@nisource.com>; Roy \ David \ A <DRoy@nisource.com>
Cc: Executive Leadership Team <Executive_Leadership_Team@nisource.com>
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Heidie Cotey, CIA, CISA
NiSource Inc.
Internal Audit Department
(708) 228-0711

From: [Cotey \ Heidie \ L](#)
To: [Vanson \ Janet \ R](#)
Subject: FW: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results
Date: Friday, January 5, 2024 6:49:20 PM

From: Felton \ Darin <dfelton@nisource.com>
Sent: Friday, January 5, 2024 4:47 PM
To: Cotey \ Heidie \ L <HCotey@nisource.com>
Subject: RE: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results

Received and acknowledged. Thank you!

From: Cotey \ Heidie \ L <HCotey@nisource.com>
Sent: Friday, January 5, 2024 4:11 PM
To: Acevedo Beristain \ Adolfo \ A <aacevedo@nisource.com>; Bancroft \ Ashley <abancroft@nisource.com>; Brummitt \ Sandra \ Elizabeth <SBrummitt@nisource.com>; Gode \ Gunnar \ J <GGode@nisource.com>; Felton \ Darin <dfelton@nisource.com>; Miller \ Crystal <crystalmiller@nisource.com>; Nassos \ John \ G <JNassos@nisource.com>; Roy \ David \ A <DRoy@nisource.com>
Cc: Executive Leadership Team <Executive_Leadership_Team@nisource.com>
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Heidie Cotey, CIA, CISA

NiSource Inc.
Internal Audit Department
(708) 228-0711

From: [Cotey \ Heidie \ L](#)
To: [Vanson \ Janet \ R](#)
Subject: Fwd: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results
Date: Saturday, January 6, 2024 10:22:02 AM

From: Acevedo Beristain \ Adolfo \ A <aacevedo@nisource.com>
Sent: Saturday, January 6, 2024 9:49:22 AM
To: Cotey \ Heidie \ L <HCotey@nisource.com>; Bancroft \ Ashley <abancroft@nisource.com>; Brummitt \ Sandra \ Elizabeth <SBrummitt@nisource.com>; Gode \ Gunnar \ J <GGode@nisource.com>; Felton \ Darin <dfelton@nisource.com>; Miller \ Crystal <crystallmiller@nisource.com>; Nassos \ John \ G <JNassos@nisource.com>; Roy \ David \ A <DRoy@nisource.com>
Cc: Executive Leadership Team <Executive_Leadership_Team@nisource.com>
Subject: RE: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results

I Acknowledge receipt of the Audit results.

Thanks,

Adolfo Acevedo | Director | Accounts Payable
NiSource | 290 W Nationwide Blvd | Columbus, OH 43215
Off/cell: 614.315.5844 | aacevedo@nisource.com

From: Cotey \ Heidie \ L <HCotey@nisource.com>
Sent: Friday, January 5, 2024 4:11 PM
To: Acevedo Beristain \ Adolfo \ A <aacevedo@nisource.com>; Bancroft \ Ashley <abancroft@nisource.com>; Brummitt \ Sandra \ Elizabeth <SBrummitt@nisource.com>; Gode \ Gunnar \ J <GGode@nisource.com>; Felton \ Darin <dfelton@nisource.com>; Miller \ Crystal <crystallmiller@nisource.com>; Nassos \ John \ G <JNassos@nisource.com>; Roy \ David \ A <DRoy@nisource.com>
Cc: Executive Leadership Team <Executive_Leadership_Team@nisource.com>
Subject: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results

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Kind regards,

Heidie Cotey, CIA, CISA
NiSource Inc.
Internal Audit Department
(708) 228-0711

From: [Cotey \ Heidie \ L](#)
To: [Vanson \ Janet \ R](#)
Subject: Fwd: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results
Date: Saturday, January 6, 2024 10:49:28 AM

From: Nassos \ John \ G <JNassos@nisource.com>
Sent: Saturday, January 6, 2024 10:45:10 AM
To: Cotey \ Heidie \ L <HCotey@nisource.com>; Acevedo Beristain \ Adolfo \ A <aacevedo@nisource.com>; Bancroft \ Ashley <abancroft@nisource.com>; Brummitt \ Sandra \ Elizabeth <SBrummitt@nisource.com>; Gode \ Gunnar \ J <GGode@nisource.com>; Felton \ Darin <dfelton@nisource.com>; Miller \ Crystal <crystalmiller@nisource.com>; Roy \ David \ A <DRoy@nisource.com>
Cc: Executive Leadership Team <Executive_Leadership_Team@nisource.com>
Subject: Re: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results

I acknowledge receipt.

John G. Nassos
Vice President & Deputy General Counsel
NiSource Corporate Services Company
219.647.6015 (o) / 219.688.2627 (m)

From: Cotey \ Heidie \ L <HCotey@nisource.com>
Sent: Friday, January 5, 2024 3:11:15 PM
To: Acevedo Beristain \ Adolfo \ A <aacevedo@nisource.com>; Bancroft \ Ashley <abancroft@nisource.com>; Brummitt \ Sandra \ Elizabeth <SBrummitt@nisource.com>; Gode \ Gunnar \ J <GGode@nisource.com>; Felton \ Darin <dfelton@nisource.com>; Miller \ Crystal <crystalmiller@nisource.com>; Nassos \ John \ G <JNassos@nisource.com>; Roy \ David \ A <DRoy@nisource.com>
Cc: Executive Leadership Team <Executive_Leadership_Team@nisource.com>
Subject: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results

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NiSource Inc.
Internal Audit Department
(708) 228-0711

From: [Cotey \ Heidie \ L](#)
To: [Vanson \ Janet \ R](#)
Subject: Fwd: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results
Date: Saturday, January 6, 2024 6:07:31 PM

From: Miller \ Crystal <crystalmiller@nisource.com>
Sent: Saturday, January 6, 2024 4:39:05 PM
To: Cotey \ Heidie \ L <HCotey@nisource.com>; Acevedo Beristain \ Adolfo \ A <aacevedo@nisource.com>; Bancroft \ Ashley <abancroft@nisource.com>; Brummitt \ Sandra \ Elizabeth <SBrummitt@nisource.com>; Gode \ Gunnar \ J <GGode@nisource.com>; Felton \ Darin <dfelton@nisource.com>; Nassos \ John \ G <JNassos@nisource.com>; Roy \ David \ A <DRoy@nisource.com>
Cc: Executive Leadership Team <Executive_Leadership_Team@nisource.com>
Subject: RE: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results

Hello Heidie,

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Crystal

From: Cotey \ Heidie \ L <HCotey@nisource.com>
Sent: Friday, January 5, 2024 4:11 PM
To: Acevedo Beristain \ Adolfo \ A <aacevedo@nisource.com>; Bancroft \ Ashley <abancroft@nisource.com>; Brummitt \ Sandra \ Elizabeth <SBrummitt@nisource.com>; Gode \ Gunnar \ J <GGode@nisource.com>; Felton \ Darin <dfelton@nisource.com>; Miller \ Crystal <crystalmiller@nisource.com>; Nassos \ John \ G <JNassos@nisource.com>; Roy \ David \ A <DRoy@nisource.com>
Cc: Executive Leadership Team <Executive_Leadership_Team@nisource.com>
Subject: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results

Hello All:

We have completed a risk-based review of the design and effectiveness of procedural and systematic controls related to NiSource Inc. (NiSource or the Company) executive (specifically, members of the Executive Leadership Team (ELT) and their executive administrative assistants) and Board of Director (BOD) travel and entertainment expense activities from January – September 2023. During this period, ELT and BOD members incurred approximately \$479,000 in expenses that were subject to reimbursement.

During the audit, we specifically evaluated:

Sufficiency of and compliance with policies and procedures – including the Business Expense Policy, Travel Policy, and Use of Aircraft Policy

- Expense report approval, review, and associated supporting documentation requirements, including independent expense report review controls
- Processes and controls over the use of Company-owned aircraft

The following items were excluded from the scope of the review:

- Non-executive expense reimbursements
- Compliance with IRS and SEC rules and regulations associated with business and non-business use of Company-owned aircraft as this will be evaluated during a separate audit of Corporate Aviation in 2024

We did not identify fraudulent or inappropriate expenses and found that controls are generally sufficient to mitigate reputational risk. We did, however, identify some policy exceptions and opportunities to further enhance control processes; specifically:

- Within expense reports that were audited by Tata Consultancy Services (TCS), we identified the following instances of non-conformance with the Company's policy on business expenses and travel (issued in January 2023):
 - Twenty-five (25) instances where an itemized receipt was not provided for meals (greater than \$25), hotels, conference room rental and catering expenses
 - Eleven (11) instances where a listing of attendees was not provided or did not align with the supporting receipt for meals and catering expenses
 - Five (5) instances where the ground travel utilized was not the most practical/economical
 - Six (6) instances where the business purpose was not appropriately disclosed within the expense report
 - Three (3) instances where the incorrect expense type was used
 - Four (4) instances where a personal credit card was used instead of a corporate card
 - Two (2) instances where there was no evidence that charitable contributions were pre-approved by the Government and Public Affairs team
- Processes are not formalized to ensure flight approvals and business purposes are retained and documented in compliance with the Use of Aircraft policy
- Use of the corporate aircraft is not always independently approved, and we identified instances where employees approved their own flights
- Guidelines regarding appropriate Board of Directors (BOD) business expenses are not defined (i.e., a BOD expense policy does not exist)
- Charges incurred for alcohol are not segregated in expense reporting for meals and entertainment (but do appear on itemized receipts), which may impair the Company's flexibility to identify and remove certain expenses for rate cases

As we did not identify fraudulent or inappropriate expenses or policy noncompliance that poses a significant risk, we are not requesting formal management action plans and we will not track action items related to this audit; however, based on the observations identified above, Internal Audit recommends the following:

- In consideration of risk and the cost of compliance, Supply Chain, Accounts Payable, Accounting, and Legal management should evaluate current Company policies on business expense and travel and determine if policy adjustments (or separate guidelines for executive business expense and travel requirements) are merited
- Corporate Aviation management should formalize processes for approving the use of corporate aircraft (including updating the policy approval requirements to ensure the duties of requesting and approving use of the corporate aircraft are appropriately segregated) and maintaining supporting evidence for business purpose prior to scheduling flights
- Legal management should formalize guidelines (i.e., an expense policy) for BOD business expenses
- Accounts Payable management should perform an evaluation to determine if alcohol charges can be broken out from meal and entertainment expenses to facilitate reporting and exclusion, if appropriate, from rate case filings

While we are not requesting management action plans, we ask that you please respond via email

to acknowledge receipt of the audit results.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Kind regards,

Heidie Cotey, CIA, CISA
NiSource Inc.
Internal Audit Department
(708) 228-0711

From: [Roy \ David \ A](#)
To: [Vanson \ Janet \ R](#)
Cc: [Cotey \ Heidie \ L](#)
Subject: FW: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results
Date: Tuesday, January 9, 2024 1:12:49 PM

Here's my note I sent from my phone on Saturday.

David A. Roy
Vice President of Supply Chain
NiSource

240 W Nationwide Blvd, Columbus OH 43215
Cell: 859-490-8532
Email: droy@nisource.com

From: Roy \ David \ A <DRoy@nisource.com>
Sent: Saturday, January 6, 2024 1:01 PM
To: Cotey \ Heidie \ L <HCotey@nisource.com>; Acevedo Beristain \ Adolfo \ A <aacevedo@nisource.com>; Bancroft \ Ashley <abancroft@nisource.com>; Brummitt \ Sandra \ Elizabeth <SBrummitt@nisource.com>; Gode \ Gunnar \ J <GGode@nisource.com>; Felton \ Darin <dfelton@nisource.com>; Miller \ Crystal <crystalmiller@nisource.com>; Nassos \ John \ G <JNassos@nisource.com>
Cc: Executive Leadership Team <Executive_Leadership_Team@nisource.com>
Subject: Re: WRITTEN CONFIRMATION REQUESTED: Executive and Board of Directors Travel & Entertainment Expense Review - Summary Audit Results

I acknowledge receipt of the audit results

- Dave

From: Cotey \ Heidie \ L <HCotey@nisource.com>
Sent: Friday, January 5, 2024 4:11 PM
To: Acevedo Beristain \ Adolfo \ A <aacevedo@nisource.com>; Bancroft \ Ashley <abancroft@nisource.com>; Brummitt \ Sandra \ Elizabeth <SBrummitt@nisource.com>; Gode \ Gunnar \ J <GGode@nisource.com>; Felton \ Darin <dfelton@nisource.com>; Miller \ Crystal <crystalmiller@nisource.com>; Nassos \ John \ G <JNassos@nisource.com>; Roy \ David \ A <DRoy@nisource.com>
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- Processes and controls over the use of Company-owned aircraft

The following items were excluded from the scope of the review:

- Non-executive expense reimbursements
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 - Two (2) instances where there was no evidence that charitable contributions were pre-approved by the Government and Public Affairs team
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- Corporate Aviation management should formalize processes for approving the use of corporate aircraft (including updating the policy approval requirements to ensure the duties of requesting and approving use of the corporate aircraft are appropriately segregated) and maintaining supporting evidence for business purpose prior to scheduling flights
- Legal management should formalize guidelines (i.e., an expense policy) for BOD business expenses
- Accounts Payable management should perform an evaluation to determine if alcohol charges can be broken out from meal and entertainment expenses to facilitate reporting and exclusion, if appropriate, from rate case filings

While we are not requesting management action plans, we ask that you please respond via email to acknowledge receipt of the audit results.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Kind regards,

Heidie Cotey, CIA, CISA
NiSource Inc.
Internal Audit Department
(708) 228-0711



Internal Audit Department



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NiSource Corporate Services Company Human Resources Compliance Activities

Internal Audit Report

Distribution

Respondents:

Douglas DeBaltzo
Rose Lawyer
Johna Little
Bredale Rucker

Beneficiaries:

Valarie Bomar
Sandra Brummitt
Greg Oliver
David Roy

For Information:

Shawn Anderson
Melanie Berman
Melody Birmingham
Donald Brown
Kim Cuccia
William Jefferson
Michael Luhrs
Lloyd Yates



**NiSource Corporate Services Company
 Human Resources Compliance Activities**

| Executive Summary | | | | | | | | | | | | | | | | |
|--|---|--|--|-----------------------|---|--|---------------------------------------|-------------|--|-----------------|-------------|--|------------------|---|--|---|
| Key Insights | Key Background Information | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> NiSource Inc. (NiSource or the Company) is in the early stages of transitioning a portion of the Company's contingent workforce population to a managed services provider (AgileOne) with implementation targeted for 2024; this transition will facilitate improved contingent worker classification accuracy by increasing visibility into factors necessary to appropriately categorize contingent workers, including the cost of contingent labor as well as the activities being performed and the related service periods NiSource began leveraging Workday to execute and document the Form I-9 process (used to verify the identity and employment authorization of new hires) as of January 2024; Human Resources (HR) should continue to identify potential ways to leverage Workday or other applications to drive process compliance across their processes | <p> 665 new hires in 2022 and 710 in 2023</p> <p> 761 background checks performed in 2022 and 873 in 2023</p> <p> 92 days on average to fill an open position</p> <p> 4,116 workers classified as contingent labor in Workday as of December 2023</p> | | | | | | | | | | | | | | | |
| Count of Audit Findings by Scope Area | Audit Approach & Coverage | | | | | | | | | | | | | | | |
| <table border="0"> <tr> <td>Pre-employment Screenings</td> <td> 2</td> <td>Rating 1 </td> </tr> <tr> <td>Form I-9 Verification</td> <td> 1</td> <td>Rating 2 </td> </tr> <tr> <td>EEO-1 Reporting Compliance Procedures</td> <td>No Findings</td> <td>Rating 3 </td> </tr> <tr> <td>FLSA Compliance</td> <td>No Findings</td> <td></td> </tr> <tr> <td>Contingent Labor</td> <td> 1</td> <td></td> </tr> </table> <p><i>Note: Less-significant observations were discussed with management during the audit.</i></p> | Pre-employment Screenings |  2 | Rating 1  | Form I-9 Verification |  1 | Rating 2  | EEO-1 Reporting Compliance Procedures | No Findings | Rating 3  | FLSA Compliance | No Findings | | Contingent Labor |  1 | | <p>We engaged Pricewaterhouse Coopers LLP (PwC) to conduct a high-level assessment of the adequacy, effectiveness, and efficiency of controls associated with selected HR compliance activities focusing on the following: pre-employment screenings; I-9 verification; Equal Opportunity Employee (EEO-1) reporting compliance procedures; contingent labor engagement and monitoring; and HR governance policies over Fair Labor Standards Act (FLSA) compliance. Transactional activity evaluated for this audit occurred during the period between June 2019 – June 2023.</p> <p>Other HR compliance-related processes were not explicitly included in this audit but will be considered for evaluation in future audits.</p> |
| Pre-employment Screenings |  2 | Rating 1  | | | | | | | | | | | | | | |
| Form I-9 Verification |  1 | Rating 2  | | | | | | | | | | | | | | |
| EEO-1 Reporting Compliance Procedures | No Findings | Rating 3  | | | | | | | | | | | | | | |
| FLSA Compliance | No Findings | | | | | | | | | | | | | | | |
| Contingent Labor |  1 | | | | | | | | | | | | | | | |

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**NiSource Corporate Services Company
Human Resources Compliance Activities**

Summary of Findings

- 1) **Contingent Labor Tracking and Monitoring (Rating 2)**
Processes to track and monitor key factors necessary to classify the Company's contingent labor workforce (including labor tenure, estimated contract end dates, job descriptions, and cost) are informal and decentralized to individual departments; as a result, contingent workers may be misclassified.
- 2) **Form I-9 Verification (Rating 2)**
Processes and controls are not sufficient to ensure I-9 forms and the related identification documentation are timely obtained and retained.
- 3) **Review of Pre-Employment Screening Results (Rating 3)**
Processes are not formalized to document decisioning and resolution for all background checks that are flagged for review.
- 4) **Recruiting and Selection Processes and Controls (Rating 3)**
Documentation is not consistently available to evidence candidates were appropriately screened/interviewed prior to hire.

Management Response & Internal Audit Follow Up

Management agrees with the facts of the findings noted during this audit and has provided 13 action plans that they developed to address the risks identified. We have reviewed management's action plans and believe that the action plans will adequately address the findings identified in this audit. We will track the progress of resolution and will conduct follow-up testing for all rated "1" audit findings and a sample of rated "2" and rated "3" audit findings.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Note: See the Internal Audit Findings Rating Scale in Appendix A and a detailed write up of the risk, observation, and management action plan in Appendix B.

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**NiSource Corporate Services Company
Human Resources Compliance Activities
Appendix A – Internal Audit Finding Rating Scale**

“1” Significant Improvement is Needed and Prompt Management Attention is Required

- More than remote probability for damage to the Company’s reputation or brand and the impact to the enterprise could be substantial and rapidly realized
- More than remote probability for a non-compliance with laws/regulations and the impact to the enterprise could be substantial and rapidly realized
- Crucial foundational controls related to high-impact processes are inadequate or ineffective and the impact to the enterprise could be substantial and rapidly realized
- Repeat audit findings and the impact could be significant within the scope of the area being audited

“2” Improvement is Needed and Management Attention is Necessary (target to reduce risk within 3 to 6 months)

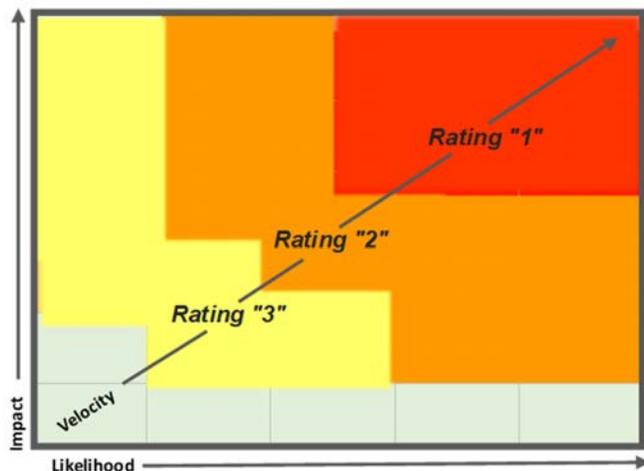
- More than remote probability for damage to the Company’s reputation or brand and the impact could be substantial within the scope of the audit
- More than remote probability for a non-compliance with laws/regulations and the impact could be substantial within the scope of the audit
- Foundational controls are inadequate or ineffective and the impact could be substantial within the scope of the audit
- Controls are not adequate to prevent or detect fraud in a timely manner
- Transactional errors identified during audit testing are significant within the scope of the audit (based on value or number of erroneous transactions identified)
- Internal Policy is not adequate or is violated and the impact could be substantial within the scope of the audit

“3” Some Improvement is Needed and Management Attention is Justified (target to reduce risk within 12 months)

- Internal Policy is not adequate or is violated, but impact is limited and the overall system of controls is not significantly compromised
- Controls are not adequate to prevent erroneous transactions and errors could be more than immaterial within the scope of the audit
- Notable lost opportunity or inefficiency within the scope of the audit

“4” Management Evaluation is Desirable

- Isolated exception with limited impact
- Lost opportunity or inefficiency, but impact is limited



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**NiSource Corporate Services Company
 Human Resources Compliance Activities
 Appendix B – Internal Audit Findings**

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| 1) <u>Contingent Labor Tracking and Monitoring</u> | | Rating: 2 |
| <u>Risk:</u> Potential that misclassification of the contingent labor workforce results in wage law violations, financial risk, and reputational risk. | | |
| <u>Observation:</u> NiSource Inc. (NiSource or the Company) is responsible for classifying its workforce as either employees or contingent labor in line with Internal Revenue Code requirements. Processes to track and monitor key factors necessary to appropriately classify contingent labor workers (including labor tenure, estimated contract end dates, job descriptions, and cost) are informal and decentralized to individual departments. The internal audit team reviewed key factors for a sample of contingent labor workers and specifically noted that as a result of the following, the contractor type listed in Workday (e.g., Statement of Work (SOW), Independent Contractor, Temporary Staff/Staff Augmentation, Consultant) may be incorrect: <ul style="list-style-type: none"> • The tenure at NiSource was greater than one year for nine (of 20) contractors • Job descriptions were not available for 14 (of 20) contractors • The contractor type listed in Workday is not subject to independent review/validation | | <u>Management Action Plan:</u> AgileOne Population: Supply Chain management is currently in the process of transitioning contingent workforce management for all identified contingent / staff augmentation / temporary staffing positions to a managed services provider (AgileOne) which will eliminate SOWs for these vendors going forward and will include time reporting, job descriptions, cost overview, and an approval process for contingent labor spend by department leaders to track and monitor contingent labor workers. (October 2024) Non-AgileOne Population: Human Resources (HR) management will perform the following for vendors not processed through AgileOne: <ul style="list-style-type: none"> • Develop, implement, and communicate the requirement to provide a job description or SOW (including minimum requirements) for contingent labor still maintained within Workday going forward (April 2024) • Implement an extension application and approval process for contingent workers utilized for more than 12 months (September 2024) • Implement quarterly review and monitoring procedures to determine if contingent workers are correctly categorized (September 2024) As part of the ongoing contingent worker project to establish policies and onboarding processes as well as centralized, ongoing monitoring of the contingent workforce for legal compliance, HR management and Legal Corporate Services management will work together to perform the following: <ul style="list-style-type: none"> • Develop a plan to review the backlog of existing contingent workers and determine what additional information needs to be obtained and/or documented to determine if they are correctly classified, including potential system enhancements to drive process compliance (TBD) • Execute a plan to review the backlog of existing contingent workers and determine what additional information needs to be obtained and/or documented to determine if they are correctly |

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**NiSource Corporate Services Company
 Human Resources Compliance Activities
 Appendix B – Internal Audit Findings**

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| | <p>classified, including potential system enhancements to drive process compliance (TBD)</p> <p>Responsible: Doug DeBaltzo, Director Indirect Category Management Rose Lawyer, Director Employee Relations Bredale Rucker, Assistant General Counsel</p> <p>Resolution Date: Refer to the target remediation dates for each action item listed above.</p> |
| <p>Evaluation Criteria: Processes and controls are sufficient to ensure contingent workers are appropriately classified; specifically: 1) a centralized listing of contingent workers is maintained; 2) job descriptions and/or contracts for each worker are maintained; 3) tenure, contract end date, and worker cost are tracked and monitored; and 4) contractor type determinations are periodically reviewed to ensure accuracy.</p> | |
| <p>2) <u>Form I-9 Verification</u></p> | <p>Rating: 2</p> |
| <p>Risk: Potential that missing I-9 identification documentation may result in fines and Department of Homeland Security audit risk.</p> | |
| <p>Observation: Talent Acquisitions (TA) is responsible for collecting and maintaining I-9 forms (including related identification documentation) for all new hires for three years after the date of hire or one year after the date employment ends, whichever is later; the forms must be available for inspection if requested by the United States Department of Homeland Security, Department of Labor, or Department of Justice. The internal audit team reviewed a sample of I-9 forms and identified two (of 32) instances where I-9 identification documentation was not retained for new hires.</p> | <p>Management Action Plan: As of January 2024, TA management updated their I-9 process to leverage Workday for documentation and retention. (Reported Completed)</p> <p>Additionally, TA management will perform the following:</p> <ul style="list-style-type: none"> • Implement an independent review process to ensure all appropriate documentation has been obtained and retained (March 2024) • Work with Legal management to determine if a lookback review should be performed for previously hired employees (March 2024) <p>Responsible: Johna Little, Director Talent Acquisition</p> <p>Resolution Date: Refer to the target remediation dates for each action item listed above.</p> |
| <p>Evaluation Criteria: Processes and controls are sufficient to ensure I-9 forms and the related identification document are appropriately obtained and retained; specifically: 1) I-9 forms are distributed to new hires and collected (along with identification documentation) within three days of hire date; 2) I-9 forms and the related identification documentation are reviewed by TA for existence, accuracy, and completeness; 3) a periodic review is performed to ensure documentation has been appropriately retained for the required timeframes.</p> | |

**NiSource Corporate Services Company
 Human Resources Compliance Activities
 Appendix B – Internal Audit Findings**

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| 3) <u>Review of Pre-Employment Screening Results</u> | | Rating: 3 |
| <u>Risk:</u> Potential that not following documented hiring practices for pre-employment screenings may lead to improper verification of new hires and result in reputational, financial, and/or legal risk. | | |
| <u>Observation:</u> The TA team utilizes a third party (First Advantage) to conduct background checks and drug screenings for external candidates who have accepted an offer of employment. The results may be flagged as red, yellow, or green by First Advantage. If a candidate is flagged as red, TA engages with the Legal department to review the details and to make a risk determination; if a candidate is flagged as yellow, TA will review the results and determine if additional information is required to be obtained and reviewed (e.g., diploma or employer verification). While TA documents communications and resolution with Legal for red flags, a process to document the review and resolution of reports flagged as yellow is not formalized. As a result, documentation evidencing the justification to employ candidates with yellow flags was not available for 28 (of 31) candidate screening reports reviewed by the internal audit team. Also, background check and drug screening reports are maintained within the First Advantage system and copies are not retained within the NiSource employee files. | | <u>Management Action Plan:</u> TA management will perform the following: <ul style="list-style-type: none"> • Formalize and implement a process to document the review and resolution of background checks and drug screenings returned with a yellow flag within the individual employee file • Develop and implement a process to obtain the background check and drug screening results from First Advantage and save them to the individual employee file <u>Responsible:</u> Johna Little, Director Talent Acquisition <u>Resolution Date:</u> April 2024 |
| <u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure that hired employees have been subject to a thorough screening process; specifically: 1) external candidates are subject to background checks and drug screenings prior to hire; 2) background check and drug screening criteria has been defined; 3) flagged screening results are reviewed by appropriate personnel and resolution is formally documented; and 4) background check documentation, including resolution comments, is retained. | | |
| 4) <u>Recruiting and Selection Processes and Controls</u> | | Rating: 3 |
| <u>Risk:</u> Potential that failure to attract suitable talent aligned with the business' needs results in operational inefficiencies and/or financial loss. | | |
| <u>Observation:</u> All candidates are subject to screening activities to ensure they have the requisite knowledge and experience necessary to perform the role and to substantiate hiring decisions. In order to evidence that all necessary steps within the hiring process were completed, TA utilizes a requisition template within Workday. However, the template is not always completed. The internal audit team evaluated a sample of templates and identified two (of 15) were not completed and four (of 15) were only partially complete. | | <u>Management Action Plan:</u> As of January 2024, TA management rolled out a training to all people leaders on interview training requirements, including the requirement to document interview notes and provide them to HR. (Reported Completed) Additionally, TA management is in the process of implementing a manager quality check of requisition templates to ensure they are appropriately completed within employee files and is addressing issues identified as part of this process through performance management measures. (March 2024) |

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**NiSource Corporate Services Company
Human Resources Compliance Activities
Appendix B – Internal Audit Findings**

| | |
|--|--|
| | <p><u>Responsible:</u> Johna Little, Director Talent Acquisition</p> <p><u>Resolution Date:</u> Refer to the target remediation dates for each action item listed above.</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure candidates are hired who can successfully execute the duties of the role; specifically: 1) candidates are screened based upon the requirements of the position; 2) documentation is retained to evidence the screening process took place and covered the necessary job requirements; and 3) a candidate cannot be moved forward in the hiring process until the screening step has taken place.</p> | |

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Internal Audit Department



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NiSource Corporate Services Company Technology Vendor Security Review Processes

Internal Audit Report

Distribution

Respondents:

Doug DeBaltzo
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Crystal Miller

Beneficiaries:

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Carla Donev
David Roy

For Information:

Shawn Anderson
Melanie Berman
Melody Birmingham
Donald Brown
Kim Cuccia
William Jefferson
Michael Luhrs



**NiSource Corporate Services Company
 Technology Vendor Security Review Processes**

| Executive Summary | | | | | | | | | | |
|--|---|--|--|----------------------|----------|--|------------------------------------|-------------|--|---|
| Key Insights | Key Background Information | | | | | | | | | |
| <ul style="list-style-type: none"> NiSource Inc.'s (NiSource or the Company) Cybersecurity Third-Party Risk Management (TPRM) team leverages continuous monitoring services for a select group of vendors (e.g., Verizon, CGI, WiPro); management should consider if deploying continuous monitoring (e.g., dark web scans for data breaches associated with engaged vendors) across a larger group of critical or high-risk vendors may be more cost efficient and effective than completing full vendor security reviews each year Vendor cybersecurity reviews currently occur after the vendor has already been contracted with and onboarded within NiSource; management should consider the cost versus benefit of performing these activities prior to engaging the vendors | <p>  300+ Information Technology (IT) vendors, four strategic vendors, and 50 leveraged and operational vendors processed through the Fortress vendor intake questionnaire process since program inception in 2022 </p> <p>  80% of NiSource's total vendor spend is associated with vendors processed through the vendor intake review process </p> <p>  Nine critical, 19 high, and 79 moderate risk vendors have been processed through the vendor due diligence process to evaluate a vendor's cybersecurity risk </p> <p>  Since 2022, the NiSource Cybersecurity team has partnered with Fortress Information Security to perform vendor security risk assessments </p> | | | | | | | | | |
| Count of Audit Findings by Scope Area | Audit Approach & Coverage | | | | | | | | | |
| <table border="0"> <tr> <td>Risk Stratification</td> <td>1</td> <td>Rating 1 </td> </tr> <tr> <td>Contract Negotiation</td> <td>1</td> <td>Rating 2 </td> </tr> <tr> <td>Due Diligence / Ongoing Monitoring</td> <td>No Findings</td> <td>Rating 3 </td> </tr> </table> <p><i>Note: Less-significant observations were discussed with management during the audit.</i></p> | Risk Stratification | 1 | Rating 1  | Contract Negotiation | 1 | Rating 2  | Due Diligence / Ongoing Monitoring | No Findings | Rating 3  | <p>We engaged Pricewaterhouse Coopers LLP (PwC) to conduct a risk-based evaluation of the adequacy, effectiveness, and efficiency of controls associated with technology vendor security review processes, specifically focusing on risk stratification, contract negotiation, and due diligence as well as ongoing monitoring.</p> <p>We did not evaluate processes related to vendors not categorized as IT, strategic, operational, or leveraged vendors through Supply Chain's supplier segmentation process.</p> |
| Risk Stratification | 1 | Rating 1  | | | | | | | | |
| Contract Negotiation | 1 | Rating 2  | | | | | | | | |
| Due Diligence / Ongoing Monitoring | No Findings | Rating 3  | | | | | | | | |

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**NiSource Corporate Services Company
Technology Vendor Security Review Processes**

Summary of Findings

1) Vendor Security Assessment Activities (Rating 2)

Guidelines defining the population of vendors that should be submitted by Supply Chain or the primary relationship owners for inclusion within the vendor security assessment intake process have not been formalized nor does the Supply Chain team monitor to ensure relevant vendors have been subject to the intake process.

2) Vendor Risk Exception Processes and Controls (Rating 2)

Risk exceptions identified as a result of vendor controls assessments are not always timely evaluated, which may result in vendor risk to the Company's environment not being appropriately understood and mitigated.

Management Response & Internal Audit Follow Up

Management agrees with the facts of the findings noted during this audit and has provided six action plans that they developed to address the risks identified. We have reviewed management's action plans and believe that the action plans will adequately address the findings identified by the audit team. We will track the progress of resolution and will conduct follow-up testing for all rated "1" audit findings and a sample of rated "2" and rated "3" audit findings.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Note: See the Internal Audit Findings Rating Scale in Appendix A and a detailed write up of the risk, observation, and management action plan in Appendix B.

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NiSource Corporate Services Company Technology Vendor Security Review Processes Appendix A – Internal Audit Finding Rating Scale

“1” Significant Improvement is Needed and Prompt Management Attention is Required

- More than remote probability for damage to the Company’s reputation or brand and the impact to the enterprise could be substantial and rapidly realized
- More than remote probability for a non-compliance with laws/regulations and the impact to the enterprise could be substantial and rapidly realized
- Crucial foundational controls related to high-impact processes are inadequate or ineffective and the impact to the enterprise could be substantial and rapidly realized
- Repeat audit findings and the impact could be significant within the scope of the area being audited

“2” Improvement is Needed and Management Attention is Necessary (target to reduce risk within 3 to 6 months)

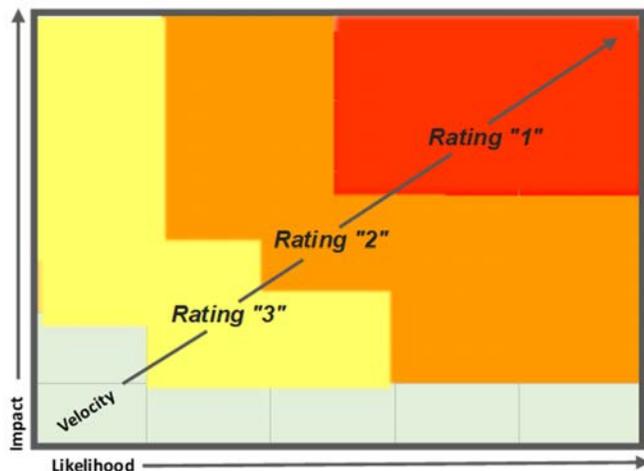
- More than remote probability for damage to the Company’s reputation or brand and the impact could be substantial within the scope of the audit
- More than remote probability for a non-compliance with laws/regulations and the impact could be substantial within the scope of the audit
- Foundational controls are inadequate or ineffective and the impact could be substantial within the scope of the audit
- Controls are not adequate to prevent or detect fraud in a timely manner
- Transactional errors identified during audit testing are significant within the scope of the audit (based on value or number of erroneous transactions identified)
- Internal Policy is not adequate or is violated and the impact could be substantial within the scope of the audit

“3” Some Improvement is Needed and Management Attention is Justified (target to reduce risk within 12 months)

- Internal Policy is not adequate or is violated, but impact is limited and the overall system of controls is not significantly compromised
- Controls are not adequate to prevent erroneous transactions and errors could be more than immaterial within the scope of the audit
- Notable lost opportunity or inefficiency within the scope of the audit

“4” Management Evaluation is Desirable

- Isolated exception with limited impact
- Lost opportunity or inefficiency, but impact is limited



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**NiSource Corporate Services Company
 Technology Vendor Security Review Processes
 Appendix B – Internal Audit Findings**

| | | |
|--|--|---|
| 1) <u>Vendor Security Assessment Activities</u> | | Rating: 2 |
| <u>Risk:</u> Potential that vendors who pose a cybersecurity risk to NiSource Inc. (NiSource or the Company) are not evaluated through the vendor security assessment review, resulting in a cybersecurity risk not being identified and/or appropriately mitigated. | | |
| <u>Observation:</u> NiSource Supply Chain or the primary relationship owner (PRO) is responsible for submitting vendors that have been flagged as cybersecurity or Information Technology (IT) as well as some select strategic and leveraged vendors to the Cybersecurity Third-Party Risk Management (TPRM) team for a potential vendor security assessment review to ensure necessary cybersecurity provisions (e.g., cybersecurity controls, data sharing agreements, cybersecurity insurance) are in place within the vendor's environment and are appropriately addressed in vendor contracts. Guidelines defining the population of vendors that should be submitted by Supply Chain and the PROs for inclusion within the vendor security assessment intake process have not been formalized. Additionally, the Supply Chain team does not monitor to ensure relevant vendors have been subject to the vendor security assessment intake process. | | <u>Management Action Plan:</u> Supply Chain management will partner with Cybersecurity TPRM management to provide training for the direct and indirect category management teams on cybersecurity guidelines to consider when determining what vendors to submit for inclusion in the vendor security assessment intake process. (April 2024) Also, Supply Chain management is in the process of developing and implementing an overall supplier intake process, which will include cybersecurity considerations to be agreed upon with Cybersecurity TPRM management, to identify and assess key risks associated with potential new vendors, including periodic review of new vendors identified as having cybersecurity considerations to ensure they have been appropriately subject to the vendor security assessment intake process. (March 2025) <u>Responsible:</u> Crystal Miller, Director Supply Chain Strategy & Analytics Doug DeBaltzo, Director Indirect Category Management Kimberly Jones, Director IT GRC <u>Resolution Date:</u> Refer to the target remediation dates for each action item listed above. |
| <u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure vendor cybersecurity environments are reviewed and assessed; specifically: 1) vendor characteristics have been defined outlining which vendors should be submitted for security review; 2) vendor security assessments are performed for the identified vendors; 3) a periodic review of new vendors is performed to ensure all vendors who should have been evaluated were reviewed; and 4) final vendor contracts reflect necessary cybersecurity provisions as a result of the vendor security assessment results. | | |
| 2) <u>Vendor Risk Exception Processes and Controls</u> | | Rating: 2 |
| <u>Risk:</u> Potential that non-remediated vendor risks result in an increased likelihood of a cyber-attack against the NiSource vendor and the NiSource data and assets tied to the vendor. | | |
| <u>Observation:</u> NiSource requires vendors to remediate critical, high, and moderate risk findings identified as part of the Vendor Controls Assessment (VCA) reviews within 90 days. If the findings are not remediated within 90 days, the PRO and Cybersecurity team agree on an appropriate path forward, which may include accepting risk for a defined period (up to 12 months) while the vendor works to remediate the identified issue. While exceptions require PRO and | | <u>Management Action Plan:</u> Since the 2022 VCA reviews, Cybersecurity TPRM management has implemented process enhancements to reduce risk review and acceptance cycle times, including: <ul style="list-style-type: none"> • Provided education to the PROs on the VCA and risk acceptance processes and expectations (Reported Complete) |

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**NiSource Corporate Services Company
 Technology Vendor Security Review Processes
 Appendix B – Internal Audit Findings**

| | |
|---|--|
| <p>appropriate leadership approval and are tracked (in the Archer tool), exceptions are not always timely evaluated, which may result in vendor risk to the Company's environment not being appropriately understood and mitigated; specifically:</p> <ul style="list-style-type: none"> • All exceptions associated with VCAs conducted in 2022 that were not initially remediated were not reviewed through the risk acceptance process until May 2023 • Two (of six) exceptions were not approved until six months after the initial request • Three (of six) exceptions were not approved until two months after the initial request | <ul style="list-style-type: none"> • Preventing assessment handoffs between analysts (Reported Complete) • Updated the risk review process to create risk records in Archer when the findings are identified and to require the documentation of work performed to further assess the risk under the remediation plans section (Reported Complete) <p>Additionally, Cybersecurity TPRM management is in the process of updating the process timeline expectations to include how delays within the risk acceptance process impact the 12-month risk acceptance period (e.g., if an exception is requested after reviewing an issue for three months, the exception could only be requested for up to nine months) to ensure re-reviews are performed in a timely manner. (March 2024)</p> <p>Responsible: Kimberly Jones, Director IT GRC</p> <p>Resolution Date: Refer to the target remediation dates for each action item listed above.</p> |
| <p>Evaluation Criteria: Processes and controls are sufficient to ensure that risks identified as part of the VCA are reviewed and the impact to NiSource is determined; specifically: 1) vendor VCAs are timely reviewed and potential findings are identified; 2) potential findings are evaluated for the impact to NiSource; 3) findings are reviewed with the vendor for potential remediation; 4) findings that cannot be remediated within 90 days are subject to a timely risk review and acceptance process; and 5) accepted risks are re-reviewed after 12 months if not remediated.</p> | |
| <p>3) Vendor Controls Assessment Review Processes Rating: 4</p> | |
| <p>Risk: Potential that resources are incorrectly allocated to review tiered vendor risk, resulting in a failure to effectively identify and mitigate the most critical cybersecurity risks to NiSource.</p> | |
| <p>Observation: Vendors rated as critical, high, or moderate risk through the vendor intake process are subject to a VCA. Under the current process, all vendors receive the same VCA consisting of over 240 questions, regardless of their criticality. Critical and high-risk vendors are required to complete the VCA assessment annually while moderate risk vendors are required to complete the VCA assessment every three years. Also, the same risk review and acceptance process is utilized for all findings resulting from the VCA, regardless of the criticality of the observation and/or the vendor. As a result, resources and focus may not be allocated according to risk.</p> | <p>Management Action Plan: A management response is not requested for this finding; however, Internal Audit recommends that Cybersecurity TPRM management consider the cost/benefit analysis to developing different versions of the VCA dependent upon vendor risk tiers to craft the amounts and depth of the questions to match the corresponding risk of the vendor. Additionally, Internal Audit recommends that Cybersecurity TPRM management modify the remediation timelines and necessary risk acceptance process steps (if applicable) related to VCA observations to be based on risk tier by finding.</p> |
| <p>Evaluation Criteria:</p> | |

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**NiSource Corporate Services Company
Technology Vendor Security Review Processes
Appendix B – Internal Audit Findings**

Processes and controls are sufficient to ensure that the most critical cybersecurity issues are identified and mitigated; specifically: 1) vendors are processed through a questionnaire to determine risk profile; 2) vendors are assessed through a VCA; and 3) findings resulting from the VCA are subject to a risk review and acceptance process.

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Internal Audit Department



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NiSource Gas Distribution Companies

Major Project Processes

Internal Audit Report

Distribution

Respondents:

Ian Brown
David Dunn
Crystal Miller
Rishi Sadagopan

Beneficiaries:

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Gunnar Gode
Lauren Grether
Jeannie Henry
William Mojica
David Roy
James Zucal

Other Key Personnel:

Heidi Gossett
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For Information:

Shawn Anderson
Melanie Berman
Melody Birmingham
Donald Brown
Kim Cuccia
William Jefferson
Michael Luhrs
Lloyd Yates



**NiSource Gas Distribution Companies
 Major Project Processes**

| Executive Summary | | | | | | | | | | | | |
|--|--|---|---|----------------------|---|--------------------------|---|---------------------------------|---|-------------------|-------------|--|
| Key Insights | Key Background Information | | | | | | | | | | | |
| <ul style="list-style-type: none"> Gas major projects generally require large volumes of inventory and/or high-value inventory items, which increases the risk associated inventory theft or loss, and current inventory tracking processes are not robust; management should consider establishing a periodic analysis of materials classified as 'lost in construction' to monitor financial statement impact and identify potential indicators that assets are being misappropriated Successful execution of gas major projects requires personnel from various departments to coordinate activities over an extended period of time, and insufficient records management processes may impede knowledge transfer and create inefficiencies; management should ensure that records requirements are clearly defined, communicated, and enforced | <p> 177 and 190 gas major projects completed across across six gas operating companies in 2022 and 2023, respectively, utilizing Company and contractor resources</p> <p> \$366 million and \$430 million in spend for completed projects in 2022 and 2023, respectively</p> | | | | | | | | | | | |
| Count of Audit Findings by Scope Area | Audit Approach & Coverage | | | | | | | | | | | |
| <table border="0"> <tr> <td>Project Records Management</td> <td>1</td> <td rowspan="5"> Rating 1  Rating 2  Rating 3  </td> </tr> <tr> <td>Permitting Processes</td> <td>1</td> </tr> <tr> <td>Governance and Reporting</td> <td>1</td> </tr> <tr> <td>Vendor Evaluation and Selection</td> <td>1</td> </tr> <tr> <td>Safety Management</td> <td>No Findings</td> </tr> </table> <p><i>Note: Less-significant observations were discussed with management during the audit.</i></p> | Project Records Management | 1 | Rating 1  Rating 2  Rating 3  | Permitting Processes | 1 | Governance and Reporting | 1 | Vendor Evaluation and Selection | 1 | Safety Management | No Findings | <p>We conducted a risk-based evaluation of the adequacy, effectiveness, and efficiency of controls associated with gas major projects activities. Projects selected for testing incurred spend during 2022 and processes evaluated for this audit were in place through December 2023.</p> <p>We did not evaluate materials procurement activities, warehouse materials management processes, vendor selection processes completed by procurement, close-out processes, or engineering project assessment and approvals, as these activities were or will be evaluated during separate audits.</p> |
| Project Records Management | 1 | Rating 1  Rating 2  Rating 3  | | | | | | | | | | |
| Permitting Processes | 1 | | | | | | | | | | | |
| Governance and Reporting | 1 | | | | | | | | | | | |
| Vendor Evaluation and Selection | 1 | | | | | | | | | | | |
| Safety Management | No Findings | | | | | | | | | | | |

**NiSource Gas Distribution Companies
Major Project Processes**

Summary of Findings

1) Project Records Management (Rating 2)

Some records management processes are informally managed, file finalization processes are inconsistent, and the existence and completeness of key components of job order records are not validated; as a result, some records evidencing key compliance activities are not retained or were not available upon request.

2) Permitting Processes and Roles and Responsibilities (Rating 2)

Policies, procedures, and associated roles and responsibilities are insufficient to ensure that all required permits are identified, obtained, and tracked throughout the project.

3) Supplier Selection Processes and Records (Rating 3)

Vendor selection activities are not always properly evidenced or are not always retained per the Company records management policy.

4) Cost and Budget Management Activities (Rating 3)

Approvals of adjustments to capital budgets and reviews of budget variances are not formally documented and maintained.

Management Response & Internal Audit Follow Up

Management agrees with the findings noted during this audit and has provided ten new action plans that they developed to address the risks identified. We have reviewed management's action plans and believe that the action plans will adequately address the findings identified in this audit. We will track the progress of resolution and will conduct follow-up testing for all rated "1" audit findings and a sample of rated "2" and rated "3" audit findings.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Note: See the Internal Audit Findings Rating Scale in Appendix A and a detailed write up of the risk, observation, and management action plan in Appendix B.

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**NiSource Gas Distribution Companies
Major Project Processes
Appendix A – Internal Audit Finding Rating Scale**

“1” Significant Improvement is Needed and Prompt Management Attention is Required

- More than remote probability for damage to the Company’s reputation or brand and the impact to the enterprise could be substantial and rapidly realized
- More than remote probability for a non-compliance with laws/regulations and the impact to the enterprise could be substantial and rapidly realized
- Crucial foundational controls related to high-impact processes are inadequate or ineffective and the impact to the enterprise could be substantial and rapidly realized
- Repeat audit findings and the impact could be significant within the scope of the area being audited

“2” Improvement is Needed and Management Attention is Necessary (target to reduce risk within 3 to 6 months)

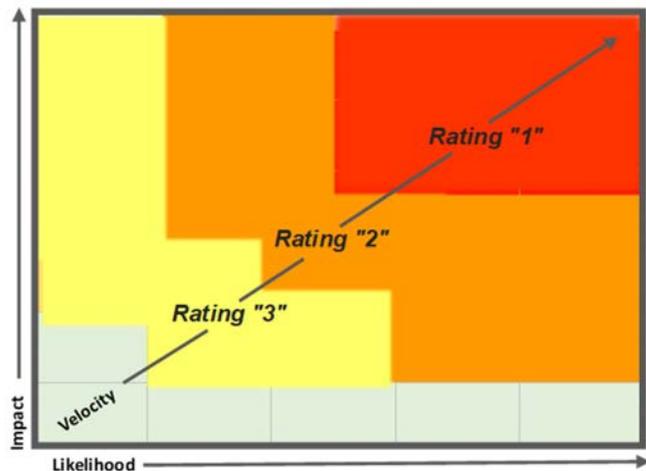
- More than remote probability for damage to the Company’s reputation or brand and the impact could be substantial within the scope of the audit
- More than remote probability for a non-compliance with laws/regulations and the impact could be substantial within the scope of the audit
- Foundational controls are inadequate or ineffective and the impact could be substantial within the scope of the audit
- Controls are not adequate to prevent or detect fraud in a timely manner
- Transactional errors identified during audit testing are significant within the scope of the audit (based on value or number of erroneous transactions identified)
- Internal Policy is not adequate or is violated and the impact could be substantial within the scope of the audit

“3” Some Improvement is Needed and Management Attention is Justified (target to reduce risk within 12 months)

- Internal Policy is not adequate or is violated, but impact is limited and the overall system of controls is not significantly compromised
- Controls are not adequate to prevent erroneous transactions and errors could be more than immaterial within the scope of the audit
- Notable lost opportunity or inefficiency within the scope of the audit

“4” – Management Evaluation is Desirable

- Isolated exception with limited impact
- Lost opportunity or inefficiency, but impact is limited



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**NiSource Gas Distribution Companies
 Major Project Processes
 Appendix B – Internal Audit Findings Matrix**

| | | |
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| 1) <u>Project Records Management</u> | | Rating: 2 |
| Risk: Potential that project records do not meet compliance requirements, do not contain key business data, or do not evidence execution of key compliance activities. | | |
| Observation: Key project records (e.g., tie-in plans, as-built drawings, weld maps, inspection records) should be retained in the designated document repositories. The existence and completeness of key components of job order records are not validated; as a result, some records evidencing key compliance activities are not available. We reviewed a sample of records for ten gas major projects and specifically identified that records to evidence weld inspections and corrosion management activities were not complete. Additionally, some records management processes are informally managed, file finalization processes are inconsistent, and folder structures/naming conventions are not standardized, which makes it inefficient to locate finalized records and difficult to monitor activities. Further, broad access to modify or delete records within the document management systems increases data completeness and integrity risks. | | Management Action Plan: Gas Major Projects management will complete the following: <ul style="list-style-type: none"> Establish standard file structures and naming conventions for project files (August 2024) Establish controls to validate the completeness and accuracy of project records, with consideration given to records expected to be completed at defined project milestones or key phases of the projects (August 2024) Train relevant personnel on file structures and naming conventions for project files and on control processes to validate completeness and accuracy of project records (October 2024) Implement quality assurance reviews over adherence to file structures, naming conventions and the completeness and accuracy of project records, with consideration given to records expected to be complete at defined project milestones or key phases of the projects (November 2024) Responsible: David Dunn, Senior Director Gas Major Projects Resolution Date: Refer to the target remediation dates for each action item listed above. |
| Evaluation Criteria: Processes and controls have been established to ensure key project records are timely completed, reviewed and retained; specifically: 1) roles and responsibilities associated with records creation, review, and retention are clearly defined, documented and understood by personnel; 2) templates have been established and are utilized to drive the consistent capture of key project information; 3) the system of record for completed records is defined and consistently utilized; 4) standard file structures and naming conventions have been established to support organization of completed records; and 5) controls to validate completeness and accuracy of completed records are established and executed. | | |
| 2) <u>Permitting Processes and Roles and Responsibilities</u> | | Rating: 2 |
| Risk: Potential for project delays, rework, increased costs, or fines and penalties. | | |
| Observation: To conduct construction activities, a variety of federal, state, local, and environmental permits are required. A combination of NiSource Inc. (NiSource or the Company) | | Management Action Plan: Gas Major Projects management has determined that the transformation to a new work management application planned for the second quarter of 2025 will allow for better |

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**NiSource Gas Distribution Companies
 Major Project Processes
 Appendix B – Internal Audit Findings Matrix**

| | |
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| <p>resources across various teams (e.g., Engineering, Environmental, construction teams) and contracted third-party resources are engaged to obtain necessary permits.</p> <p>While processes associated with environmental permits during the project planning phase are formalized and executed, policies, procedures, and associated roles and responsibilities are insufficient to ensure that all required permits are identified, obtained, and tracked throughout the project. We specifically noted:</p> <ul style="list-style-type: none"> • A comprehensive procedure is not formalized related to the end-to-end permitting process, including key roles and responsibilities, and roles and responsibilities are not clearly understood • The project-level template established to track and monitor all required permits is not consistently completed and retained within project records • Some permits are not obtained timely, resulting in project delays | <p>tracking of key permitting milestones and documents. Until the new application is implemented, the Gas Major Projects management will complete the following interim actions:</p> <ul style="list-style-type: none"> • Develop a comprehensive, beginning-to-end permitting procedure interim clarifying the key steps, associated roles and responsibilities, and required records (and defined system of record) associated with executing permitting processes (August 2024) • Determine which template should be utilized to track the status of permitting activities and to ensure all key permit data (e.g., date requested, date obtained) is captured (August 2024) • Train impacted personnel on the updated procedures and/or templates (November 2024) • Implement a formalized process to ensure Gas Major Projects personnel validate that permit templates are timely and completely populated and properly retained in the identified system of record (January 2025) <p>Responsible: Rishi Sadagopan, Director Project Management Center of Excellence</p> <p>Resolution Date: Refer to the target remediation dates for each action item listed above.</p> |
| <p>Evaluation Criteria: Processes are established to ensure that all necessary permits are obtained from relevant agencies (municipal, state, federal, environmental) prior to starting construction; specifically: 1) planning processes solicit input from all relevant parties to identify the permits required to complete work for the project and the results of the exercise are documented and shared with all relevant project stakeholders; 2) identified permits are tracked and monitored to ensure work does not begin until required permits have been obtained; and 3) lessons learned sessions are conducted post-project completion to identify gaps in process design or process execution.</p> | |
| <p>3) <i>Supplier Selection Processes and Records</i> Rating: 3</p> | |
| <p>Risk: Potential for increased costs and risk related to poor supplier performance and potential that supplier safety and quality standards and diversity demographics do not align with Company objectives.</p> | |
| <p>Observation: Third-party vendors are utilized to execute most major project construction activities. During the period of review, Company policy required that all vendors with significant spend (defined as \$250,000 or more during the period applicable to the selected major projects) be subjected to a vendor selection process led by Supply Chain.</p> <p>Vendor selection activities are not always properly evidenced or are not always retained per the Company</p> | <p>Management Action Plan: As a result of a finding included within of an audit over source to pay processes, Supply Chain management committed to developing and implementing a formalized process to monitor vendor spend over the threshold outlined within the source to pay policy for instances where vendors were not subject to supplier selection processes. Additionally, as a result of the same audit, Supply Chain management committed to enhancing system functionality and reporting associated with supplier</p> |

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**NiSource Gas Distribution Companies
 Major Project Processes
 Appendix B – Internal Audit Findings Matrix**

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| <p>records management policy (retention requirement of six years). The internal audit team reviewed vendor selection activities for a sample of major projects, and records were not available for two (of ten) projects. Additionally, administrative processes were not consistently executed related to recording contract awards and evidencing vendor notifications as required.</p> | <p>selection processes. These items are already tracked by Internal Audit. As of the date of this report, Supply Chain management is working to establish a target completion date, pending resource allocation decisions.</p> <p>Responsible: Crystal Miller, Director of Supply Chain Strategy and Analytics</p> <p>Resolution Date: Refer to the target remediation dates for each action item listed above.</p> |
| <p>Evaluation Criteria: Processes and controls are sufficient to ensure appropriate supplier selection processes are executed for vendors with significant spend; specifically: 1) vendor selection methodology and thresholds are established within company policy; 2) vendors with anticipated spend over the established threshold are subject to defined supplier selection methods; 3) evidence is appropriate maintained to support execution of required supplier selection processes (e.g. request for proposal, bid evaluation and Supply Chain recommendation, and exception processes); and 4) Supply Chain management periodically monitors vendor spend over the established threshold to identify instances where vendors were not subject to supplier selection processes.</p> | |
| <p>4) <i>Cost and Budget Management Activities</i> Rating: 3</p> | |
| <p>Risk: Potential that project costs may exceed approved amounts without management's knowledge or approval.</p> | |
| <p>Observation: Activities associated with cost and budget management exist, but the key control steps are not formalized and evidenced. We specifically noted that approvals of adjustments to capital budgets and reviews of budget variances are not formally documented and maintained.</p> | <p>Management Action Plan: Gas Major Projects management will formalize processes and procedures to ensure that cost and budget management activities, including required reviews and approvals, are adequately evidenced and supporting records are consistently retained.</p> <p>Responsible: Ian Brown, Senior Director Project Controls</p> <p>Resolution Date: August 2024</p> |
| <p>Evaluation Criteria: Processes and controls are sufficient to ensure that established project budgets are appropriately monitored and projects costs do not exceed approved amounts without management's approval; specifically: 1) project budgets are formally approved; 2) changes to budgets are reviewed and formally approved; and 3) variances in project costs as compared to established budgets are reviewed, investigated, and formally approved.</p> | |
| <p>5) <i>Sarbanes-Oxley Controls Framework</i> Rating: 4</p> | |
| <p>Risk: Potential that controls identified within management's Sarbanes-Oxley (SOX) framework are incorrectly designed, which could result in unidentified financial reporting misstatements.</p> | |
| <p>Observation: The Sarbanes-Oxley (SOX) Compliance and Gas Major Projects teams are responsible for identifying controls which ensure project costs are appropriately approved and</p> | <p>A management response is not requested; however, to refine the SOX framework and ensure effective and prudent use of Company time and resources to manage financial reporting risk, we recommend that the SOX</p> |

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**NiSource Gas Distribution Companies
 Major Project Processes
 Appendix B – Internal Audit Findings Matrix**

| | |
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| <p>are recorded completely and accurately in the financial statements. Various controls related to gas major project activities are identified within the SOX control framework as primary controls and are subject to quarterly testing; however, some of these controls are not the primary activity to manage financial reporting risk, and some controls are not designed and tested effectively.</p> | <p>Compliance team collaborate with the Gas Major Projects team to perform the following:</p> <ul style="list-style-type: none"> • Assess the existing controls included within the SOX framework and consider whether these control activities are necessary to address financial reporting risk • Make any necessary adjustments to the control framework based on the completed assessment • Review assigned controls owners for appropriateness • Assess management testing procedures to ensure testing is appropriately designed and appropriate evidence is reviewed • Perform any necessary communications or training to ensure control owners understand how to perform the control as designed and management testers understand how to properly execute control testing |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure that SOX controls are properly identified, executed, and tested to address the risk of incomplete and /or inaccurate project costs within the financial statements; specifically: 1) risks and controls are formally identified and codified within the SOX control framework; 2) controls are timely executed and evidenced; 3) controls are tested; and 4) testing is properly documented, including formal sign-off by the process owner and a SOX compliance team member in the SOX data management application.</p> | |

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Internal Audit Department



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NiSource Inc. Gas Pipeline In-line Inspection Processes

Internal Audit Report

Distribution

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Beneficiaries:
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Benjamin Turner

For Information:
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Melanie Berman
Melody Birmingham
Donald Brown
Kim Cuccia
William Jefferson
Michael Luhrs
Lloyd Yates



NiSource Inc.
Gas Pipeline In-line Inspection Processes

| Executive Summary | | | | | | | | | | | | | | | | |
|---|---|---|---|---|-------------|-------------------------|-------------|--------------------------------------|-------------|--|-------------|-------------------------------------|-------------|--------------------|---|---|
| Key Insights | Key Background Information | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> The Transmission Integrity Management Program (TIMP) team has focused on human performance improvement (HPI) training and intensive updates to the gas pipeline in-line inspection (ILI) procedures over the last year, and the incorporation of rigorous communication standards, structured pre-job briefs, HPI training and site walkdowns, and structured risk planning is enabling ILI activities to be performed in a safe and repeatable manner As there is an intent to increase the number of ILI runs conducted each year, TIMP management should continue focusing on program maturity and improving activities that enhance efficiency without compromising safety or effectiveness | <p> Three ILI runs completed from December 2022 – October 2023 within Northern Indiana Public Service Company (NIPSCO), Columbia Gas of Virginia (CVA), and Columbia Gas of Kentucky (CKY)</p> <p> 987 miles of total gas transmission pipeline (690 miles for NIPSCO, 58 miles for CVA, and 57 miles for CKY)</p> <p> Three-week average ILI run time</p> | | | | | | | | | | | | | | | |
| Count of Audit Findings by Scope Area | Audit Approach & Coverage | | | | | | | | | | | | | | | |
| <table border="0"> <tr> <td>Policies and Procedures</td> <td>1</td> <td rowspan="7">  Rating 1  Rating 2  Rating 3 </td> </tr> <tr> <td>ILI Run Planning and Preparation Activities</td> <td>No Findings</td> </tr> <tr> <td>Operator Qualifications</td> <td>No Findings</td> </tr> <tr> <td>Equipment Management and Calibration</td> <td>No Findings</td> </tr> <tr> <td>ILI Run and Post-assessment Activities</td> <td>No Findings</td> </tr> <tr> <td>ILI Run Operational Risk Management</td> <td>No Findings</td> </tr> <tr> <td>Records Management</td> <td>1</td> </tr> </table> <p><i>Note: Less-significant observations were discussed with management during the audit.</i></p> | Policies and Procedures | 1 |  Rating 1  Rating 2  Rating 3 | ILI Run Planning and Preparation Activities | No Findings | Operator Qualifications | No Findings | Equipment Management and Calibration | No Findings | ILI Run and Post-assessment Activities | No Findings | ILI Run Operational Risk Management | No Findings | Records Management | 1 | <p>We conducted a risk-based evaluation of the adequacy, effectiveness, and efficiency of controls associated with gas pipeline in-line inspection (ILI) activities. Activities evaluated for this audit occurred during the period between December 2022 and October 2023.</p> <p>We did not evaluate post-assessment activities associated with the ILI runs performed at NIPSCO and CKY as these activities were still in progress at the time of audit fieldwork.</p> |
| Policies and Procedures | 1 |  Rating 1  Rating 2  Rating 3 | | | | | | | | | | | | | | |
| ILI Run Planning and Preparation Activities | No Findings | | | | | | | | | | | | | | | |
| Operator Qualifications | No Findings | | | | | | | | | | | | | | | |
| Equipment Management and Calibration | No Findings | | | | | | | | | | | | | | | |
| ILI Run and Post-assessment Activities | No Findings | | | | | | | | | | | | | | | |
| ILI Run Operational Risk Management | No Findings | | | | | | | | | | | | | | | |
| Records Management | 1 | | | | | | | | | | | | | | | |

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NiSource Inc.
Gas Pipeline In-line Inspection Processes

Summary of Findings

- 1) **Gas Pipeline ILI Records Retention Processes and Controls (Rating 2)**
ILI records retention requirements and records management procedures are not formalized; as a result, some records evidencing key processes or controls are not retained or were not available upon request.
- 2) **ILI Run and Post-Assessment Activities Documentation and Approvals (Rating 3)**
While the TIMP team has implemented formalized processes, procedures, and forms to execute the ILI run and post-assessment activities, some review/approval activities can be further formalized, and documentation can be enhanced.

Management Response & Internal Audit Follow Up

Management agrees with the findings noted during this audit and has provided eight action plans that they developed to address the risks identified. We have reviewed management's action plans and believe that the action plans will adequately address the findings identified in this audit. We will track the progress of resolution and will conduct follow-up testing for all rated "1" audit findings and a sample of rated "2" and rated "3" audit findings.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Note: See the Internal Audit Findings Rating Scale in Appendix A and a detailed write up of the risk, observation, and management action plan in Appendix B.

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**NiSource Corporate Services Company
 Gas Pipeline In-line Inspection Processes
 Appendix A – Internal Audit Finding Rating Scale**

“1” Significant Improvement is Needed and Prompt Management Attention is Required

- More than remote probability for damage to the Company’s reputation or brand and the impact to the enterprise could be substantial and rapidly realized
- More than remote probability for a non-compliance with laws/regulations and the impact to the enterprise could be substantial and rapidly realized
- Crucial foundational controls related to high-impact processes are inadequate or ineffective and the impact to the enterprise could be substantial and rapidly realized
- Repeat audit findings and the impact could be significant within the scope of the area being audited

“2” Improvement is Needed and Management Attention is Necessary (target to reduce risk within 3 to 6 months)

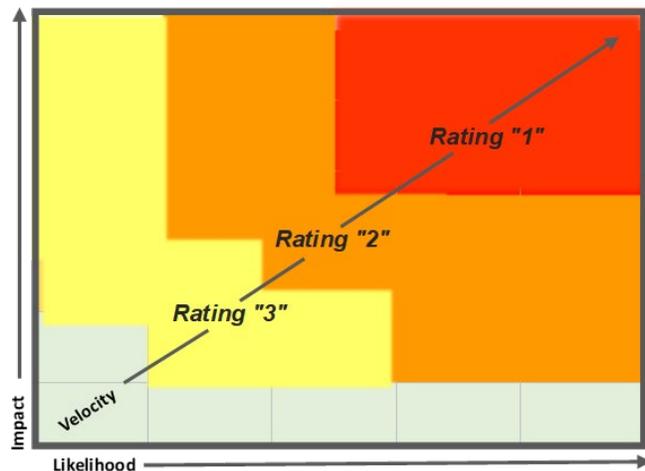
- More than remote probability for damage to the Company’s reputation or brand and the impact could be substantial within the scope of the audit
- More than remote probability for a non-compliance with laws/regulations and the impact could be substantial within the scope of the audit
- Foundational controls are inadequate or ineffective and the impact could be substantial within the scope of the audit
- Controls are not adequate to prevent or detect fraud in a timely manner
- Transactional errors identified during audit testing are significant within the scope of the audit (based on value or number of erroneous transactions identified)
- Internal Policy is not adequate or is violated and the impact could be substantial within the scope of the audit

“3” Some Improvement is Needed and Management Attention is Justified (target to reduce risk within 12 months)

- Internal Policy is not adequate or is violated, but impact is limited and the overall system of controls is not significantly compromised
- Controls are not adequate to prevent erroneous transactions and errors could be more than immaterial within the scope of the audit
- Notable lost opportunity or inefficiency within the scope of the audit

“4” Management Evaluation is Desirable

- Isolated exception with limited impact
- Lost opportunity or inefficiency, but impact is limited



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NiSource Inc.
Gas Pipeline In-line Inspection Processes
Appendix B – Internal Audit Findings

| | |
|---|--|
| 1) <u>Gas Pipeline In-line Inspection (ILI) Records Retention Processes and Controls</u> | Rating: 2 |
| <p><u>Risk:</u> Potential for noncompliance with regulatory requirements, resulting in fines or penalties.</p> | |
| <p><u>Observation:</u> The Pipeline and Hazardous Materials Safety Administration (PHMSA) requires that NiSource Inc. (NiSource or the Company) maintain, for the useful life of the pipeline, records that demonstrate pipeline assessment activities. ILI records retention requirements and records management procedures are not formalized. Additionally, records related to each ILI run and related post-assessment activities are not organized into a central repository and may be dispersed. As a result, some records evidencing key processes or controls are not retained or were not available upon request. We evaluated a sample of records related to the three ILI runs completed since December 2022 and noted the following:</p> <ul style="list-style-type: none"> • Transmission Integrity Management Program (TIMP) forms are not always retained per the Company's records retention policy; for example, management was unable to provide the consequence area field summary for the Northern Indiana Public Services Company (NIPSCO) ILI run, the annual assessment plan for the Columbia Gas of Virginia (CVA) and Columbia Gas of Kentucky (CKY) runs, and the CVA Assessment Summary Report • Formal approval was not retained for two CVA post-ILI run forms • While human performance improvement (HPI) walkdowns are performed prior to the initiation of each run, records evidencing who attended these activities are not maintained <p>Also, most ILI run and post-assessment activities documentation (which includes approval activities) has been retained in a modifiable format (Excel) which may impair the ability to demonstrate data integrity.</p> | <p><u>Management Action Plan:</u> TIMP management will perform the following:</p> <ul style="list-style-type: none"> • Formally document ILI records management procedures, including the formalization of a listing of all records that need to be maintained related to ILI run and post-assessment activities (March 2024) • Utilize a central repository for all documentation associated with each ILI run and post-assessment activities (March 2024) • Develop and implement a process to perform a quality assurance review over the file for each ILI run and related post-assessment activities to ensure all necessary documentation has been retained within the central repository within a defined time period (April 2024) • Formalize a process to save all finalized documentation in an unmodifiable form or utilize a document management system that is able to track versions of all documents (March 2024) <p><u>Responsible:</u> Brent Shuler, Director Asset Class Owner</p> <p><u>Resolution Date:</u> Refer to the target remediation dates for each action item listed above.</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure that ILI records are complete and accurate and retained in compliance with regulations; specifically: 1) records retention policies and procedures have been formalized and communicated; 2) a listing of all records required to be maintained to support ILI run and post-assessment activities has been developed; 3) documentation is maintained within a central repository; 3) documentation is retained in a non-modifiable format; 5) quality assurance reviews are performed once each run is complete to ensure all appropriate documentation has been obtained and retained.</p> | |

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**NiSource Corporate Services Company
 Gas Pipeline In-line Inspection Processes
 Appendix B – Internal Audit Findings**

| | | |
|---|--|---|
| 2) <u>ILI Run and Post-Assessment Activities Documentation and Approvals</u> | | Rating: 3 |
| <p><u>Risk:</u> Potential that inspection work is inappropriately performed and/or is not reviewed by personnel with the requisite knowledge and experience, resulting in an increased likelihood of operational errors, safety incidents, and costly and inefficient reperformance of work.</p> | | |
| <p><u>Observation:</u> While the TIMP team has implemented formalized processes, procedures, and forms to execute the ILI run and post-assessment activities, some review/approval activities can be further formalized, and documentation can be enhanced; specifically:</p> <ul style="list-style-type: none"> • The methodology utilized to select post-assessment dig locations is not formally documented and reviewed/approved • Seven pre-job briefing forms (five for CVA and two for NIPSCO) were not fully executed, including the documentation demonstrating the review of operator qualifications • A process to ensure any feedback from the Environmental team has been incorporated into the related ILI run procedures is not formalized • Formal review and approval is not required for certain key forms within the ILI run and post-assessment process, including tool tracking sheets, the anomaly list, the maintenance or cleaning pig form, the annual high consequence area (HCA) review, the identified site information form, the summary of the TIMP annual program review, and the consequence area field summary | | <p><u>Management Action Plan:</u> TIMP management will perform the following:</p> <ul style="list-style-type: none"> • Formalize the documentation and review/approval of the methodology utilized to select post-assessment dig locations (May 2024) • Recommunicate to field personnel the need to fully complete the pre-job briefing each day, including evidencing the review of operator qualifications (March 2024) • Formalize a process to incorporate any feedback from the Environmental team (or document there was no feedback) into the ILI run procedures (March 2024) • Formalize the review/approval for the following forms: tool tracking sheets, the anomaly list, and the maintenance or cleaning pig form (March 2024) • Formalize the review/approval for the following forms: the annual high consequence area (HCA) review, the identified site information form, the summary of the TIMP annual program review, and the consequence area field summary (August 2024) <p><u>Responsible:</u> Brent Shuler, Director Asset Class Owner</p> <p><u>Resolution Date:</u> Refer to the target remediation dates for each action item listed above.</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to support efficient and effective execution of ILI run and post-assessment activities; specifically: 1) all necessary ILI run and post-assessment activities processes have been identified and documented; 2) documentation requirements for all necessary activities have been defined; and 3) critical review points have been identified and included in the applicable documentation.</p> | | |

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Internal Audit Department



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NiSource Inc. Patch & Vulnerability Management Controls

Internal Audit Report

Distribution

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Venkatesh Iyer
Viji Jagabandhu
Jeremy Plante
Ishreth Sameem

Beneficiaries:

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Percell Berry
Carla Donev
Kevin Johannsen
Gregory Skinner

For Information:

Shawn Anderson
Melanie Berman
Melody Birmingham
Donald Brown
Kim Cuccia
William Jefferson
Michael Luhrs
Lloyd Yates



NiSource Inc.
Patch & Vulnerability Management Controls

| Executive Summary | | | | | | | | | | | | | | | | | | | |
|--|--|---|--|------------------------------|-------------|---|---------------------------|-------------|---|-----------------|----|---|------------------|----|--|------------------------|---|--|---|
| Key Insights | Key Background Information | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> The bifurcated nature of patch and vulnerability management activities and the siloed structure of the cybersecurity and technology support teams complicates processes to prioritize patching of technology infrastructure assets consistent with the significance of the security risk for the enterprise; Cybersecurity and Information Technology (IT) management should institute a joint patch and vulnerability management council to drive risk management alignment The NiSource End User Services (EUS) team successfully completed an initiative to address patch and vulnerability management gaps identified in previous audits; as part of this initiative, new technology (Tanium) was deployed to workstations in October 2023, which has enabled a workstation vulnerability remediation timeline in accordance with compliance directives | <p> 15,291 endpoints assessed against patch and vulnerability management processes across the Corporate and Gas networks</p> <p> 17,539 critical and 140,643 high severity vulnerabilities identified each month on average</p> <p> 13,050 vulnerabilities are addressed each month through patch management and configuration management processes</p> | | | | | | | | | | | | | | | | | | |
| Count of Audit Findings by Scope Area | Audit Approach & Coverage | | | | | | | | | | | | | | | | | | |
| <p style="text-align: right;"><i>*The finding overlaps in scope areas</i></p> <table border="0"> <tr> <td>Policies and Procedures</td> <td>No Findings</td> <td></td> </tr> <tr> <td>Vulnerability Identification</td> <td>No Findings</td> <td>Rating 1 </td> </tr> <tr> <td>Vulnerability Remediation</td> <td>No Findings</td> <td>Rating 2 </td> </tr> <tr> <td>Risk Acceptance</td> <td>1*</td> <td>Rating 3 </td> </tr> <tr> <td>Patch Management</td> <td>1*</td> <td></td> </tr> <tr> <td>Governance & Reporting</td> <td>1</td> <td></td> </tr> </table> <p><i>Note: Less-significant observations were discussed with management during the audit.</i></p> | Policies and Procedures | No Findings | | Vulnerability Identification | No Findings | Rating 1  | Vulnerability Remediation | No Findings | Rating 2  | Risk Acceptance | 1* | Rating 3  | Patch Management | 1* | | Governance & Reporting | 1 | | <p>We engaged Pricewaterhouse Coopers LLP (PwC) to conduct a risk-based evaluation of the adequacy, effectiveness, and efficiency of controls associated with patch & vulnerability management activities.</p> <p>PwC included endpoints in the Gas network as part of this analysis. They did not evaluate the design and operating effectiveness of patch & vulnerability management controls for network infrastructure devices because this scope was covered in the Firewall & Remote Access audit executed in 2023.</p> |
| Policies and Procedures | No Findings | | | | | | | | | | | | | | | | | | |
| Vulnerability Identification | No Findings | Rating 1  | | | | | | | | | | | | | | | | | |
| Vulnerability Remediation | No Findings | Rating 2  | | | | | | | | | | | | | | | | | |
| Risk Acceptance | 1* | Rating 3  | | | | | | | | | | | | | | | | | |
| Patch Management | 1* | | | | | | | | | | | | | | | | | | |
| Governance & Reporting | 1 | | | | | | | | | | | | | | | | | | |

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NiSource Inc.
Patch & Vulnerability Management Controls

Summary of Findings

1) Risk Acceptance Processes and Controls and Patch Application (Rating 1)

To ensure system stability, some critical-severity vulnerability risks have been accepted in absence of mitigating security controls and appropriate approval; as a result, 83 external and 80 critical internal assets are susceptible to long-standing critical and high severity vulnerabilities. Also, the service level agreements (SLAs) defined within the contracts of the third-parties responsible for performing patch management activities are not consistent with NiSource's established remediation timelines, which may further impair the Company's ability to ensure identified vulnerabilities are addressed timely.

2) Vulnerability Management Metrics Reporting (Rating 2)

Key performance metrics for compliance of critical and high severity vulnerabilities are not being calculated and reported to stakeholders.

Management Response & Internal Audit Follow Up

Management agrees with the findings noted during this audit and has provided nine action plans that they developed to address the risks identified. We have reviewed management's action plans and believe that the action plans will adequately address the findings identified in this audit. We will track the progress of resolution and will conduct follow-up testing for all rated "1" audit findings and a sample of rated "2" and rated "3" audit findings.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Note: See the Internal Audit Findings Rating Scale in Appendix A and a detailed write up of the risk, observation, and management action plan in Appendix B.

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**NiSource Inc.
Patch & Vulnerability Management Controls
Appendix A – Internal Audit Finding Rating Scale**

“1” Significant Improvement is Needed and Prompt Management Attention is Required

- More than remote probability for damage to the Company’s reputation or brand and the impact to the enterprise could be substantial and rapidly realized
- More than remote probability for a non-compliance with laws/regulations and the impact to the enterprise could be substantial and rapidly realized
- Crucial foundational controls related to high-impact processes are inadequate or ineffective and the impact to the enterprise could be substantial and rapidly realized
- Repeat audit findings and the impact could be significant within the scope of the area being audited

“2” Improvement is Needed and Management Attention is Necessary (target to reduce risk within 3 to 6 months)

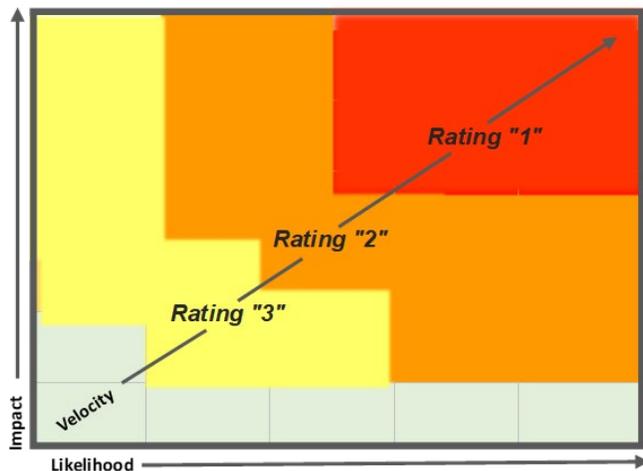
- More than remote probability for damage to the Company’s reputation or brand and the impact could be substantial within the scope of the audit
- More than remote probability for a non-compliance with laws/regulations and the impact could be substantial within the scope of the audit
- Foundational controls are inadequate or ineffective and the impact could be substantial within the scope of the audit
- Controls are not adequate to prevent or detect fraud in a timely manner
- Transactional errors identified during audit testing are significant within the scope of the audit (based on value or number of erroneous transactions identified)
- Internal Policy is not adequate or is violated and the impact could be substantial within the scope of the audit

“3” Some Improvement is Needed and Management Attention is Justified (target to reduce risk within 12 months)

- Internal Policy is not adequate or is violated, but impact is limited and the overall system of controls is not significantly compromised
- Controls are not adequate to prevent erroneous transactions and errors could be more than immaterial within the scope of the audit
- Notable lost opportunity or inefficiency within the scope of the audit

“4” Management Evaluation is Desirable

- Isolated exception with limited impact
- Lost opportunity or inefficiency, but impact is limited



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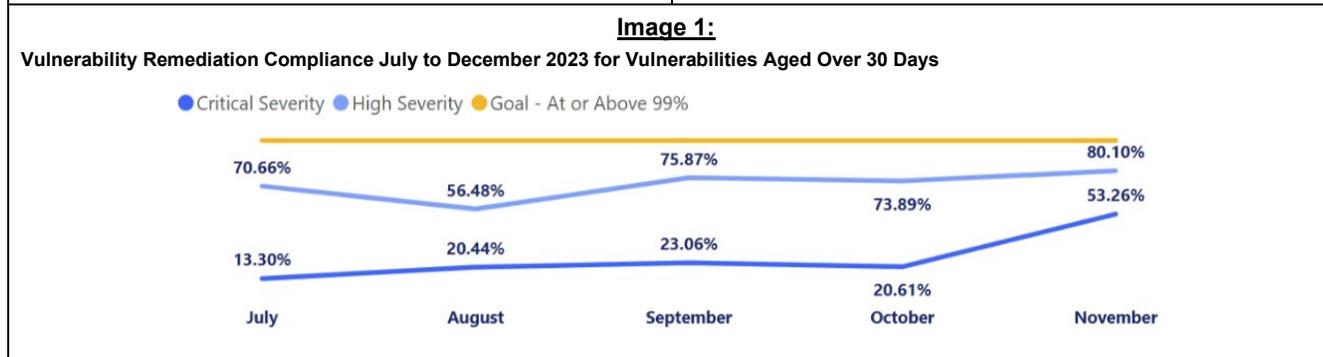
**NiSource Inc.
 Patch & Vulnerability Management Controls
 Appendix B – Internal Audit Findings**

| | |
|--|---|
| <p>1) <u>Risk Acceptance Processes and Controls and Patch Application</u></p> | <p>Rating: 1</p> |
| <p><u>Risk:</u> Potential that critical assets are susceptible to known security vulnerabilities due to management accepting vulnerability risk to prevent operational risk without adequate mitigating security controls. Potential for an attacker to gain unauthorized access or cause disruption to operations by exploiting long-standing critical vulnerabilities of critical assets.</p> | |
| <p><u>Observation:</u> NiSource Inc. (NiSource or the Company) Infrastructure and End User Services (EUS) teams use third-party providers Tata Consultancy Services (TCS) and Wipro to manage patch management processes. Some assets cannot be patched without causing a significant operational impact; in those cases, the Infrastructure and EUS teams request a risk acceptance. While mitigation plans are required for each risk acceptance, the documented mitigation plans do not consistently incorporate adequate mitigation controls commensurate with the risk posed by vulnerabilities. Additionally, the vulnerability risks accepted by the Infrastructure and EUS teams are not reviewed and approved/accepted by the Chief Information Security Officer (CISO) as required by Cybersecurity policy.</p> <p>As a result, critical-severity risks have been granted risk acceptance in absence of mitigating security controls and CISO approval; specifically:</p> <ul style="list-style-type: none"> • Eighty domain controllers may be susceptible to 356 critical severity vulnerabilities (Severity 5 vulnerabilities within Qualys), including vulnerabilities related to Windows Security Updates that have not been implemented since 2022 • Eighty-three internet-facing Linux servers may be susceptible to 24 critical severity vulnerabilities, including vulnerabilities related to Red Hat security updates that have not been implemented since 2022 • Over five hundred workstations running the Windows 7 operating system may be susceptible to over 600 critical severity vulnerabilities, including vulnerabilities related to third-party applications (e.g., Google Chrome) that cannot be remediated due to software requirement constraints <p>Also, the service level agreements (SLAs) defined within the TCS and Wipro contracts are not consistent with the remediation timelines defined within the IT Vulnerability Management Program, which may further impair the Company's ability to ensure identified vulnerabilities are addressed timely (see Image 1 below); specifically:</p> <ul style="list-style-type: none"> • Contract SLAs do not define what constitutes a critical, very high, and high risk vulnerability | <p><u>Management Action Plan:</u> Infrastructure, Cybersecurity, and IT Applications management will partner together to perform the following:</p> <ul style="list-style-type: none"> • Develop and implement a cross-functional global policy and related procedures for patch and vulnerability management activities, including a process to periodically meet to jointly review proposed exceptions for vulnerabilities that cannot be patched, discuss the underlying enterprise risk(s) and determine a mitigation plan to mitigate the identified risk(s), and identify necessary reviews (by level) and timelines based upon the vulnerability risk (March 2024) • Retroactively review the list of existing exceptions through the new process to determine if any action is necessary (TBD based upon the policy developed above) • Evaluate the identified vulnerabilities for domain controllers, Linux servers, and workstations through the new process and determine whether to patch the vulnerabilities or implement mitigation plans (TBD based upon the policy developed above) • Explore the possibility to update the SLAs for TCS and Wipro to align with the definitions and timelines established within the IT Vulnerability Management Program (March 2024) <p>Cybersecurity management will perform the following for vulnerabilities where the decision has been made between Infrastructure, Applications, and Cybersecurity that the patch cannot be implemented:</p> <ul style="list-style-type: none"> • Implement a process to track risk acceptance applications and approvals within Archer including requiring documented CISO approval of and mitigating controls for risk acceptances associated with critical and high severity vulnerabilities (August 2024) • Perform an education session/training for Infrastructure and Applications management on what information is needed in order to apply for risk acceptances in Archer (August 2024) |

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**NiSource Inc.
 Patch & Vulnerability Management Controls
 Appendix B – Internal Audit Findings**

| | |
|--|--|
| <ul style="list-style-type: none"> Remediation targets are set at 100% for critical vulnerabilities and 95% for very high and high vulnerabilities; however, timelines are not established for when vulnerabilities must be addressed | <p>Responsible: Ishreth Sameem, Director IT Infrastructure Jason Griffith, Director IT Infrastructure Theresa Collins, Director IT Infrastructure Venkatesh Iyer, Director IT Applications Viji Jagabandhu, Director Transformation Delivery Jeremy Plante, Director Cybersecurity Diego Castillo, Director IT Applications</p> <p>Resolution Date: Refer to the target remediation dates for each action item listed above.</p> |
|--|--|



Evaluation Criteria:
 Processes and controls are sufficient to ensure that patch application is executed in line with defined Company expectations and vulnerabilities that cannot be remediated are reviewed, risk ranked, and approved in accordance with the risk acceptance process, and revisited periodically; specifically: 1) policies and procedures are established to govern patch and vulnerability management activities; 2) vulnerabilities are periodically identified across servers and workstations; 3) vulnerability management is assigned by asset and managed through a ticketing system; 4) the root cause of critical vulnerabilities are identified and reviewed; 5) vulnerability remediation efforts are prioritized by criticality of assets; and 6) vulnerability remediation efforts are prioritized by severity level.

2) Vulnerability Management Metrics Reporting Rating: 2

Risk:
 Potential that metrics reporting does not reflect the risk posed to the environment, leading to an incomplete understanding of the total risk present across the enterprise.

| | |
|--|--|
| <p>Observation: The NiSource Cybersecurity team currently calculates key performance indicators (KPIs) for vulnerability management reporting for stakeholders. While the KPIs include mean time to detect and mean time to remediate vulnerabilities, they do not include metrics for the percentage of outstanding critical and high severity vulnerabilities associated with high-risk assets (e.g., internet facing assets, critical internal assets) that have not been patched within the remediation timelines or the percentage of vulnerabilities that have been addressed through risk acceptance processes, which impairs stakeholders' ability to understand the risk profile of their assets.</p> | <p>Management Action Plan: Cybersecurity management has updated their monthly dashboard reporting metrics and Board of Directors reporting to include information on critical and high severity vulnerabilities that fall outside remediation timelines. Additionally, beginning in December 2023, Cybersecurity management began performing training for Infrastructure personnel on Qualys reporting and results. (Completed)</p> <p>Additionally, Cybersecurity management will explore reporting capabilities in Archer for risk acceptances once the application and approval process has been developed. (August 2024)</p> |
|--|--|

**NiSource Inc.
Patch & Vulnerability Management Controls
Appendix B – Internal Audit Findings**

| | |
|---|--|
| | <p><u>Responsible:</u> Jeremy Plante, Director Cybersecurity</p> <p><u>Resolution Date:</u> Refer to the target remediation dates for each action item listed above.</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure that key metrics and vulnerability management reports are disseminated to key constituents and stakeholders that reflect the current state of risk to the environment; specifically: trends, KPIs, reports and dashboards are effectively communicated to required stakeholders across multiple reporting levels. Example metrics for reporting are as follows: 1) % of Critical & High open vulnerabilities outside of remediation timelines – internet-facing assets; 2) % of Critical & High open vulnerabilities outside of remediation timelines – internal, Tier 1 assets; 3) % of Critical & High vulnerabilities addressed through risk acceptance process.</p> | |

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Internal Audit Department



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NiSource Inc.

Anti-Bribery & Anti-Corruption Compliance Program

Internal Audit Report

Distribution

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Kim Cuccia
William Jefferson
Michael Luhrs
Lloyd Yates



NiSource Inc.
Anti-Bribery & Anti-Corruption Program

| Advisory Audit Report | | | | | | | | | | | |
|--|--|---|--|---|-------------------|------------------|-----------------------------|---|--|--------------------|---|
| Key Insights | Key Background Information | | | | | | | | | | |
| <ul style="list-style-type: none"> Bribery and corruption risks are managed in a decentralized manner across NiSource Inc. (NiSource or the Company); management should consider identifying risk owners to take overall responsibility for bribery and corruption risk assessment activities, policies and procedures, and compliance control activities Due to recent high-profile instances of bribery within the utility sector, some utilities have adopted a comprehensive, organization-wide policy applying a uniformly conservative approach to gifts, meals and entertainment provided to government officials regardless of jurisdictions; management should consider this approach to policy development as it matures its Anti-Bribery & Anti-Corruption (ABAC) program | <p> Bribery and corruption instances have increased within the utility industry over the past several years, which negatively impacts customers, shareholders, and employees</p> <p> Activities at higher-risk for bribery and corruption include lobbying, permitting, ex-parte communications, awarding of contracts to new and preferred vendors, political and charitable contributions, and providing gifts and hospitality to government officials and third parties</p> | | | | | | | | | | |
| Count of Audit Recommendations by Scope Area | Audit Approach & Coverage | | | | | | | | | | |
| <table border="0" style="width: 100%;"> <tr> <td style="text-align: right;">Enterprise Risk Assessment Processes</td> <td style="text-align: right;">1</td> </tr> <tr> <td style="text-align: right;">Policies, Procedures and Compliance Controls</td> <td style="text-align: right;">2</td> </tr> <tr> <td style="text-align: right;">Program Oversight</td> <td style="text-align: right;">See Key Insights</td> </tr> <tr> <td style="text-align: right;">Training and Communications</td> <td style="text-align: right;">1</td> </tr> <tr> <td style="text-align: right;">Commitment from Senior and Middle Management</td> <td style="text-align: right;">No Recommendations</td> </tr> </table> <p><i>Note: Less-significant recommendations were discussed with management during the audit.</i></p> | Enterprise Risk Assessment Processes | 1 | Policies, Procedures and Compliance Controls | 2 | Program Oversight | See Key Insights | Training and Communications | 1 | Commitment from Senior and Middle Management | No Recommendations | <p>We engaged Pricewaterhouse Coopers LLP (PwC) to conduct a risk-based advisory evaluation focused on the design of the control framework associated with NiSource’s Anti-Bribery & Anti-Corruption compliance program.</p> <p>Specifically, the PwC team assessed the preventative practices established within two states (Ohio and Indiana) and reviewed established policies and procedures and interviewed stakeholders from six key groups, including Federal and State Government Affairs, Enterprise Risk, Legal, Compliance, Supply Chain, and Construction Project Management.</p> |
| Enterprise Risk Assessment Processes | 1 | | | | | | | | | | |
| Policies, Procedures and Compliance Controls | 2 | | | | | | | | | | |
| Program Oversight | See Key Insights | | | | | | | | | | |
| Training and Communications | 1 | | | | | | | | | | |
| Commitment from Senior and Middle Management | No Recommendations | | | | | | | | | | |

Confidential Information for the sole benefit and use of PwC’s Client

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NiSource Inc.
Anti-Bribery & Anti-Corruption Program

Summary of Observations & Recommendations

1) Enterprise Risk Assessment Processes

During the 2023 NiSource enterprise risk assessment, the Company added two high-level bribery-specific risks to its risk register related to paying bribes and awarding contracts due to receipt of bribes. However, these risks are narrow in scope and were identified by interviewing individual risk owners. As many processes at NiSource are cross-functional, individual risk owners may not be aware of and understand all bribery and corruption risks present across an end-to-end process. As a result, bribery and corruption risk may not be effectively identified and holistically assessed by all of the stakeholders who have intimate knowledge of where risk exists.

We recommend that NiSource incorporate a specific step into the enterprise risk assessment process to identify a comprehensive population of stakeholders with knowledge of business activities which present higher bribery and corruption risks (e.g., requiring interaction with government representatives or third-parties, opportunities to purchase gifts or provide hospitality, gifting of charitable contributions, and procurement of services and goods from new and preferred vendors). Holistic and recurring risk assessments will enable NiSource to identify higher-risk processes and timely assess risk as new practices emerge. A separate risk assessment should also be conducted after a triggering event, such as incidents of bribery and corruption at NiSource or industry peers.

2) ABAC Policies and Control Structures

NiSource has established various ABAC-relevant policies which provide some guidance on how employees can and should interact with third parties, including government officials; however, policies are segmented by topic, and organizational ownership and comprehensive cross-references are not included within the policies. In particular, the following gaps were noted:

- Guidance or thresholds are not established specific to meals and entertainment provided to government officials (with appropriate consideration of jurisdictional-specific regulatory requirements)
- Processes are not established to perform due-diligence procedures over organizations (and related affiliates) prior to payment of charitable contributions
- Guidance over external regulatory reporting activities is limited
- Ex-parte communications, lobbying, and permitting (three higher-risk bribery and corruption activities) are not specifically addressed

A lack of robust policies covering higher-risk activities increases the risk that incorrect or inconsistent processes are followed during interactions with government officials and third parties. We specifically noted that federal and state government affairs directors rely on their experience and informal departmental practices to determine allowable interaction with government officials (e.g., what they are allowed to spend, when they are allowed to communicate). At the local level, employees' limited awareness of existing

NiSource Inc.
Anti-Bribery & Anti-Corruption Program

NiSource policies and local regulations increases NiSource's susceptibility to bribery and corruption risks. We also noted that NiSource has established limited controls to monitor compliance with existing ABAC policies, increasing the risk that process execution does not align with expected practices.

We recommend that NiSource expand its policies and procedures to include comprehensive and practical guidance on the processes identified as higher risk for bribery and corruption. Once clear policy guidance has been established, management should consider implementing monitoring controls.

3) NiSource Political Action Committee Contributions Processes

The NiSource Political Action Committee (NiPAC) makes hundreds of political contributions throughout the year. Contribution budgets are approved by the Executive Committee every two years at the state and federal levels, and state government affairs directors are responsible for identifying individuals and organizations who will receive NiPAC contributions. High-level criteria have been established defining how to evaluate potential recipients of NiPAC contributions; however, a contributions approval process is not formalized or evidenced, and NiSource does not perform additional due diligence on recipients of NiPAC contributions to validate that recipients' platforms align with NiSource's mission and that no conflicts of interest exists. A lack of formalized approval and due diligence activities increases the risk that NiSource is contributing to individuals or organizations that are involved in activities which may negatively impact NiSource's reputation, are against NiSource policies, and/or facilitate the payments of bribes.

NiSource should implement a formal due diligence process for individuals and organizations receiving NiPAC contributions to assess the potential recipient's reputation and determine whether conflicts of interest exist. Additionally, the Company should develop clear and detailed procedures that outline the steps to be followed and the associated documentation required to make a political contribution.

4) ABAC Training

While NiSource requires employees to complete trainings over the NiSource Code of Business Conduct and the ABAC policy, completion of some training is not monitored for non-officer employees. Additionally, NiSource does not provide specialized training to employees or suppliers who operate in higher-risk roles or who may be gatekeepers of relevant control functions (e.g., individuals responsible for approving expense reports submitted by employees in higher-risk roles). Non-completion of the required training and lack specialized ABAC training may result in key employees or suppliers that act on NiSource's behalf not being as familiar with certain red flags or residual risks associated with less obvious forms of bribery and corruption.

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NiSource Inc.
Anti-Bribery & Anti-Corruption Program

We recommend that NiSource monitor completion of ABAC-related training for all employees in roles identified as having higher bribery and corruption risks, consider aligning incentive compensation and/or annual performance review criteria to the completion of required training, and provide additional specialized and tailored ABAC training content for higher-risk roles (e.g., Federal and Political Affairs). Additionally, NiSource should also consider requiring suppliers who engage on NiSource's behalf in activities with higher bribery and corruption risks to complete NiSource ABAC training.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

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NiSource Inc.
Corporate Aviation

Distribution

Respondents:

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Lloyd Yates



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ENERGY PARTNER



| Internal Audit Results Summary | | | | | | | | | | | | | | | | | | | | | |
|--|--|----|--|--|--|----|---|--|--|-------------|--|--|--|---|---|--|--------------------------|----------------------|--|--|--|
| Key Insights | Key Background Information | | | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> Oversight of the corporate aviation program transitioned during 2024; the new Aviation Services leadership team self-identified some gaps and is currently refreshing the flight operations manual (FOM); completing this revision and ensuring the FOM clearly defines operational practices will drive consistency and facilitate safe operations NiSource Inc. (NiSource or the Company) is currently in process of formally establishing an Unmanned Aircraft Systems (UAS) program with centralized oversight by Aviation Services to reduce compliance and cyber security risks |  56 trips on the corporate jet (which is located in Columbus, Ohio)  85 trips on two helicopters (which are located in Gary, Indiana)  \$1.4 million in maintenance expenses related aircrafts between January 2023 and June 2024 | | | | | | | | | | | | | | | | | | | | |
| Audit Coverage, Count of Findings by Scope Area & Follow Up | Summary of Key Findings* | | | | | | | | | | | | | | | | | | | | |
| <p>We conducted a risk-based evaluation of the adequacy, effectiveness, and efficiency of controls. Activity evaluated for this audit occurred during the period between January 2023 and June 2024 (corporate jet activities were not evaluated between January 2023 and September 2023 due to previous audit coverage).</p> <table border="1"> <tr> <td>Policies & Procedures</td> <td>1*</td> <td>2</td> <td></td> </tr> <tr> <td>Asset & Schedule Management Activities</td> <td>1*</td> <td>1</td> <td><i>Note: An asterisk indicates that a finding overlaps scope areas</i></td> </tr> <tr> <td>Personnel Qualifications & Training Activities</td> <td colspan="3">No findings</td> </tr> <tr> <td>Information & Physical Security Controls</td> <td>1</td> <td>1</td> <td></td> </tr> <tr> <td>Flight Operations Manual</td> <td colspan="3">Refer to Key Insight</td> </tr> </table> <p> ■ Rating 1 ■ Rating 2 ■ Rating 3 </p> <p>Management agrees with the facts of the findings and has provided action plans that we believe are appropriate. We will track the progress of resolution and will conduct follow-up testing per our defined process. Lower-risk observations and recommendations were discussed with management during the audit.</p> | Policies & Procedures | 1* | 2 | | Asset & Schedule Management Activities | 1* | 1 | <i>Note: An asterisk indicates that a finding overlaps scope areas</i> | Personnel Qualifications & Training Activities | No findings | | | Information & Physical Security Controls | 1 | 1 | | Flight Operations Manual | Refer to Key Insight | | | <ol style="list-style-type: none"> Third-Party Risk Management Activities (Rating 1) – Due diligence activities are insufficient to ensure aviation software-as-a-service (SaaS) vendors' information security protocols are adequate to protect sensitive NiSource information (e.g., flight schedules and manifests) Flight Release Processes (Rating 1) – A control structure is not formalized to ensure consistent execution and documentation for flight release activities, and the internal audit team identified multiple incomplete or missing records Aircraft Inspection & Maintenance Activities (Rating 2) – Data completeness and accuracy controls (which are important to ensuring the integrity of the aircraft inspection and maintenance schedule) are not evidenced and a quality assurance process is not established to ensure that the electronic and physical inspection records are consistent Hangar Physical Security (Rating 2) – Hangar facility physical access guidelines and procedures are not formalized, and badge access to the hangar facilities is not periodically reviewed <p>Additionally, the internal audit findings matrix includes two Rating 3 findings.</p> <p><small>* Key findings are defined as findings that are assigned a rating 1 or rating 2.</small></p> |
| Policies & Procedures | 1* | 2 | | | | | | | | | | | | | | | | | | | |
| Asset & Schedule Management Activities | 1* | 1 | <i>Note: An asterisk indicates that a finding overlaps scope areas</i> | | | | | | | | | | | | | | | | | | |
| Personnel Qualifications & Training Activities | No findings | | | | | | | | | | | | | | | | | | | | |
| Information & Physical Security Controls | 1 | 1 | | | | | | | | | | | | | | | | | | | |
| Flight Operations Manual | Refer to Key Insight | | | | | | | | | | | | | | | | | | | | |

Note: See the Internal Audit Findings Rating Scale in Appendix A and a complete write-up of the risk, observation, and management action plans in Appendix B



NiSource Inc.
Corporate Aviation
Appendix A – Internal Audit Finding Rating Scale

“1” Significant Improvement is Needed and

Prompt Management Attention is Required

- More than remote probability for damage to the Company’s reputation or brand and the impact to the enterprise could be substantial and rapidly realized
- More than remote probability for a non-compliance with laws/regulations and the impact to the enterprise could be substantial and rapidly realized
- Crucial foundational controls related to high-impact processes are inadequate or ineffective and the impact to the enterprise could be substantial and rapidly realized
- Repeat audit findings and the impact could be significant within the scope of the area being audited

“2” Improvement is Needed and Management Attention is Necessary (target to reduce risk within 3 to 6 months)

- More than remote probability for damage to the Company’s reputation or brand and the impact could be substantial within the scope of the audit
- More than remote probability for a non-compliance with laws/regulations and the impact could be substantial within the scope of the audit
- Foundational controls are inadequate or ineffective and the impact could be substantial within the scope of the audit
- Controls are not adequate to prevent or detect fraud in a timely manner
- Transactional errors identified during audit testing are significant within the scope of the audit (based on value or number of erroneous transactions identified)
- Internal Policy is not adequate or is violated and the impact could be substantial within the scope of the audit

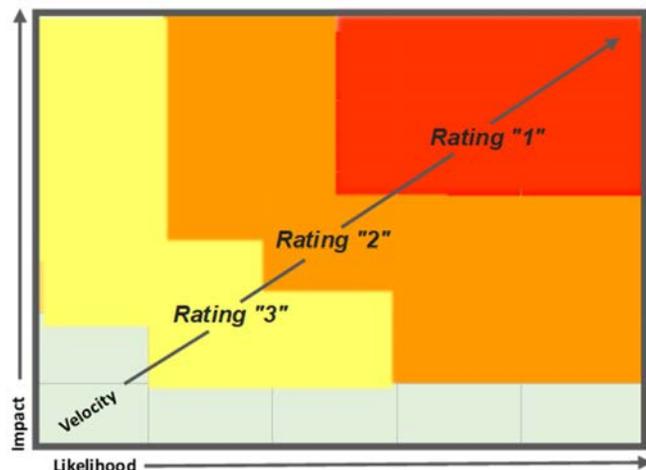
“3” Some Improvement is Needed and

Management Attention is Justified (target to reduce risk within 12 months)

- Internal Policy is not adequate or is violated, but impact is limited and the overall system of controls is not significantly compromised
- Controls are not adequate to prevent erroneous transactions and errors could be more than immaterial within the scope of the audit
- Notable lost opportunity or inefficiency within the scope of the audit

“4” Management Evaluation is Desirable

- Isolated exception with limited impact
- Lost opportunity or inefficiency, but impact is limited



NiSource Inc.
Corporate Aviation
Appendix B – Internal Audit Findings Matrix

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| 1) <u>Third-Party Risk Management Activities</u> | | Rating: 1 |
| Risk: Potential that sensitive executive and board travel information maintained within a third-party system is inadequately protected, leading to physical security risks. | | |
| Observation: The Airplane Manager system (utilized for flight management activities) and the Computerized Aircraft Maintenance Program (CAMP) (utilized for aircraft maintenance management) are cloud-based, software-as-a-service (SaaS) solutions utilized by the NiSource Inc. (NiSource or the Company) Aviation Services team to manage the Company's aviation program. Due diligence processes were insufficient to ensure aviation services SaaS vendors' information security protocols are adequate to protect sensitive NiSource information (e.g., flight schedules, flight manifests, and employee/board member names and contact information). Specifically, the Company has not completed a cybersecurity assessment to identify potential risks and evaluate the third-party companies' ability to protect sensitive data. Additionally, aviation services SaaS vendors' controls are not periodically validated (through the review of a service organization control report [SOC 2 Type II]) to ensure that controls are adequate and operating effectively. | | Management Action Plan: Aviation Services will partner with the Cybersecurity team to complete a cybersecurity assessment for Airplane Manager and CAMP. Aviation Services will formalize and implement a process to periodically obtain and review the SOC 2 Type II reports for both Airplane Manager and CAMP, as well as verify that complimentary user entity controls (CUEC) are implemented and effective. Responsible: Bryan Buchelt, director aviation Resolution Date: December 2024 |
| Evaluation Criteria: Processes and controls are sufficient to ensure that risk management activities are being executed for key vendors supporting the Aviation Services team; specifically: 1) prior to engaging a SaaS solutions provider, the Cybersecurity team is engaged and a cybersecurity assessment is completed to evaluate the third-party vendors' data security protocols; 2) SOC reports are obtained and reviewed annually by a person with sufficient knowledge to perform the review; 3) if issues are identified, an evaluation is performed to determine the impact to the Company including appropriate vendor management risk reduction/resolution activities; and 4) CUEC are reviewed, implemented and verified, if applicable. | | |
| 2) <u>Flight Release Processes</u> | | Rating: 1 |
| Risk: Potential that a flight is released without important safety activities occurring. | | |
| Observation: The NiSource Aviation Services team is responsible for confirming that important safety activities have occurred before flights are released, and a control structure is not formalized to ensure consistent execution and documentation of these activities; specifically: <ul style="list-style-type: none"> Standard operating procedures are not established to define flight release activities and associated documentation requirements (especially a requirement to evidence rationale for clearing higher-risk maintenance indicators) | | Management Action Plan: Aviation Services will perform the following: <ul style="list-style-type: none"> Establish standard operating procedures that capture the required flight release activities and associated documentation retention requirements Establish a QA process to ensure that required flight release activities are consistently and fully executed, performed on time (timely performed), and that records are complete and appropriately maintained per requirements |



NiSource Inc.
Corporate Aviation
Appendix B – Internal Audit Findings Matrix

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| <ul style="list-style-type: none"> • While a flight release process (a key verification control) is established, the specific verification activities are not formalized and evidenced (i.e., a checklist is not established) • Records management processes are insufficient to ensure compliance with the Company's records retention policy • A quality assurance (QA) process is not established to ensure that important activities have occurred and are evidenced <p>Internal audit evaluated flight release records for a sample of flights (related to both helicopter and jet activities) and identified multiple incomplete or missing records (e.g., missing pilot trip sheet and pilot risk assessment checklist, lack of sign-off by the pilot on flight logs, insufficient evidence that a weather check occurred). Additionally, although the internal audit team did not identify maintenance lapses in the sample tested, processes to clear maintenance indicators (classified as 'yellow' or 'red') prior to flight departure were insufficiently documented (although we noted documentation improvements for flights later in the audit period).</p> | <p>Responsible: Bryan Buchelt, director aviation</p> <p>Resolution Date: December 2024</p> |
| <p>Evaluation Criteria: Processes and controls are established to ensure that corporate aircraft usage is executed safely and in compliance with regulatory requirements; specifically: 1) procedures are established to clearly outline the requirements of flight release checks; 2) personnel are adequately trained on the established procedures; 3) monitoring and oversight controls are established to ensure flight release activities are occurring as expected; and 4) completed flight release records are retained within a centralized location.</p> | |
| <p>3) Aircraft Inspection & Maintenance Activities Rating: 2</p> | |
| <p>Risk: Potential that incomplete or inaccurate records impair aircraft inspection/maintenance monitoring activities.</p> | |
| <p>Observation: NiSource utilizes a SaaS system (CAMP) to manage aircraft inspection and maintenance activities and maintains flight records in Airplane Manager. NiSource Aviation Services maintenance personnel manually enter aircraft usage and maintenance activities into CAMP.</p> <p>A quality assurance process is not established to verify maintenance/inspection information captured within CAMP against physical records; the internal audit team identified an instance where CAMP indicated that a required inspection was performed, but the records on file did not evidence completion of the inspection.</p> <p>Additionally, the process to reconcile aircraft utilization data between CAMP and Airplane Manager flight records was not evidenced; the internal audit team reconciled data in</p> | <p>Management Action Plan: Aviation Services will perform the following:</p> <ul style="list-style-type: none"> • Establish a QA process to ensure maintenance records are updated completely and accurately (March 2025) • Establish a periodic validation process to ensure that aircraft utilization information recorded in CAMP is accurate, by reconciling the CAMP data with flight records in Airplane Manager (reported complete September 2024) <p>Responsible: Bryan Buchelt, director aviation</p> <p>Resolution Date: Refer to target remediation dates above.</p> |



NiSource Inc.
Corporate Aviation
Appendix B – Internal Audit Findings Matrix

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| CAMP to flight records in Airplane Manager and did not identify notable inconsistencies. | |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure required inspection and maintenance activities are completely and timely performed; specifically: 1) policies and procedures are established that clearly define the requirements of inspection and maintenance activities; 2) personnel are adequately trained on the established policies and procedures; 3) monitoring and oversight controls are established to ensure inspection and maintenance activities are occurring as expected, and to detect and remediate exceptions; 4) a periodic reconciliation is established and performed to ensure that the maintenance tracking system is complete and accurate; and 5) completed inspection and maintenance records are retained.</p> | |
| <p>4) <u>Hangar Physical Security</u></p> | |
| <p>Rating: 2</p> | |
| <p><u>Risk:</u> Potential that unauthorized and/or inappropriate physical access to facilities, including aircraft hangar locations storing Company assets, could result in security threats and/or asset misappropriation or damage.</p> | |
| <p><u>Observation:</u> Badge access to hangar facilities where Company aircraft are stored is managed by Lane Aviation and Gary/Chicago International Airport, based on requests (both additions and removals) communicated by the Aviation Services team. Hangar facility physical access guidelines and procedures are not formalized, and badge access to the hangar facilities is not periodically reviewed. Internal audit reviewed current access listings for the hangar locations managed by Lane Aviation and Gary/Chicago International Airport facilities and did not identify any instances of inappropriate access.</p> | <p><u>Management Action Plan:</u> Aviation Services will perform the following:</p> <ul style="list-style-type: none"> Formalize and document a process to add and terminate access when employee roles and responsibilities change Establish a formal monitoring process to periodically review access listings and eliminate any potential unauthorized access to the Company aircrafts <p><u>Responsible:</u> Bryan Buchelt, director aviation</p> <p><u>Resolution Date:</u> March 2025</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are established to ensure physical access to hangar locations is restricted and monitored; specifically: 1) access requests are authorized by appropriate personnel; 2) processes to terminate or change access when employees' roles and responsibilities change are formalized; and 3) access is periodically reviewed and validated to ensure granted access is appropriate in consideration of employees' roles and responsibilities.</p> | |
| <p>5) <u>Segregation of Duties – Aircraft Business Use Approvals</u></p> | |
| <p>Rating: 3</p> | |
| <p><u>Risk:</u> Potential that lack of segregation of duties within the business use flight approval process can lead to inappropriate usage of Company aircraft.</p> | |
| <p><u>Observation:</u> Per policy, use of the Company's aircraft must be pre-approved by the Chief Executive Officer (CEO) or the CEO's designee. However, an approval or review requirement is not established for the CEO's use of the aircraft (i.e., requiring a secondary review of business-use flights by the CEO), and the CEO's use of the Company's aircraft was not always independently reviewed.</p> | <p><u>Management Action Plan:</u> Aviation Services will partner with the Legal team to perform the following:</p> <ul style="list-style-type: none"> Formalize and implement a process to ensure an independent review of activity on Company aircraft is performed (including an after-the-fact review, if necessary) |



NiSource Inc.
Corporate Aviation
Appendix B – Internal Audit Findings Matrix

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|---|--|
| | <ul style="list-style-type: none"> Update the Use of Aircraft policy to align with the new review process <p>Responsible: Bryan Buchelt, director aviation Andre Wright, vice president & deputy general counsel commercial</p> <p>Resolution Date: March 2025</p> |
| <p>Evaluation Criteria: Processes and controls are established to ensure all flights on Company aircraft are properly authorized; specifically: 1) policies and procedures are established that outline requirements associated with Company aircraft usage, including approval processes required prior to usage; 2) personnel are adequately trained on established policies and procedures to ensure compliance; 3) a formal request form is submitted by an authorized individual; and 4) a documented independent approval of the request occurs and evidence is retained.</p> | |
| <p>6) Standard Industry Fare Level (SIFL) and Personal Benefit Review Processes</p> | <p>Rating: 3</p> |
| <p>Risk: Potential for non-compliance with regulatory requirements resulting in fines/penalties.</p> | |
| <p>Observation: The Aviation Services team is responsible for compiling and calculating the SIFL calculation that is submitted to the Payroll department for inclusion in individuals' taxable income if personal-use flights are taken. Additionally, the Aviation Services team is responsible for compiling the data utilized by the Legal team in the annual valuation of personal benefit flights for disclosure within the proxy statement. Aviation Services has not established a formal control to validate the completeness and accuracy of the information compiled for other organizations.</p> <p>Internal audit evaluated all the SIFL calculations performed during the period from October 2023 through June 2024 and all personal benefit valuations disclosed within the Company's 2023 Proxy statement and did not identify any discrepancies.</p> | <p>Management Action Plan: Aviation Services will establish a formal review and validation process to ensure the completeness and accuracy of the SIFL calculations and personal benefit flight data prior to submission to outside parties.</p> <p>Responsible: Bryan Buchelt, director aviation</p> <p>Resolution Date: March 2025</p> |
| <p>Evaluation Criteria: Processes and controls are established to ensure that information utilized within Company reporting requirements, associated with corporate aircraft usage is complete and accurate; specifically: 1) documented procedures have been established over reporting completeness and accuracy validation activities; 2) completeness and accuracy activities are executed for key calculation/report information; 3) evidence of completeness and accuracy validation activities is maintained and 4) an independent review is performed to ensure the validation has occurred.</p> | |





Internal Audit Department



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NiSource Inc.

Cross Bore Management

Internal Audit Report

Distribution

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Kim Cuccia
William Jefferson
Michael Luhrs
Lloyd Yates



NiSource Inc.
Cross Bore Management

| Executive Summary | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|---|---|------------------------------|--|--|------------------------------------|-------------|-----|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|--|--|--|--|--|---------|--|--------------|--|------------|------------|------------|------------|--------|----|---|---|---|-----|----|----|---|---|-----|----|----|----|----|-----|---|---|---|---|-----|----|----|---|---|-----|----|----|---|---|-------|-----|-----|----|----|
| Key Insights | Key Background Information | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> An internally developed risk model is utilized to prioritize cross bore inspection efforts across the NiSource Gas Distribution Companies' pipeline systems; the cross bore program team regularly assesses the model, and some of the operating companies are taking steps to consider additional data points in the modeling process; pursuing ongoing enhancements to the model will facilitate effective risk-based allocation of funds Currently, non-legacy cross bore notification and tracking processes lack consistency across operating companies; standardizing and formalizing notification and reporting processes as well as enhancing field personnel training will enable further and timely cross bore risk reduction Cross bore program oversight varies across operating companies; implementing consistent reporting structures and governance processes will improve efficiency and effectiveness |  <table border="1"> <thead> <tr> <th colspan="6">2023 Cross Bore Program Spend (\$ millions)</th> </tr> <tr> <th>NIPSCO</th> <th>CPA</th> <th>CGV</th> <th>COH</th> <th>CKY</th> <th>CMD</th> </tr> </thead> <tbody> <tr> <td>3.5</td> <td>3.8</td> <td>2.7</td> <td>1.3</td> <td>0.4</td> <td>0.1</td> </tr> </tbody> </table>  <table border="1"> <thead> <tr> <th colspan="5">2023 Cross Bore Identification & Remediation</th> </tr> <tr> <th rowspan="2"></th> <th colspan="2">Legacy*</th> <th colspan="2">Non-Legacy**</th> </tr> <tr> <th>Identified</th> <th>Remediated</th> <th>Identified</th> <th>Remediated</th> </tr> </thead> <tbody> <tr> <td>NIPSCO</td> <td>17</td> <td>9</td> <td>2</td> <td>1</td> </tr> <tr> <td>CKY</td> <td>12</td> <td>11</td> <td>0</td> <td>0</td> </tr> <tr> <td>COH</td> <td>62</td> <td>45</td> <td>15</td> <td>14</td> </tr> <tr> <td>CMD</td> <td>3</td> <td>3</td> <td>1</td> <td>1</td> </tr> <tr> <td>CPA</td> <td>48</td> <td>44</td> <td>1</td> <td>0</td> </tr> <tr> <td>CVA</td> <td>22</td> <td>22</td> <td>1</td> <td>1</td> </tr> <tr> <td>Total</td> <td>164</td> <td>134</td> <td>20</td> <td>17</td> </tr> </tbody> </table> <p>*Legacy: Gas facilities installed before January 1, 2017 **Non-Legacy: Gas facilities installed post January 1, 2017</p> | 2023 Cross Bore Program Spend (\$ millions) | | | | | | NIPSCO | CPA | CGV | COH | CKY | CMD | 3.5 | 3.8 | 2.7 | 1.3 | 0.4 | 0.1 | 2023 Cross Bore Identification & Remediation | | | | | | Legacy* | | Non-Legacy** | | Identified | Remediated | Identified | Remediated | NIPSCO | 17 | 9 | 2 | 1 | CKY | 12 | 11 | 0 | 0 | COH | 62 | 45 | 15 | 14 | CMD | 3 | 3 | 1 | 1 | CPA | 48 | 44 | 1 | 0 | CVA | 22 | 22 | 1 | 1 | Total | 164 | 134 | 20 | 17 |
| 2023 Cross Bore Program Spend (\$ millions) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NIPSCO | CPA | CGV | COH | CKY | CMD | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3.5 | 3.8 | 2.7 | 1.3 | 0.4 | 0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023 Cross Bore Identification & Remediation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Legacy* | | Non-Legacy** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Identified | Remediated | Identified | Remediated | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NIPSCO | 17 | 9 | 2 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CKY | 12 | 11 | 0 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| COH | 62 | 45 | 15 | 14 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CMD | 3 | 3 | 1 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CPA | 48 | 44 | 1 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CVA | 22 | 22 | 1 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 164 | 134 | 20 | 17 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Count of Audit Findings by Scope Area | Audit Approach & Coverage | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="0"> <tr> <td style="text-align: right;">Adherence to Gas Standards</td> <td style="text-align: center;">  1* </td> <td style="text-align: left;"> Rating 1  Rating 2  Rating 3  </td> </tr> <tr> <td style="text-align: right;">Cross Bore Program Processes</td> <td style="text-align: center;">  1* 2 </td> <td></td> </tr> <tr> <td style="text-align: right;">Reporting and Governance Processes</td> <td style="text-align: center;">No Findings</td> <td></td> </tr> </table> <p>* A finding overlaps scope areas Note: Less-significant observations were discussed with management during the audit.</p> | Adherence to Gas Standards |  1* | Rating 1  Rating 2  Rating 3  | Cross Bore Program Processes |  1* 2 | | Reporting and Governance Processes | No Findings | | <p>We conducted a risk-based evaluation of the adequacy, effectiveness, and efficiency of controls associated with cross bore management activities, including the scope areas outlined within the table herein.</p> <p>Activity evaluated for this audit occurred during the period between January 2023 and April 2024.</p> <p>We did not evaluate permitting processes or engineering and design processes as these processes were recently evaluated during a previous audit, will be evaluated during a future audit, or have relative lower risk.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Adherence to Gas Standards |  1* | Rating 1  Rating 2  Rating 3  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cross Bore Program Processes |  1* 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Reporting and Governance Processes | No Findings | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Summary of Findings

1) Cross Bore Risk Management (Rating 1)

Compliance with gas standards established in January 2017 should ensure that cross bores are prevented; however, a portion of cross bores identified each year relate to gas facilities installed after January 2017 (non-legacy); processes should be enhanced to further mitigate non-legacy cross bore risk.

2) Cross Bore Remediation Processes (Rating 2)

Guidelines or targets for remediation timeframes associated with identified cross bores have not been evaluated in accordance with risk or formally defined and communicated.

3) Third-Party Contractor Performance Management (Rating 2)

Quality assurance processes for third-party contractors performing camera inspections of sewer systems are not formalized; additionally, processes are insufficient to ensure camera footage from completed inspections is properly retained.

Management Response & Internal Audit Follow Up

Management agrees with the facts of the findings noted during this audit and has provided seven action plans that they developed to address the risks identified. We have reviewed management's action plans and believe that the action plans will adequately address the findings identified in this audit. We will track the progress of resolution and will conduct follow-up testing for all rated "1" audit findings and a sample of rated "2" and rated "3" audit findings.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Note: See the Internal Audit Findings Rating Scale in Appendix A and a detailed write-up of the risk, observation, and management action plan in Appendix B.

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NiSource, Inc.
Cross Bore Management
Appendix A – Internal Audit Finding Rating Scale

“1” Significant Improvement is Needed and

Prompt Management Attention is Required

- More than remote probability for damage to the Company’s reputation or brand and the impact to the enterprise could be substantial and rapidly realized
- More than remote probability for a non-compliance with laws/regulations and the impact to the enterprise could be substantial and rapidly realized
- Crucial foundational controls related to high-impact processes are inadequate or ineffective and the impact to the enterprise could be substantial and rapidly realized
- Repeat audit findings and the impact could be significant within the scope of the area being audited

“2” Improvement is Needed and Management Attention is Necessary (target to reduce risk within 3 to 6 months)

- More than remote probability for damage to the Company’s reputation or brand and the impact could be substantial within the scope of the audit
- More than remote probability for a non-compliance with laws/regulations and the impact could be substantial within the scope of the audit
- Foundational controls are inadequate or ineffective and the impact could be substantial within the scope of the audit
- Controls are not adequate to prevent or detect fraud in a timely manner
- Transactional errors identified during audit testing are significant within the scope of the audit (based on value or number of erroneous transactions identified)
- Internal Policy is not adequate or is violated and the impact could be substantial within the scope of the audit

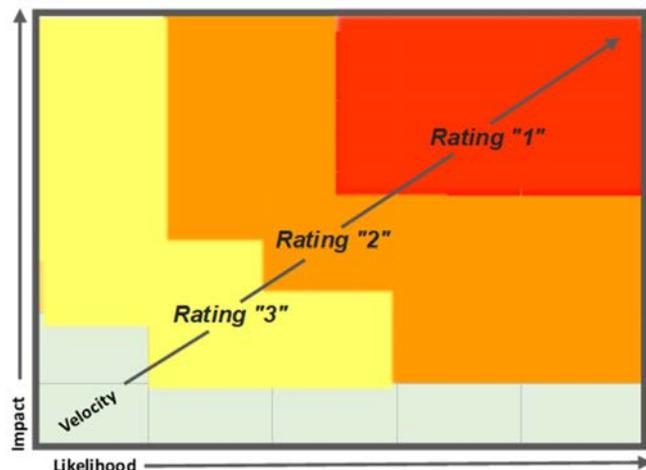
“3” Some Improvement is Needed and

Management Attention is Justified (target to reduce risk within 12 months)

- Internal Policy is not adequate or is violated, but impact is limited and the overall system of controls is not significantly compromised
- Controls are not adequate to prevent erroneous transactions and errors could be more than immaterial within the scope of the audit
- Notable lost opportunity or inefficiency within the scope of the audit

“4” Management Evaluation is Desirable

- Isolated exception with limited impact
- Lost opportunity or inefficiency, but impact is limited



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NiSource, Inc.
Cross Bore Management
Appendix B – Internal Audit Findings Matrix

| | | |
|---|--|---|
| 1) <u>Cross Bore Risk Management</u> | | Rating: 1 |
| <u>Risk:</u> Potential that that existing cross bores are not properly identified or new cross bores are created during construction, which may lead to a safety event. | | |
| <u>Observation:</u> Preventing cross bores during construction and repair activities is critical to maintaining employee and public safety. Compliance with gas standards established as of January 2017 should ensure cross bores are prevented; however, a portion of cross bores identified each year relate to gas facilities installed after January 2017 (non-legacy). While NiSource has a formal program to identify existing cross bores, processes should be enhanced to further mitigate non-legacy cross bore risk. We specifically noted: | | <u>Management Action Plan:</u> The Asset & Risk Management team will perform the following: <ul style="list-style-type: none"> • Convene a cross-functional team to assess current cross bore processes in consideration of the Company's cross bore risk (August 2024) • Based on the results of the above assessment, the cross-functional team will develop a plan to enhance current non-legacy cross bore execution, monitoring, and records retention processes, including specific action items and remediation dates (TBD) • Execute a plan to enhance current non-legacy cross bore processes (TBD) <p>The cross functional team will specifically; 1) identify which requirements (adherence to gas standards and documentation requirements) need to be immediately reinforced; 2) assess the cost versus benefit of current gas standards in consideration of the Company's cross bore risk tolerance; 3) consider the merit of implementing processes to proactively target identification of non-legacy cross bores; and 4) consider opportunities to standardize root cause processes so as to enhance analysis capabilities and drive identification of themes that should be globally addressed.</p> |
| <ul style="list-style-type: none"> • Records are inconsistently maintained or are not accessible, negatively impacting monitoring and validation activities; we requested cross bore-related records (e.g. pre and post job checklists, bore cards, sewer cards, camera video footage, etc.) for a sample of completed job orders, but available records were insufficient to validate adherence to the gas standards • While root cause assessments should be performed for non-legacy cross bores, execution and records are inconsistent; also, root cause drivers identified from individual assessments are not analyzed to identify themes and ensure appropriate feedback loops occur • Non-legacy cross bore data elements are not captured in a manner that enables consistent and aggregated risk analysis and standardized reporting • Some remedial actions developed as a result of root cause assessments are insufficiently evidenced or are not validated | | <u>Responsible:</u> Naila Alexander, director asset class owner (In coordination with the Gas Distribution Construction, Engineering & Standards, and Operational Excellence management teams) |
| <u>Evaluation Criteria:</u> Processes and controls are sufficient to identify existing cross bores prior to construction and prevent new cross bores during construction; specifically: 1) established gas standards designed to prevent or detect cross bores are appropriately communicated and understood by responsible field personnel; 2) sufficient evidence exists and is consistently maintained to support compliance with established gas standards; 3) appropriate field-level controls, including supervisor review, surveillance, and post-job audits, are formalized and sufficient to identify exceptions; 4) processes to report identified cross bores are formalized; and 5) processes to evaluate the root cause of identified cross bores are formalized and corrective actions are developed and timely implemented. | | <u>Resolution Date:</u> See target remediation dates above. |

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NiSource, Inc.
Cross Bore Management
Appendix B – Internal Audit Findings Matrix

| | | |
|---|--|---|
| 2) <u>Cross Bore Remediation Processes</u> | | Rating: 2 |
| Risk: Potential that an identified cross bore is not timely remediated. | | |
| Observation: To support an enterprise risk management mitigation plan, each NiSource gas operating company has established a cross bore program to identify and remediate identified cross bores. However, guidelines or targets for remediation timeframes have not been evaluated in accordance with risk or formally defined. As of May 2024, 72 identified cross bores have not yet been remediated, 44 of which have been outstanding for more than 60 days. | | Management Action Plan: As of June 2024, the Asset & Risk Management team has initiated a request to update relevant gas standards to reflect the standardization of processes for initiating, tracking, and reporting cross bores, as well as implementation of a remediation timeframe (i.e., 60 days) and exception reporting processes (in accordance with GS 1100.050). Management will also formalize monitoring activities that drive better visibility of adherence to the established remediation timeframes. Responsible: Naila Alexander, director asset class owner Resolution Date: January 2025 |
| Evaluation Criteria: Processes and controls are established to ensure: 1) remediation requirements are appropriately defined; 2) remediation of identified cross bores is monitored; 3) remediation activities are appropriately prioritized based on risk; and 3) remediation activities are timely completed (per defined requirements). | | |
| 3) <u>Third-Party Contractor Performance Management</u> | | Rating: 2 |
| Risk: Inadequate contractor performance is not timely identified or remediated, increasing the risk that existing cross bores are not properly identified. | | |
| Observation: NiSource utilizes third-party contractors to conduct camera inspections of sewer systems with the objective of identifying existing cross bores. Contract terms clearly outline performance requirements, quality expectations, and metrics associated with timely delivery of camera footage, but quality assurance or performance management activities are not formalized. Additionally, processes are not formalized to ensure camera footage from completed inspections is properly retained (in a consistent format and location). | | Management Action Plan: The cross bore program team is assessing a software-as-a-service (SaaS) solution (Hydromax USA MaxDetectAi) that would utilize artificial intelligence to review camera footage for additional coverage and identification of errors (e.g., cross bores not identified by the contractor). This solution would also allow storage of 100 percent of camera footage supplied by contractors. With this solution in mind, the Cross Bore management team will complete the following: <ul style="list-style-type: none"> • Develop a plan to establish quality assurance activities and manage camera footage records (January 2025) • Execute a plan to establish quality assurance activities and manage camera footage records (TBD) |

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NiSource, Inc.
Cross Bore Management
Appendix B – Internal Audit Findings Matrix

| | |
|---|---|
| | <p><u>Responsible:</u> Naila Alexander, director asset class owner</p> <p><u>Resolution Date:</u> See target remediation dates above.</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure that activities performed by contractors are appropriately managed and performance issues are timely addressed; specifically: 1) vendor contracts contain appropriate performance requirements, quality expectations, and metrics; 2) roles and responsibilities associated with performance monitoring are clearly defined and understood; 3) performance monitoring is timely executed and evidenced; and 4) corrective action is timely taken when performance varies from defined requirements.</p> | |

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Internal Audit Department



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NiSource Inc.

**Enterprise Gas & Electric Operations
Emergency Response Plans**

Internal Audit Report

Distribution

Respondents:
Matthew Caudill
Michael Melvin

Beneficiaries:
Orville Cocking
Lauren Grether
Jeannie Henry
Brett Radulovich
Jodi Santos
David Walter
Andre Wright

For Information:
Shawn Anderson
Melanie Berman
Melody Birmingham
Kim Cuccia
William Jefferson
Michael Luhrs
Lloyd Yates



NiSource Inc.
Enterprise Gas & Electric Operations Emergency Response Plans

| Executive Summary | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|----|---|---------------------|---|---|----|---------------------------------|---|----|--|---------------------------------|---|---|--|---------------------------|---|---|--|---|
| Key Insights | Key Background Information | | | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> While the objectives of the NiSource Inc. (NiSource or the Company) gas emergency preparedness and response plan (EPRP) and the Northern Indiana Public Service Company (NIPSCO) electric emergency response plan (EERP) are similar, the gas processes and controls are more mature; aligning frameworks and oversight for gas and electric for emergency response plan development and review, resource management, training, incident management documentation, and post-incident reviews would drive consistency and enable further maturation of enterprise-level structures Over 290 emergency response and business continuity plans for various levels of operations and locations (including state, location, and facility-specific plans) are maintained across NiSource by various teams; improved collaboration across teams, as well as a universal listing of emergency response and business continuity plans, would facilitate efficiency and improve effectiveness | <p> 850 employees identified within the gas segment Incident Command Structure (ICS); 73 employees identified within the electric segment active storm roster</p> <p> Incident classification definitions are ranked from Level 1 (catastrophic events) to 5 (routine incidents) depending on severity</p> <p> Four Level 3 incidents within the gas segment between January 2023 and June 2024</p> <p> Five Level 3 incidents within the electric segment from December 2022 to June 2024</p> | | | | | | | | | | | | | | | | | | | | |
| Count of Audit Findings by Scope Area | Audit Approach & Coverage | | | | | | | | | | | | | | | | | | | | |
| <table border="0"> <tr> <td>Plan Maintenance and Access Management</td> <td></td> <td>1</td> <td>1</td> </tr> <tr> <td>Resource Management</td> <td></td> <td>1</td> <td>1*</td> </tr> <tr> <td>Training, Exercises, and Drills</td> <td></td> <td colspan="2">2*</td> </tr> <tr> <td>Incident and Records Management</td> <td></td> <td>1</td> <td></td> </tr> <tr> <td>Post-Incident Evaluations</td> <td></td> <td>1</td> <td></td> </tr> </table> <p><small>*The finding overlaps scope areas</small></p> <p><small>Note: Less-significant observations were discussed with management during the audit.</small></p> | Plan Maintenance and Access Management |  | 1 | 1 | Resource Management |  | 1 | 1* | Training, Exercises, and Drills |  | 2* | | Incident and Records Management |  | 1 | | Post-Incident Evaluations |  | 1 | | <p>We conducted a risk-based evaluation of the adequacy, effectiveness, and efficiency of controls associated with enterprise-level emergency response communication plans and structures for both gas and electric operations. Activity evaluated for this audit occurred between November 2022 and June 2024.</p> <p>We did not evaluate processes and controls for site, event, and/or state-specific plans and the related risks/requirements (including state regulatory reporting requirements), which are either covered or will be subject to future review as part of state-specific general operations controls review or site-specific audits.</p> |
| Plan Maintenance and Access Management |  | 1 | 1 | | | | | | | | | | | | | | | | | | |
| Resource Management |  | 1 | 1* | | | | | | | | | | | | | | | | | | |
| Training, Exercises, and Drills |  | 2* | | | | | | | | | | | | | | | | | | | |
| Incident and Records Management |  | 1 | | | | | | | | | | | | | | | | | | | |
| Post-Incident Evaluations |  | 1 | | | | | | | | | | | | | | | | | | | |

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NiSource Inc.
Enterprise Gas & Electric Operations Emergency Response Plans

Summary of Findings

- 1) **Electric Segment –NIPSCO Emergency Response Storm Roster Maintenance (Rating 2)**
The NIPSCO electric emergency response plan (EERP) storm roster is not periodically validated to ensure key elements are populated and appropriate for effective emergency response.
- 2) **Electric Segment - NIPSCO Storm Management Emergency Response Plan Maintenance (Rating 2)**
The EERP is not reviewed per defined requirements, and processes are insufficient to ensure the plan is appropriately updated based on action items identified following drills and incidents.
- 3) **Incident Documentation & Records Management (Rating 2)**
Gas and electric emergency response documentation processes are insufficient to ensure documentation is maintained outlining decisioning made during each incident.
- 4) **Gas Segment - After-Action Reviews (Rating 2)**
After-action reviews for the gas segment are not consistently conducted and action item resolution is not monitored.
- 5) **Electric Segment - NIPSCO Storm Training & Drills (Rating 3)**
A process is not established to monitor that all members of the EERP storm roster have participated in a recent drill; additionally, training requirements are not formalized.
- 6) **Electric Segment – SharePoint Access Management (Rating 3)**
The NIPSCO Electric Storm Management team utilizes a SharePoint site to maintain the EERP and other electric emergency response documentation; access to this site is not managed to mitigate the risk of information being inappropriately changed or deleted.
- 7) **Gas Segment – Emergency Management Processes & Controls (Rating 3)**
The timing of gas emergency response required training is not clearly defined, and processes are not formalized to validate the completeness and accuracy of the incident command structure files.

Management Response & Internal Audit Follow Up

Management agrees with the facts of the findings noted during this audit and has provided 20 action plans that they developed to address the risks identified. We have reviewed management's action plans and believe that the action plans will adequately address the findings identified in this audit. We will track the progress of resolution and will conduct follow-up testing for all rated "1" audit findings and a sample of rated "2" and rated "3" audit findings.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Note: See the Internal Audit Findings Rating Scale in Appendix A and a detailed write up of the risk, observation, and management action plan in Appendix B.

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NiSource Inc.
Enterprise Gas & Electric Operations Emergency Response Plans
Appendix A – Internal Audit Finding Rating Scale

“1” Significant Improvement is Needed and

Prompt Management Attention is Required

- More than remote probability for damage to the Company’s reputation or brand and the impact to the enterprise could be substantial and rapidly realized
- More than remote probability for a non-compliance with laws/regulations and the impact to the enterprise could be substantial and rapidly realized
- Crucial foundational controls related to high-impact processes are inadequate or ineffective and the impact to the enterprise could be substantial and rapidly realized
- Repeat audit findings and the impact could be significant within the scope of the area being audited

“2” Improvement is Needed and Management Attention is Necessary (target to reduce risk within 3 to 6 months)

- More than remote probability for damage to the Company’s reputation or brand and the impact could be substantial within the scope of the audit
- More than remote probability for a non-compliance with laws/regulations and the impact could be substantial within the scope of the audit
- Foundational controls are inadequate or ineffective and the impact could be substantial within the scope of the audit
- Controls are not adequate to prevent or detect fraud in a timely manner
- Transactional errors identified during audit testing are significant within the scope of the audit (based on value or number of erroneous transactions identified)
- Internal Policy is not adequate or is violated and the impact could be substantial within the scope of the audit

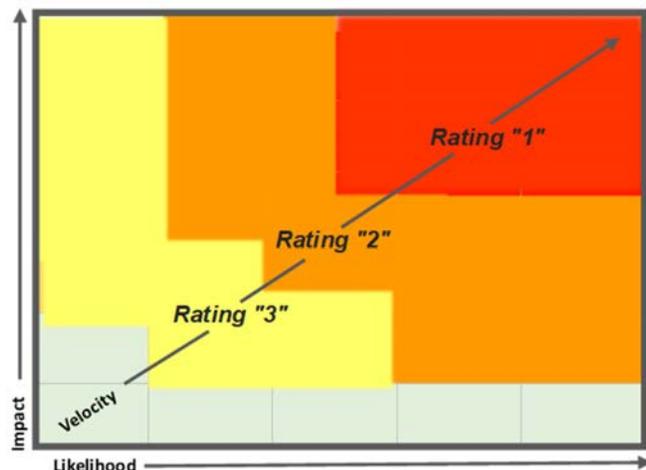
“3” Some Improvement is Needed and

Management Attention is Justified (target to reduce risk within 12 months)

- Internal Policy is not adequate or is violated, but impact is limited and the overall system of controls is not significantly compromised
- Controls are not adequate to prevent erroneous transactions and errors could be more than immaterial within the scope of the audit
- Notable lost opportunity or inefficiency within the scope of the audit

“4” Management Evaluation is Desirable

- Isolated exception with limited impact
- Lost opportunity or inefficiency, but impact is limited



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**NiSource Inc.
 Enterprise Gas & Electric Operations Emergency Response Plans
 Appendix B – Internal Audit Findings Matrix**

| | |
|---|---|
| <p>1) <u>Electric Segment – Northern Indiana Public Service Company (NIPSCO) Emergency Response Storm Roster Maintenance</u></p> | <p>Rating: 2</p> |
| <p>Risk: Potential that resources may not be identified or assigned timely in the event of an emergency leading to ineffective incident resolution and negative operational consequences and/or reputational impact.</p> | |
| <p>Observation: While an active storm roster has been created for NIPSCO electric operations that includes an outline of which employees could play a role when the NIPSCO Electric Emergency Response Plan (EERP) is activated, the storm roster is not periodically validated to ensure that: 1) the roster is complete and accurate, 2) all roles within the EERP have been defined, 3) all necessary roles have been included on the roster, 4) all roles have been assigned, 5) the roster contains an appropriate number of employees, and 6) a backup has been identified for each key role.</p> <p>Also, some necessary roles identified in the EERP are not defined, roles identified within the EERP are not assigned within the storm roster, and a backup is not identified for all key roles assigned within the storm roster.</p> | <p>Management Action Plan: NIPSCO electric storm management will perform the following:</p> <ul style="list-style-type: none"> • Perform a reconciliation between the EERP and the storm roster to identify the key roles necessary to execute the requirements of the EERP and update both documents accordingly • As a result of the reconciliation, identify backup personnel for each key role outlined • Develop and execute a periodic process to review and reconcile the EERP and storm roster to ensure all roles within the EERP have been defined, all necessary roles have been included on the roster, all roles have been assigned, the roster contains an appropriate number of employees, and that a backup has been identified for each key role <p>Responsible: Michael Melvin, director transmission & distribution metering control & dispatch</p> <p>Resolution Date: December 2024</p> |
| <p>Evaluation Criteria: Processes and controls are sufficient to ensure roles necessary to execute the EERP for each incident classification has been identified and assigned; specifically: 1) all necessary roles have been identified and assigned within the EERP; 2) all roles within the EERP have been included on the storm roster; 3) all roles within the storm roster have been assigned to personnel with the appropriate authority and competency; 4) backup personnel have been identified for each role on the storm roster; and 5) the EERP and storm roster are periodically reconciled and reviewed for completeness and accuracy.</p> | |
| <p>2) <u>Electric Segment - NIPSCO Storm Management Emergency Response Plan Maintenance</u></p> | <p>Rating: 2</p> |
| <p>Risk: Potential that emergency response plan does not appropriately address necessary steps during an incident leading to ineffective incident resolution and negative operational consequences and/or reputational impact.</p> | |
| <p>Observation: The NIPSCO EERP is maintained by the Electric Storm Management team and outlines the organizational structure, responsibilities, and procedures necessary to provide for a comprehensive response for the rapid restoration of electrical service in the event of an emergency. Per the EERP, the document should be</p> | <p>Management Action Plan: NIPSCO electric storm management will perform the following:</p> <ul style="list-style-type: none"> • Implement a formalized, documented, annual review process for the EERP with relevant personnel (i.e., Section Chiefs) |

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NiSource Inc.
Enterprise Gas & Electric Operations Emergency Response Plans
Appendix B – Internal Audit Findings Matrix

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| <p>reviewed and updated annually; however, an annual review process is not established, and the EERP has not been formally reviewed and updated since November 2022.</p> <p>Additionally, processes are insufficient to ensure action items identified during after-action reviews for drills and incidents are monitored and validated for potential updates to the EERP.</p> | <ul style="list-style-type: none"> Formalize processes to review identified action items from drill and incident after-action reviews for potential updates to the EERP <p>Responsible: Michael Melvin, director transmission & distribution metering control & dispatch</p> <p>Resolution Date: December 2024</p> |
| <p>Evaluation Criteria: Processes and controls are sufficient to ensure the NIPSCO EERP is periodically reviewed for necessary updates; specifically: 1) the EERP is reviewed annually by relevant employees; and 2) action items from after-action reviews for drills and incidents are monitored and reviewed for potential updates to the EERP.</p> | |
| <p>3) <i>Incident Documentation & Records Management</i> Rating: 2</p> | |
| <p>Risk: Potential that emergency response incident decisioning is not in line with emergency response plan requirements leading to ineffective and untimely incident resolution and resulting in fines/penalties and/or reputational impact.</p> | |
| <p>Observation: The NIPSCO EERP and the gas segment Emergency Preparedness and Response Plan (EPRP) define classification levels for incidents as well as the rosters outlining which roles/employees should be activated during an incident. Processes are insufficient to ensure appropriate documentation is maintained outlining decisioning made during each incident, including how incident classification levels were determined and which employees were activated as a result of the incident and the classification.</p> <p>Internal audit evaluated the records for a sample of electric and gas incidents and identified the following:</p> <ul style="list-style-type: none"> Records were not available outlining incident classification for one electric segment incident and as a result, we were unable to determine if the classification level was appropriate While the Gas Emergency Management team self-identified that individuals were activated in incident management team (IMT) roles which they were not rostered or trained per the master incident command structure (ICS) file (related to two separate gas incidents), a remediation plan has not been developed and executed to ensure only employees who have been rostered or trained are activated as part of the IMT when future incidents occur | <p>Management Action Plan: NIPSCO electric storm management will develop and implement a process to maintain records for incidents evaluated against the EERP, including individuals activated, the roles in which they were activated, and the determination of the classification level.</p> <p>Gas segment emergency management will reinforce through training to Incident Commanders that only employees who have been properly rostered or trained should be activated as part of the Incident Management Team (IMT).</p> <p>Responsible: Matthew Caudill, director operational excellence - emergency management Michael Melvin, director transmission & distribution metering control & dispatch</p> <p>Resolution Date: December 2024</p> |
| <p>Evaluation Criteria: Processes and controls are sufficient to ensure documentation is retained to evidence of emergency response decisioning; specifically: 1) ICS/storm roster participants activated; 2) incident classification; and 3) adherence with emergency management plan required steps.</p> | |

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NiSource Inc.
Enterprise Gas & Electric Operations Emergency Response Plans
Appendix B – Internal Audit Findings Matrix

| | | |
|---|--|------------------|
| 4) <u>Gas Segment - After-Action Reviews</u> | | Rating: 2 |
| Risk: Potential that lessons learned are not documented and discussed after a drill, exercise, or incident leading to ineffective and untimely incident resolution and resulting in fines/penalties and/or reputational impact. | | |
| Observation: After-action reviews are conducted by the gas Emergency Management team subsequent to full-scale exercises, functional exercises, tabletop exercises, and level 1 - 3 incidents. A process is not established to ensure after-action reviews are consistently conducted for each exercise type, and we noted that after action reviews are not always completed. Additionally, action items identified during after-action reviews are not monitored and verified as resolved. | Management Action Plan: Gas segment emergency management will perform the following: <ul style="list-style-type: none"> • Develop and implement procedures to consistently complete after-action reviews for full-scale exercises, functional exercises, and tabletop exercises (level 1-3) • Establish controls to monitor action items within the after-action reports and validate their completion Responsible: Matthew Caudill, director operational excellence - emergency management Resolution Date: November 2024 | |
| Evaluation Criteria: Processes and controls are sufficient to ensure lessons learned from training, exercises, drills, and major events are reviewed for potential Plan updates; specifically: 1) after-action reviews are consistently performed and reports are created after training, exercises, drills, and major events; and 2) action items are monitored and validated for completion. | | |
| 5) <u>Electric Segment - NIPSCO Storm Training & Drills</u> | | Rating: 3 |
| Risk: Potential that employees activated during an incident are not adequately trained leading to ineffective and untimely incident resolution and resulting in fines/penalties and/or reputational impact. | | |
| Observation: The Electric Operations team conducts semi-annual incident drills to ensure employees assigned roles within the storm roster are appropriately prepared for an emergency response incident. While all employees identified within the storm roster are invited to attend drills and attendance is recorded, a process is not established to monitor that all members of the storm roster have participated in a recent drill. Also, training requirements are not formalized. Processes are not established to assess if training is sufficient for effective and timely incident resolution, and role-based training for key roles outside of wire watchers and assessors has not been defined. Additionally, controls are not established to periodically monitor training for completion and timeliness, and training records are not consistently maintained. As a result, internal audit was unable to verify whether the assessors and wire watchers activated for a selection of 2023 incidents were | Management Action Plan: NIPSCO electric storm management will perform the following: <ul style="list-style-type: none"> • Identify and document training and drilling requirements for applicable employees based upon role assignments within the storm roster • Establish monitoring to ensure drills and training are timely completed/attended by identified employees • Formalize and implement records retention processes for training documentation in a centralized location • Perform a review of all assessors and wire watchers assigned within the storm roster to ensure training is up-to-date and execute training for any identified gaps | |

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NiSource Inc.
Enterprise Gas & Electric Operations Emergency Response Plans
Appendix B – Internal Audit Findings Matrix

| | |
|--|--|
| <p>appropriately trained prior to being activated.</p> | <p><u>Responsible:</u> Michael Melvin, director transmission & distribution metering control & dispatch</p> <p><u>Resolution Date:</u> April 2025</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure employees activated during an incident have received the appropriate training for their assigned roles and responsibilities during an incident; specifically: 1) training and drilling requirements have been identified and assigned for each key role; 2) periodic training and drills are conducted; 3) training and drills are completed by applicable employees; and 4) monitoring activities are performed to ensure employees have completed appropriate training and drilling responsibilities.</p> | |
| <p>6) <u>Electric Segment – SharePoint Access Management</u> Rating: 3</p> | |
| <p><u>Risk:</u> Potential that the integrity of key information maintained in SharePoint is compromised resulting in incomplete and/or inaccurate emergency management policies and procedures as well as incident documentation.</p> | |
| <p><u>Observation:</u> The NIPSCO Electric Storm Management team utilizes a SharePoint site to maintain the EERP and other electric emergency response documentation. Access to this SharePoint site is not periodically reviewed to ensure that access is appropriately aligned with job responsibilities.</p> <p>At the time of our review, 37 employees had edit access to the SharePoint site that did not require this access as part of their current roles and responsibilities. Unnecessary edit access increases the risk that information on the site may be inappropriately changed or deleted.</p> | <p><u>Management Action Plan:</u> NIPSCO electric storm management will perform the following:</p> <ul style="list-style-type: none"> Review access to the SharePoint site utilized to maintain EERP and other emergency response documentation and remove access that is not necessary in consideration of current job responsibilities Develop and periodically execute a user access review process <p><u>Responsible:</u> Michael Melvin, director transmission & distribution metering control & dispatch</p> <p><u>Resolution Date:</u> April 2025</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure that access to electric segment emergency response management documentation is appropriate and consistent with users' roles and responsibilities; specifically: 1) SharePoint roles and responsibilities are defined and documented; 2) access requests are authorized by an appropriate individual; 3) access is periodically reviewed and validated to ensure granted access is appropriate in consideration of users' current roles and responsibilities; 4) processes to terminate database access when users' roles and responsibilities change is formalized; 5) inappropriate access as defined through periodic user access reviews is timely removed; and 6) SharePoint roles and responsibilities are appropriately segregated to optimize risk management.</p> | |
| <p>7) <u>Gas Segment – Emergency Management Processes & Controls</u> Rating: 3</p> | |
| <p><u>Risk:</u> Potential that employees and contractors are not aware of their roles and responsibilities during an incident, resulting in ineffective and untimely incident resolution.</p> | |

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NiSource Inc.
Enterprise Gas & Electric Operations Emergency Response Plans
Appendix B – Internal Audit Findings Matrix

| | |
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| <p><u>Observation:</u> Certain gas emergency response and management activities are not formalized and have historically been the responsibility of a single member of the Emergency Management team who recently transitioned to another role within the Company. Specifically:</p> <ul style="list-style-type: none"> • While role-based training assignments are established, expectations regarding the timing of training and exercise participation are not formalized; historically, the former Emergency Manager determined and monitored training attendance • The ICS files containing employee names, status of roles, and vacancies are manually maintained and require the use of different data sources and manual data manipulation; the accuracy and completeness of these files are not verified; we reviewed all roles on the ICS roster and identified 10 contractor roles on the ICS roster that were not included within the ICS positions descriptions document | <p><u>Management Action Plan:</u> Gas segment emergency management will perform the following:</p> <ul style="list-style-type: none"> • Formalize and document training and exercise participation requirements, including timing and tracking • Develop and implement monitoring of required training attendance • Develop and implement a process to periodically independently review/verify the completeness and accuracy of ICS files • Update the ICS positions descriptions document to include the 10 identified contractor roles • Cross-train Emergency Management team members on the training and ICS maintenance processes <p><u>Responsible:</u> Matthew Caudill, director operational excellence - emergency management</p> <p><u>Resolution Date:</u> December 2024</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure employees with responsibilities during an incident have been identified and appropriately trained; specifically: 1) all necessary roles have been identified and assigned to qualified personnel; 2) identified roles and assignments are reviewed/approved by someone independent from the preparer; 3) processes to perform role and assignment designations are formally documented; 4) role-based training and exercise requirements have been developed; and 5) training requirements are tracked and monitored for all identified ICS employees.</p> | |

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Internal Audit Department



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NiSource Inc. Equipment & Tools Tracking & Safeguarding

Internal Audit Report

Distribution

Respondents:
Steven Sylvester

For Information:
Shawn Anderson
Melanie Berman
Melody Birmingham
Donald Brown
Kim Cuccia
William Jefferson
Michael Luhrs
Lloyd Yates



NiSource Inc.
Equipment & Tools Tracking & Safeguarding

| Executive Summary | | | | | | | | | | | | | | |
|--|--|---|---|--|----|--------------------|----|----------------------------|----|-------------------|-------------|---------------------------|-------------|---|
| Key Insights | Key Background Information | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> Processes to manage equipment and tools across NiSource Inc. (NiSource or the Company) are disbursed to individuals at the department or activity level (e.g., maintenance, planned outages, forced outages), which hinders optimizing the utilization of these assets and increases costs Standardized tool kits are not created and utilized for repeated job types or in fleet trucks; utilization of standardized tool kits would help drive consistent operational practices and facilitate purchasing efficiencies that would reduce costs Equipment and tools budgeting activities are distributed and inconsistent (including availability/detail of information), which may impair identification and realization of cost savings opportunities | <p> \$19.5 million spent on company-owned equipment and tools in 2022 and \$15.5 million through Q3 2023</p> <p> \$33.6 million spent on leased equipment in 2022 and \$20.1 million through Q3 2023</p> <p> 78 depot locations holding inventory across the five Columbia Distribution Companies (CDC) and 28 Northern Indiana Public Service Company (NIPSCO) warehouse locations</p> | | | | | | | | | | | | | |
| Count of Audit Findings by Scope Area | Audit Approach & Coverage | | | | | | | | | | | | | |
| <p style="text-align: right;"><i>*The finding overlaps in scope areas</i></p> <table border="0"> <tr> <td>Policies and Procedures</td> <td>1*</td> <td rowspan="6">  Rating 1  Rating 2  Rating 3 </td> </tr> <tr> <td>Physical Inventory Verification Activities</td> <td>1*</td> </tr> <tr> <td>Records Management</td> <td>1*</td> </tr> <tr> <td>Chain of Custody Processes</td> <td>1*</td> </tr> <tr> <td>Physical Security</td> <td>No Findings</td> </tr> <tr> <td>Budgeting and Forecasting</td> <td>No Findings</td> </tr> </table> <p><i>Note: Less-significant observations were discussed with management during the audit.</i></p> | Policies and Procedures | 1* |  Rating 1  Rating 2  Rating 3 | Physical Inventory Verification Activities | 1* | Records Management | 1* | Chain of Custody Processes | 1* | Physical Security | No Findings | Budgeting and Forecasting | No Findings | <p>We conducted a risk-based evaluation of the adequacy, effectiveness, and efficiency of controls associated with the Company's equipment and tools tracking and safeguarding processes. Transactional activity evaluated for this audit occurred during the period between January 2022 and October 2023.</p> <p>We did not evaluate physical security and access to depots and warehouses (including yards) during this audit because these processes were evaluated during the 2023 Inventory Management General Controls internal audit.</p> |
| Policies and Procedures | 1* |  Rating 1  Rating 2  Rating 3 | | | | | | | | | | | | |
| Physical Inventory Verification Activities | 1* | | | | | | | | | | | | | |
| Records Management | 1* | | | | | | | | | | | | | |
| Chain of Custody Processes | 1* | | | | | | | | | | | | | |
| Physical Security | No Findings | | | | | | | | | | | | | |
| Budgeting and Forecasting | No Findings | | | | | | | | | | | | | |

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NiSource Inc.
Equipment & Tools Tracking & Safeguarding

Summary of Findings

1) Equipment and Tools Management and Tracking Controls Framework (Rating 2)

Processes and controls are insufficient to ensure that owned and leased equipment and tools are safeguarded and that operations personnel have ready access to the tools and equipment necessary to complete work; we performed existence testing for a sample of higher-value items and were unable to locate 13 (of 52) during the audit timeframe (the book value of unlocated items totaled \$217,000).

Management Response & Internal Audit Follow Up

Management agrees with the findings noted during this audit and has provided three action plans that they developed to address the risks identified. We have reviewed management's action plans and believe that the action plans will adequately address the findings identified in this audit. We will track the progress of resolution and will conduct follow-up testing for all rated "1" audit findings and a sample of rated "2" and rated "3" audit findings.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Note: See the Internal Audit Findings Rating Scale in Appendix A and a detailed write up of the risk, observation, and management action plan in Appendix B.

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**NiSource Inc.
Equipment & Tools Tracking & Safeguarding
Appendix A – Internal Audit Finding Rating Scale**

“1” Significant Improvement is Needed and Prompt Management Attention is Required

- More than remote probability for damage to the Company’s reputation or brand and the impact to the enterprise could be substantial and rapidly realized
- More than remote probability for a non-compliance with laws/regulations and the impact to the enterprise could be substantial and rapidly realized
- Crucial foundational controls related to high-impact processes are inadequate or ineffective and the impact to the enterprise could be substantial and rapidly realized
- Repeat audit findings and the impact could be significant within the scope of the area being audited

“2” Improvement is Needed and Management Attention is Necessary (target to reduce risk within 3 to 6 months)

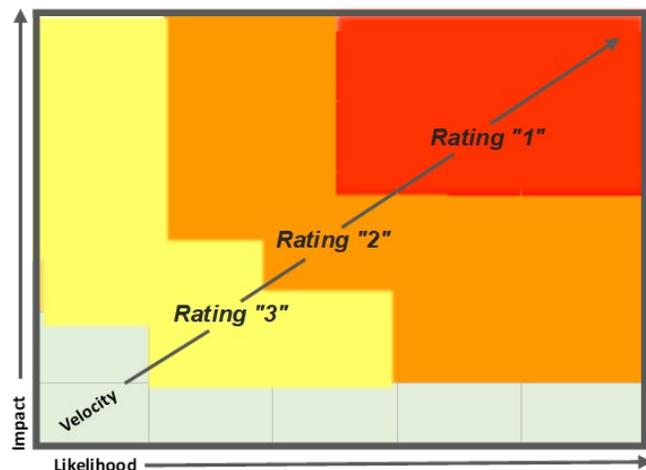
- More than remote probability for damage to the Company’s reputation or brand and the impact could be substantial within the scope of the audit
- More than remote probability for a non-compliance with laws/regulations and the impact could be substantial within the scope of the audit
- Foundational controls are inadequate or ineffective and the impact could be substantial within the scope of the audit
- Controls are not adequate to prevent or detect fraud in a timely manner
- Transactional errors identified during audit testing are significant within the scope of the audit (based on value or number of erroneous transactions identified)
- Internal Policy is not adequate or is violated and the impact could be substantial within the scope of the audit

“3” Some Improvement is Needed and Management Attention is Justified (target to reduce risk within 12 months)

- Internal Policy is not adequate or is violated, but impact is limited and the overall system of controls is not significantly compromised
- Controls are not adequate to prevent erroneous transactions and errors could be more than immaterial within the scope of the audit
- Notable lost opportunity or inefficiency within the scope of the audit

“4” Management Evaluation is Desirable

- Isolated exception with limited impact
- Lost opportunity or inefficiency, but impact is limited



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**NiSource Inc.
 Equipment & Tools Tracking & Safeguarding
 Appendix B – Internal Audit Findings**

| | | |
|---|--|--|
| 1) <u>Equipment and Tools Management and Tracking Controls Framework</u> | | Rating: 2 |
| Risk: Potential that equipment and tools are misappropriated and/or not available when needed, resulting in inefficiencies and increasing the risk of adverse operational outcomes | | |
| Observation: NiSource Inc. (NiSource or the Company) personnel utilize various owned and leased equipment and tools (e.g., construction equipment, power equipment, hand tools) to complete construction and maintenance activities. Processes and controls are insufficient to ensure that these assets are appropriately safeguarded and that operations personnel have ready access to the tools and equipment necessary to complete work; specifically: <ul style="list-style-type: none"> Enterprise-level policies and procedures for tracking equipment and tools are not formalized and processes are localized, which impairs optimization and increases costs Processes for managing equipment and tools records are inconsistent and inadequate, which impairs tracking and increases the risk that assets will be misappropriated; equipment and tools accounted for as operations and maintenance (O&M) costs are not individually tracked, and while asset listings are maintained for leased and owned assets, the level of detail within the owned asset tracking system (PowerPlant) does not enable the easy identification of items and/or location, which impairs the Company's ability to validate asset existence Equipment and tools chain-of-custody controls are not defined or executed, which eliminates accountability and increases the potential of asset misappropriation Most assets are not tagged or uniquely labeled, which impairs identification and tracking <p>We performed existence testing for a sample of higher-value equipment and tools (for which individual asset records exist) and were unable to locate 13 (of 52) items during the audit timeframe (including a backhoe and portable pumps); the book value of unlocated items totaled \$217,000.</p> | | Management Action Plan: Field Mobility management, in collaboration with Fleet management, will execute on the telematics deployment scheduled for 2024 to tag and track vehicles and equipment. The execution will be based on the completion of labor negotiations and the alignment of installation in non-union areas and is scheduled to be completed by December 2024. Tools Team management will partner together with applicable Operations management to perform the following: <ul style="list-style-type: none"> Develop an enterprise-level plan to enhance tracking and records management for tools that aligns current work with WAM and other possible technology and that also outlines roles, responsibilities, and accountability (June 2024) Execute the enterprise-level plan to enhance tracking and records management for tools that aligns current work with WAM and other possible technology and that also outlines roles, responsibilities, and accountability (TBD) Responsible: Steven Sylvester, VP Health Safety & Environmental Execution Resolution Date: Refer to the target remediation dates for each action item listed above. |
| Evaluation Criteria: Processes and controls are sufficient to ensure the Company has visibility into tools and equipment availability and location for usage; specifically: 1) processes and controls are sufficient to ensure sufficient tracking and management activities for tools and equipment; 2) tools and equipment is inventoried along with sufficient detail and subject to periodic inventory counts; 3) tools and equipment are tagged or uniquely labeled; and 4) chain of custody processes are defined and utilized to track the location and ownership of items. | | |

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Internal Audit Department



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NiSource Inc.

Gas Control Processes

Internal Audit Report

Distribution

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Jennifer Sawyers

Beneficiaries:

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William Jefferson
Michael Luhrs
Lloyd Yates



NiSource Inc.
Gas Control Processes

| Executive Summary | | | | | | | | | | | | | | | | | | | |
|--|---|---|---|--------------------------------|-------------|---|---|-------------|---|----------------------|-------------|--|-------------------|-------------|--|--------------------------------------|-------------|--|--|
| Key Insights | Key Background Information | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> While the Gas Control organization has established policies and procedures for key processes, adherence to some requirements (e.g., schedule and fatigue management activities, training completion, and operator qualification certifications) are not formally monitored; management should consider the cost versus benefit of formally monitoring adherence to requirements for higher risk processes The Gas Control team utilizes non-computerized tabletop training activities, which do not enable simulation of real-time emergency scenarios to assess technical capabilities and identify vulnerabilities prior to an actual emergency; management should consider the cost versus benefit of implementing computerized solutions Gas standards currently require field personnel to obtain clearance to perform a wide spectrum of activities (some of which are relatively lower risk), which increases the volume of requests to the Clearance Center team; management should assess the cost versus benefit of the current risk management approach |  Gas Control remotely manages and monitors NiSource Inc.'s (NiSource or the Company) natural gas pipelines  Gas Control is comprised of multiple work groups, including a Clearance Center team responsible for centralized communications amongst various stakeholders (field personnel, upstream providers, and emergency response) related to work on higher-risk gas facilities  Over 60 Gas Control and Clearance Center employees work across two locations: one in Hammond, Indiana servicing Northern Indiana Public Service Company (NIPSCO) Gas and one in Columbus, Ohio servicing the Columbia Gas Distribution Companies  The Clearance Center managed over 31,000 work clearance requests from field personnel during 2023 | | | | | | | | | | | | | | | | | | |
| Count of Audit Findings by Scope Area | Audit Approach & Coverage | | | | | | | | | | | | | | | | | | |
| <table border="0"> <tr> <td>Clearance Center Processes</td> <td>1</td> <td>Rating 1 </td> </tr> <tr> <td>Schedule Management Activities</td> <td>No Findings</td> <td>Rating 2 </td> </tr> <tr> <td>Emergency Response, Business Continuity and Disaster Recovery</td> <td>No Findings</td> <td>Rating 3 </td> </tr> <tr> <td>Workforce Management</td> <td>No Findings</td> <td></td> </tr> <tr> <td>Physical Security</td> <td>No Findings</td> <td></td> </tr> <tr> <td>Training and Operator Qualifications</td> <td>No Findings</td> <td></td> </tr> </table> <p><i>Note: Less-significant observations were discussed with management during the audit.</i></p> | Clearance Center Processes | 1 | Rating 1  | Schedule Management Activities | No Findings | Rating 2  | Emergency Response, Business Continuity and Disaster Recovery | No Findings | Rating 3  | Workforce Management | No Findings | | Physical Security | No Findings | | Training and Operator Qualifications | No Findings | | <p>We conducted a risk-based evaluation of the adequacy, effectiveness, and efficiency of controls associated with Gas Control processes, including Clearance Center activities. Activity evaluated for this audit occurred during the period between January 2023 and December 2023.</p> <p>We did not evaluate Gas Operations processes. A separate audit is planned to obtain coverage of additional Gas Control processes, specifically: remote device installation/change management controls; supervisory control and data acquisition (SCADA) alarm configuration/change management controls; SCADA alarm clearance activities; SCADA technology controls; and business continuity/disaster recovery.</p> |
| Clearance Center Processes | 1 | Rating 1  | | | | | | | | | | | | | | | | | |
| Schedule Management Activities | No Findings | Rating 2  | | | | | | | | | | | | | | | | | |
| Emergency Response, Business Continuity and Disaster Recovery | No Findings | Rating 3  | | | | | | | | | | | | | | | | | |
| Workforce Management | No Findings | | | | | | | | | | | | | | | | | | |
| Physical Security | No Findings | | | | | | | | | | | | | | | | | | |
| Training and Operator Qualifications | No Findings | | | | | | | | | | | | | | | | | | |

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NiSource Inc.
Gas Control Processes

Summary of Findings

1) Compliance with Gas Clearance Requirements & Adequacy of Associated Monitoring Controls (Rating 1)

Field personnel do not always comply with clearance requirements per the gas standards, and associated monitoring processes and feedback loops are inadequately designed and ineffectively executed resulting in many instances of potential noncompliance not being appropriately assessed.

Management Response & Internal Audit Follow Up

Management agrees with the facts of the findings noted during this audit and has provided nine action plans that they developed to address the risks identified. We have reviewed management's action plans and believe that the action plans will adequately address the findings identified in this audit. We will track the progress of resolution and will conduct follow-up testing for all rated "1" audit findings and a sample of rated "2" and rated "3" audit findings.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Note: See the Internal Audit Findings Rating Scale in Appendix A and a detailed write up of the risk, observation, and management action plan in Appendix B.

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NiSource Inc.
Gas Control Processes
Appendix A – Internal Audit Finding Rating Scale

“1” Significant Improvement is Needed and

Prompt Management Attention is Required

- More than remote probability for damage to the Company’s reputation or brand and the impact to the enterprise could be substantial and rapidly realized
- More than remote probability for a non-compliance with laws/regulations and the impact to the enterprise could be substantial and rapidly realized
- Crucial foundational controls related to high-impact processes are inadequate or ineffective and the impact to the enterprise could be substantial and rapidly realized
- Repeat audit findings and the impact could be significant within the scope of the area being audited

“2” Improvement is Needed and Management Attention is Necessary (target to reduce risk within 3 to 6 months)

- More than remote probability for damage to the Company’s reputation or brand and the impact could be substantial within the scope of the audit
- More than remote probability for a non-compliance with laws/regulations and the impact could be substantial within the scope of the audit
- Foundational controls are inadequate or ineffective and the impact could be substantial within the scope of the audit
- Controls are not adequate to prevent or detect fraud in a timely manner
- Transactional errors identified during audit testing are significant within the scope of the audit (based on value or number of erroneous transactions identified)
- Internal Policy is not adequate or is violated and the impact could be substantial within the scope of the audit

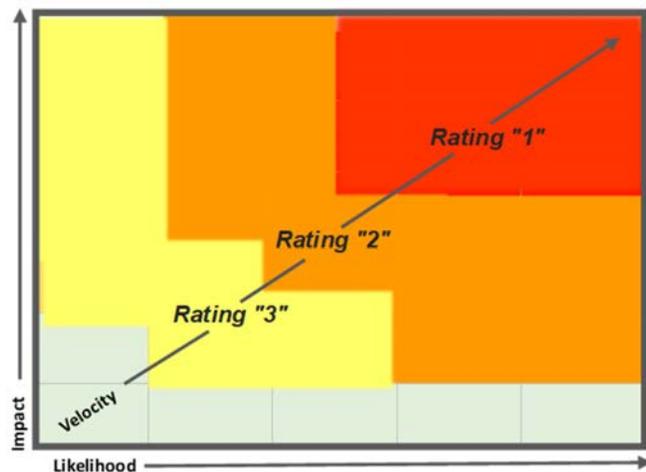
“3” Some Improvement is Needed and

Management Attention is Justified (target to reduce risk within 12 months)

- Internal Policy is not adequate or is violated, but impact is limited and the overall system of controls is not significantly compromised
- Controls are not adequate to prevent erroneous transactions and errors could be more than immaterial within the scope of the audit
- Notable lost opportunity or inefficiency within the scope of the audit

“4” Management Evaluation is Desirable

- Isolated exception with limited impact
- Lost opportunity or inefficiency, but impact is limited



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NiSource Inc.
Gas Control Processes
Appendix B – Internal Audit Findings Matrix

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| 1) <u>Compliance with Gas Clearance Requirements & Adequacy of Associated Monitoring Controls</u> | | Rating: 1 |
| Risk: Potential that undetected noncompliance with Company gas standard requirements for field personnel to obtain clearance before performing defined operational tasks increases the risk of negative operational events or leads to public safety incidents. | | |
| Observation: NiSource Inc. (NiSource or the Company) gas standards require that field personnel contact the Clearance Center (CC) to obtain clearance prior to performing certain tasks on NiSource gas facilities. While the Company has documented requirements, conducts training, and supervises some activities onsite, field personnel do not always comply with work clearance requirements. The CC has established a control to identify instances of noncompliance by field personnel; however, the control is only designed to monitor work and activities managed through the work management systems and would not capture work or activities not captured in the systems. The CC provides monthly self-service reporting (i.e., the Clearance Compliance by State Dashboard) to state and executive leadership with the intent of enabling appropriate feedback loops that drive accountability. Metric reporting is not accurate as the established CC monitoring control is not adequately designed or effectively executed to ensure that all instances of noncompliance are identified and appropriately assessed; specifically: | | Management Action Plan: CC management will evaluate the current monitoring control to ensure that noncompliance results are complete and accurate; specifically: |
| <ul style="list-style-type: none"> Controls are not established to validate the completeness of all data inputs to exception reporting (i.e. job order and clearance ticket activity), resulting in some job orders not being assessed Criteria utilized to manipulate data sets is not formally documented or understood, increasing the risk of inconsistent execution and resulting in some job orders of activity being inappropriately excluded from assessments Change management controls are not established over edits to programmed scripts utilized to analyze data sets, resulting in some scripts not functioning as intended for a period of time A conclusion (which is dependent on field leaders' input) is not determined for many potential instances of noncompliance; undetermined potential instances of noncompliance are aggregated into the manually reviewed category on the Clearance Compliance by State Dashboard without being identified as undetermined (i.e., potential instances of noncompliance), which could result in misinterpretation of the compliance success rates | | <ul style="list-style-type: none"> Establish and formalize controls to validate completeness associated with all data inputs to exception reporting to ensure that all job orders are being assessed (July 2024) Formalize and document the criteria utilized to manipulate data sets and train responsible personnel on how to execute based on established criteria (July 2024) Implement change management controls over edits to programmed scripts (July 2024) Formalize and communicate to CC personnel the requirement that a determination be made for all potential identified exceptions (including maintaining evidence to support the determination made) (July 2024) Establish a formal review over the monthly Clearance Compliance by State dashboard to ensure dashboard reporting aligns with exception results (July 2024) <p>Operations leadership will complete the following:</p> <ul style="list-style-type: none"> Recommunicate expectations over clearance requirements (May 2024) Execute a review process over CC exception reporting to investigate and address identified exceptions (August 2024) Establish a governance process to review the Clearance Compliance by State dashboard as part of the Utility Leadership team meetings (August 2024) <p>The Operational Excellence Quality Assurance team will provide the Operations teams visibility into any instances of noncompliance with clearance requirements identified during executed surveillance audits and post job audits (July 2024).</p> |

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NiSource Inc.
Gas Control Processes
Appendix B – Internal Audit Findings Matrix

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| <ul style="list-style-type: none"> Documentation maintained was inconsistent and some documentation was insufficient to independently validate the appropriateness of the CC conclusion | <p><u>Responsible:</u> David Austin, Director of Gas Control and System Planning Donald Ayers, VP of Gas Operations Jennifer Sawyers, Director of Operational Excellence – Performance and Process Management</p> <p><u>Resolution Date:</u> Refer to target remediation dates above.</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are established to ensure that instances of noncompliance with work clearance requirements are identified and communicated; specifically: 1) procedures and standards are established relating to work clearance requirements and related compliance monitoring requirements; 2) a periodic assessment of completeness and accuracy of the exception reporting is performed and documented (including a periodic assessment of data inputs); 3) there are established change management controls to ensure edits made to the programmed scripts are reviewed by an employee with the appropriate requisite knowledge; 4) all results populating on the exception reports are evaluated and a determination is made to assess noncompliance (and evidence is maintained); and 5) there is an established review process feedback loops for instances of noncompliance are occurring in a timely manner.</p> | |

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Internal Audit Department



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NiSource Inc.

Gas Pipeline Damage Prevention Program

Internal Audit Report

Distribution

Respondents:

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Jeannie Henry
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NiSource Inc.
Gas Pipeline Damage Prevention Program

| Executive Summary | | | | | | | | | | | | | | |
|--|--|--|--|--|--|-----------------------|---|--|-------------|----------------------------|-------------|-------------------------------|---|--|
| Key Insights | Key Background Information | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> In early 2024, NiSource Inc. (NiSource or the Company) established a centralized damage prevention support team, improving visibility into the effectiveness of line locate activities across the Columbia Gas Distribution Companies (CDC) and Northern Indiana Public Service Company (NIPSCO) operating territories; centralized focus on process consistency, ticket coding, turnback activities, and quality assurance/quality control review processes will facilitate further risk reduction Locate activities are managed by the state-level Operations teams, each utilizing different resourcing models (i.e., different mixes of internal and various contract resources); management should consider the cost versus benefit of centralizing the management of locate activities to increase process visibility and drive consistency, which may improve effectiveness and efficiency | <p> \$2.5 million spent on damage prevention activities in 2023</p> <p> 1.3 million locate requests submitted in 2023</p> <p> 93,000 locate tickets classified as a turnback in 2023</p> <p> 3,500 damage incidents reported and addressed in 2023</p> | | | | | | | | | | | | | |
| Count of Audit Findings by Scope Area | Audit Approach & Coverage | | | | | | | | | | | | | |
| <table border="0"> <tr> <td>Compliance with Policies/Procedures</td> <td>No Findings</td> <td rowspan="6"> Rating 1  Rating 2  Rating 3  </td> </tr> <tr> <td>Work Schedule Management Activities (Including Turnback Processes)</td> <td>1 </td> </tr> <tr> <td>Regulatory Compliance</td> <td>2 </td> </tr> <tr> <td>QA/QC Control processes (Including Performance Monitoring and Reporting)</td> <td>No Findings</td> </tr> <tr> <td>Damage Incident Management</td> <td>No Findings</td> </tr> <tr> <td>Vendor Performance Management</td> <td>1 </td> </tr> </table> <p><i>Note: Less-significant observations were discussed with management during the audit.</i></p> | Compliance with Policies/Procedures | No Findings | Rating 1  Rating 2  Rating 3  | Work Schedule Management Activities (Including Turnback Processes) | 1  | Regulatory Compliance | 2  | QA/QC Control processes (Including Performance Monitoring and Reporting) | No Findings | Damage Incident Management | No Findings | Vendor Performance Management | 1  | <p>We conducted a risk-based evaluation of the adequacy, effectiveness, and efficiency of controls associated with gas pipeline damage prevention program processes, including the scope areas outlined within the table herein.</p> <p>Activity evaluated for this audit occurred during the period from January - December 2023.</p> |
| Compliance with Policies/Procedures | No Findings | Rating 1  Rating 2  Rating 3  | | | | | | | | | | | | |
| Work Schedule Management Activities (Including Turnback Processes) | 1  | | | | | | | | | | | | | |
| Regulatory Compliance | 2  | | | | | | | | | | | | | |
| QA/QC Control processes (Including Performance Monitoring and Reporting) | No Findings | | | | | | | | | | | | | |
| Damage Incident Management | No Findings | | | | | | | | | | | | | |
| Vendor Performance Management | 1  | | | | | | | | | | | | | |

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NiSource Inc.
Gas Pipeline Damage Prevention Program

Summary of Findings

- 1) **Completeness of Indiana Utility Regulatory Commission (IURC) Reporting (Rating 2)**
Controls are not established to ensure locate information reported to the IURC is complete, resulting in some data being excluded from reports to the IURC.
- 2) **Completeness & Accuracy of Internal On-Time Locate Ticket Reporting (Rating 2)**
Controls are not established to ensure completeness and accuracy of internally reported locate information.
- 3) **Turnback Monitoring Activities (Rating 2)**
Locate turnbacks are not actively monitored and managed to ensure that the associated tickets are completed in accordance with the established locate time requirements for each state.
- 4) **Columbia Gas of Pennsylvania (CPA) – Locate Vendor Contracting (Rating 3)**
Activities performed by a third-party contractor (GridHawk) for CPA were not clearly defined within the locate ticket management system to fully enable insight into vendor performance.

Management Response & Internal Audit Follow Up

Management agrees with the facts of the findings noted during this audit and has provided 10 action plans that they developed to address the risks identified. We have reviewed management's action plans and believe that the action plans will adequately address the findings identified in this audit. We will track the progress of resolution and will conduct follow-up testing for all rated "1" audit findings and a sample of rated "2" and rated "3" audit findings.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Note: See the Internal Audit Findings Rating Scale in Appendix A and a detailed write-up of the risk, observation, and management action plan in Appendix B.

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NiSource Inc.
Gas Pipeline Damage Prevention Program
Appendix A – Internal Audit Finding Rating Scale

“1” Significant Improvement is Needed and

Prompt Management Attention is Required

- More than remote probability for damage to the Company’s reputation or brand and the impact to the enterprise could be substantial and rapidly realized
- More than remote probability for a non-compliance with laws/regulations and the impact to the enterprise could be substantial and rapidly realized
- Crucial foundational controls related to high-impact processes are inadequate or ineffective and the impact to the enterprise could be substantial and rapidly realized
- Repeat audit findings and the impact could be significant within the scope of the area being audited

“2” Improvement is Needed and Management Attention is Necessary (target to reduce risk within 3 to 6 months)

- More than remote probability for damage to the Company’s reputation or brand and the impact could be substantial within the scope of the audit
- More than remote probability for a non-compliance with laws/regulations and the impact could be substantial within the scope of the audit
- Foundational controls are inadequate or ineffective and the impact could be substantial within the scope of the audit
- Controls are not adequate to prevent or detect fraud in a timely manner
- Transactional errors identified during audit testing are significant within the scope of the audit (based on value or number of erroneous transactions identified)
- Internal Policy is not adequate or is violated and the impact could be substantial within the scope of the audit

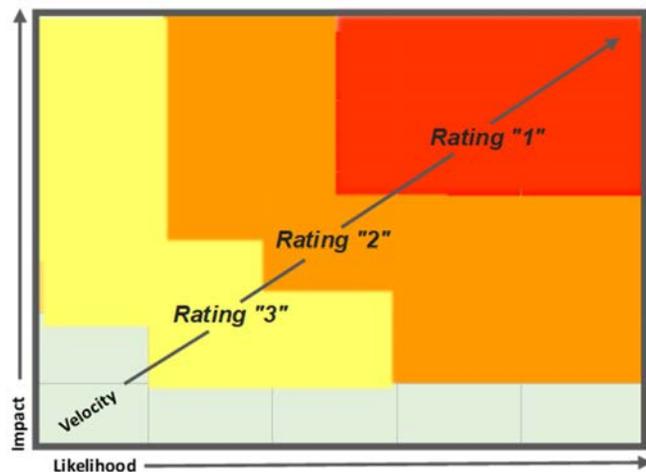
“3” Some Improvement is Needed and

Management Attention is Justified (target to reduce risk within 12 months)

- Internal Policy is not adequate or is violated, but impact is limited and the overall system of controls is not significantly compromised
- Controls are not adequate to prevent erroneous transactions and errors could be more than immaterial within the scope of the audit
- Notable lost opportunity or inefficiency within the scope of the audit

“4” Management Evaluation is Desirable

- Isolated exception with limited impact
- Lost opportunity or inefficiency, but impact is limited



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NiSource Inc.
Gas Pipeline Damage Prevention Program
Appendix B – Internal Audit Findings Matrix

| | | |
|---|--|---|
| 1) <u>Completeness of Indiana Utility Regulatory Commission (IURC) Reporting</u> | | Rating: 2 |
| Risk: Potential that instances of noncompliance with state level regulatory requirements go unidentified and/or unreported to applicable regulatory bodies, which may result in fines/penalties. | | |
| Observation: The Northern Indiana Public Service Company (NIPSCO) Gas Operations Support utilizes damage and ticket locating information provided by the Damage Prevention Central Support team to create quarterly reporting for the IURC. Controls are not established to ensure locate information reported to the IURC is complete; specifically: <ul style="list-style-type: none"> The timeliness of emergency locate tickets is not evaluated relative to IURC requirements (48-hours) and included within the reporting of past due tickets, resulting in some past due ticket data being excluded from reports to the IURC The timing of when data is pulled for quarterly reporting results in some transactions during the quarter being excluded from reports | | Management Action Plan: Damage Prevention Central Support management will establish and formally document procedures performed to ensure completeness and accuracy of locate ticket information utilized in IURC reporting (August 2024). NIPSCO Gas Operations Support management will perform the following: <ul style="list-style-type: none"> Establish and formally document review processes to ensure completeness and accuracy of IURC reporting prior to submission (November 2024) Obtain written expectations from the Indiana Energy Association (IEA) regarding treatment of emergency tickets within IURC reporting (November 2024) Update reporting criteria requirements based on written expectations provided by the IEA (TBD – dependent upon execution of the item above) Revise the timing with which potential noncompliant ticket data is generated to ensure all impacted tickets are captured (reported complete as of June 2024) Responsible: Nancy Maynard, director damage prevention & central operations Rick Smith, director gas operations support (NIPSCO) Resolution Date: Refer to remediation dates noted above. |
| Evaluation Criteria: Processes and controls are sufficient to ensure that externally reported on-time locate information is complete and accurate; specifically: 1) documented procedures have been established to ensure completeness and accuracy of reporting activities; 2) completeness and accuracy activities are executed for key report information; 3) evidence of completeness and accuracy validation activities is maintained; and 4) an independent review is performed to ensure data validation occurred. | | |
| 2) <u>Completeness & Accuracy of Internal On-time Locate Ticket Reporting</u> | | Rating: 2 |
| Risk: Potential that internal locate reporting is incomplete and/or inaccurate leading to ineffective feedback loops, which could delay corrective action and negatively impact operational activities. | | |
| Observation: The Damage Prevention Central Support team compiles and reports on time/past due locate information enabling | | Management Action Plan: Damage Prevention Central Support management will perform the following: |

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NiSource Inc.
Gas Pipeline Damage Prevention Program
Appendix B – Internal Audit Findings Matrix

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| <p>visibility into locator performance and state regulatory compliance for the Columbia Gas Distribution Companies (CDC) and NIPSCO.</p> <p>Controls are not established to ensure completeness and accuracy of internally reported locate information; specifically:</p> <ul style="list-style-type: none"> The timeliness of NIPSCO emergency locate tickets (3% of total NIPSCO locates) is not evaluated relative to IURC requirements (48-hours) and included within the reporting of past due tickets A data field for tickets executed by GridHawk related to locates performed in Ohio was unnecessarily being adjusted via the Tableau script, resulting in past-due tickets being over-reported <p>Additionally, data reconciliation controls are not evidenced.</p> | <ul style="list-style-type: none"> Establish and formally document procedures performed to ensure completeness and accuracy of locate ticket reporting, including maintaining evidence of activities performed (August 2024) Update reporting criteria and procedures to ensure emergency tickets for NIPSCO are included within the reporting (November 2024) Update current reporting processes and procedures to disallow the process of manually adjusting the first response locate time metric (reported complete as of June 2024) <p>Responsible: Nancy Maynard, director damage prevention & central operations</p> <p>Resolution Date: Refer to remediation dates noted above.</p> |
| <p>Evaluation Criteria:</p> <p>Processes and controls are sufficient to ensure that internal reporting of on-time locate information is complete and accurate; specifically: 1) documented procedures have been established to ensure completeness and accuracy of reporting activities; 2) completeness and accuracy activities are executed for key report information; 3) evidence of completeness and accuracy validation activities is maintained; and 4) an independent review is performed to ensure validation occurred.</p> | |
| <p>3) <u>Turnback Monitoring Activities</u></p> | |
| <p>Risk:</p> <p>Potential that turnback locate activities are not timely completed leading to noncompliance with state locate timeliness requirements and resulting in fines/penalties.</p> | |
| <p>Observation:</p> <p>A turnback occurs when a locator cannot access or does not find a gas line related to the locate ticket. Locate turnbacks are not actively monitored and managed to ensure that the associated tickets are completed in accordance with the established locate time requirements for each state. As a result, some turnback tickets did not reflect timely completion within IRTH (locate ticket management system).</p> | <p>Management Action Plan:</p> <p>Damage Prevention Central Support management will partner with CDC and NIPSCO Damage Prevention and Gas Operations management teams to establish formal monitoring and investigation processes associated with the timely completion of locates classified as turnbacks, including investigating the current trending of locate activities in accordance with state regulatory requirements and locate tickets not marked as completed within IRTH.</p> <p>Responsible: Nancy Maynard, director damage prevention & central operations</p> <p>Resolution Date: December 2024</p> |

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NiSource Inc.
Gas Pipeline Damage Prevention Program
Appendix B – Internal Audit Findings Matrix

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| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure turnback locate tickets are appropriately and timely executed; specifically: 1) procedures exist outlining expectations and responsibilities when a locate ticket is classified as a turnback; 2) applicable employees are trained on established procedures; 3) evidence is maintained to support the completion of locate activities for turnbacks; 4) monitoring is established and formalized to ensure turnback locate activities are appropriately and timely resolved; and 5) monitoring activities are established and formalized to investigate any turnback activities that are not completed in accordance with state regulatory requirements.</p> | |
| <p>4) <u>Columbia Gas of Pennsylvania (CPA) - Locate Vendor Contracting</u></p> | |
| <p>Rating: 3</p> | |
| <p><u>Risk:</u> Potential that work performed by a vendor does not meet expectations.</p> | |
| <p><u>Observation:</u> CPA Gas Operations utilizes a third-party vendor (GridHawk) to perform locate activities within select areas of the service territory (4% of all CPA locates were performed by GridHawk between January and June 2024). At the time of our audit, activities performed by GridHawk for CPA were not clearly defined within IRTH to fully enable insight into vendor performance monitoring, including root cause analysis and solutioning in the event that performance issues were to occur.</p> | <p><u>Management Action Plan:</u> During our audit, CPA Gas Operations management implemented changes within IRTH to establish visibility into whether locates were performed by internal or external resources.</p> <p><u>Responsible:</u> Brian McCaul, VP gas operations (CPA)</p> <p><u>Resolution Date:</u> Reported complete as of May 2024</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure that third-party locate activities are performed completely and timely; specifically: 1) contractual agreements are established outlining roles and responsibilities as well as performance expectations (i.e., KPIs and SLAs); 2) monitoring is established to ensure that the third party is meeting contractual performance expectations; and 3) when deviations from expected performance are identified, follow-up activities occur to ensure the third party is accountable based on the terms of the contract.</p> | |

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Internal Audit Department



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NiSource Inc.

Occupational Health & Safety Program

Internal Audit Report

Distribution

Respondents:

Bryan Adams
Jeb Lowder
Jennifer Sawyers
Steven Sylvester
Christina Treybig

Beneficiaries:

Kimberly Cartella
Lauren Grether
Jeannie Henry
Brett Radulovich
Jodi Santos

Other Key Personnel:

Heidi Gossett

For Information:

Shawn Anderson
Melanie Berman
Melody Birmingham
Donald Brown
Kim Cuccia
William Jefferson
Michael Luhrs
Lloyd Yates



NiSource Inc.
Occupational Health & Safety Program

| Executive Summary | | | | | | | | | | | | | | | | | | | | | | |
|--|--|---|--|--|-------------|---|---------------------------------------|-------------|---|------------------------|---|---|-----------------------------------|-------------|--|---|-------------|--|-----------------|---|--|--|
| Key Insights | Key Background Information | | | | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> The Safety Services and Operational Excellence teams perform various activities to ensure that NiSource Inc. (NiSource or the Company) complies with Occupational Safety and Health Administration (OSHA) requirements; however, the effectiveness of some critical activities is reliant upon the knowledge and expertise of the employees performing the tasks as opposed to a documented and repeatable control framework; formalizing procedures, reporting standards, and monitoring activities will facilitate consistent execution and knowledge transfer when required Roles and responsibilities related to driving and ensuring compliance with OSHA requirements are not clearly established across the various corporate and state-specific execution organizations; formally documenting and communicating expectations regarding responsibilities may increase ownership and visibility to lines of accountability | <p> 80 OSHA recordable incidents, 28 associated with contractors in 2023</p> <p> 7,436 NiSource employees and 4,017 contractors as of December 31, 2023</p> <p> Four serious injuries/fatalities in 2023</p> <p> 10% of the Company's 2023 short-term incentive (STI) calculation was based upon safety targets related to Days Away, Restricted and Transferred (DART) and Preventable Vehicle Collisions (PVC)</p> | | | | | | | | | | | | | | | | | | | | | |
| Count of Audit Findings by Scope Area | Audit Approach & Coverage | | | | | | | | | | | | | | | | | | | | | |
| <table border="0"> <tr> <td>Program Management and Monitoring</td> <td> 2</td> <td></td> </tr> <tr> <td>Calculation Accuracy (2023 DART and PVC Metrics)</td> <td>No Findings</td> <td>Rating 1 </td> </tr> <tr> <td>Hazard Related Processes and Controls</td> <td>No Findings</td> <td>Rating 2 </td> </tr> <tr> <td>Education and Training</td> <td> 1</td> <td>Rating 3 </td> </tr> <tr> <td>Regulatory Reporting Requirements</td> <td>No Findings</td> <td></td> </tr> <tr> <td>Incident Evaluation and Case Management</td> <td>No Findings</td> <td></td> </tr> <tr> <td>System Controls</td> <td> 2</td> <td></td> </tr> </table> <p><i>Note: Less-significant observations were discussed with management during the audit.</i></p> | Program Management and Monitoring |  2 | | Calculation Accuracy (2023 DART and PVC Metrics) | No Findings | Rating 1  | Hazard Related Processes and Controls | No Findings | Rating 2  | Education and Training |  1 | Rating 3  | Regulatory Reporting Requirements | No Findings | | Incident Evaluation and Case Management | No Findings | | System Controls |  2 | | <p>We conducted a risk-based evaluation of the adequacy, effectiveness, and efficiency of controls associated with occupational health and safety activities. Activity and transactions evaluated for this audit occurred during the period between January 2023 and December 2023.</p> <p>We did not evaluate controls over the corrective action program (CAP) submission process, established state specific safety requirements (including pre-job briefings), and 2023 STI metrics not related to safety (including financial net operating earnings per share, operations/process failures, and customer satisfaction survey measures) as these have either been subject to review as part of previous audits or will be potentially subject to evaluation in future audits.</p> |
| Program Management and Monitoring |  2 | | | | | | | | | | | | | | | | | | | | | |
| Calculation Accuracy (2023 DART and PVC Metrics) | No Findings | Rating 1  | | | | | | | | | | | | | | | | | | | | |
| Hazard Related Processes and Controls | No Findings | Rating 2  | | | | | | | | | | | | | | | | | | | | |
| Education and Training |  1 | Rating 3  | | | | | | | | | | | | | | | | | | | | |
| Regulatory Reporting Requirements | No Findings | | | | | | | | | | | | | | | | | | | | | |
| Incident Evaluation and Case Management | No Findings | | | | | | | | | | | | | | | | | | | | | |
| System Controls |  2 | | | | | | | | | | | | | | | | | | | | | |

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NiSource Inc.
Occupational Health & Safety Program

Summary of Findings

1) OSHA Training Requirements (Rating 2)

Monitoring controls are insufficient to ensure required OSHA trainings are assigned to and timely completed by all applicable employees.

2) STI Calculation Metrics (Rating 2)

A control is not formalized to validate the completeness and accuracy of data utilized to calculate safety metrics impacting the Company's annual short-term incentive calculation; Internal audit specifically evaluated the accuracy of the 2023 DART and PVC metric calculations and did not identify discrepancies.

3) Completeness & Accuracy of External and Internal Reporting (Rating 2)

Controls are not formalized to validate the completeness and accuracy of OSHA-required reporting as well as internally distributed safety data.

4) Occupational Health & Safety Vendor Risk Management Activities (Rating 3)

Third-party vendor controls related to DevonWay (a cloud-based, software as a service (SaaS) solution that houses potentially sensitive NiSource data) are not formally validated; specifically, a service organization control report (SOC 2 Type II) is not periodically obtained and reviewed.

5) System User Access Reviews (Rating 3)

The appropriateness of which users have administrative access to DevonWay is periodically verified; however, administrative activities (including changes to user access and key data elements) are not independently monitored.

Management Response & Internal Audit Follow Up

Management agrees with the facts of the findings noted during this audit and has provided 14 action plans that they developed to address the risks identified. We have reviewed management's action plans and believe that the action plans will adequately address the findings identified in this audit. We will track the progress of resolution and will conduct follow-up testing for all rated "1" audit findings and a sample of rated "2" and rated "3" audit findings.

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

Note: See the Internal Audit Findings Rating Scale in Appendix A and a detailed write up of the risk, observation, and management action plan in Appendix B.

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NiSource Inc.
Occupational Health & Safety Program
Appendix A – Internal Audit Findings Rating Scale

“1” Significant Improvement is Needed and Prompt Management Attention is Required

- More than remote probability for damage to the Company’s reputation or brand and the impact to the enterprise could be substantial and rapidly realized
- More than remote probability for a non-compliance with laws/regulations and the impact to the enterprise could be substantial and rapidly realized
- Crucial foundational controls related to high-impact processes are inadequate or ineffective and the impact to the enterprise could be substantial and rapidly realized
- Repeat audit findings and the impact could be significant within the scope of the area being audited

“2” Improvement is Needed and Management Attention is Necessary (target to reduce risk within 3 to 6 months)

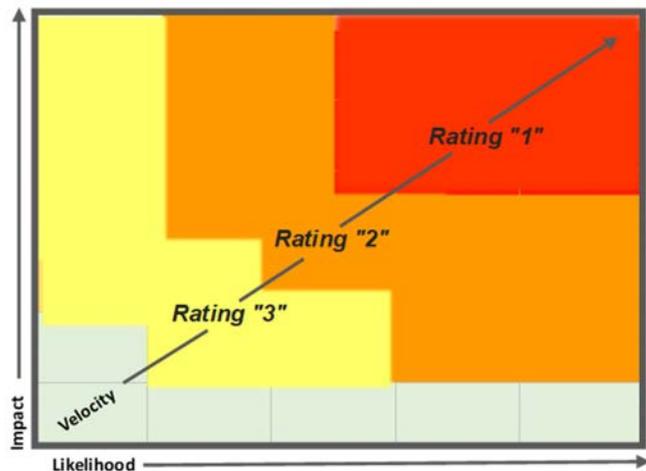
- More than remote probability for damage to the Company’s reputation or brand and the impact could be substantial within the scope of the audit
- More than remote probability for a non-compliance with laws/regulations and the impact could be substantial within the scope of the audit
- Foundational controls are inadequate or ineffective and the impact could be substantial within the scope of the audit
- Controls are not adequate to prevent or detect fraud in a timely manner
- Transactional errors identified during audit testing are significant within the scope of the audit (based on value or number of erroneous transactions identified)
- Internal Policy is not adequate or is violated and the impact could be substantial within the scope of the audit

“3” Some Improvement is Needed and Management Attention is Justified (target to reduce risk within 12 months)

- Internal Policy is not adequate or is violated, but impact is limited and the overall system of controls is not significantly compromised
- Controls are not adequate to prevent erroneous transactions and errors could be more than immaterial within the scope of the audit
- Notable lost opportunity or inefficiency within the scope of the audit

“4” – Management Evaluation is Desirable

- Isolated exception with limited impact
- Lost opportunity or inefficiency, but impact is limited



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NiSource Inc.
Occupational Health & Safety Program
Appendix B – Internal Audit Findings Matrix

| 1) <u>Occupational Safety and Health Administration (OSHA) Training Requirements</u> | Rating: 2 |
|---|---|
| <p>Risk: Potential that insufficient training for associates results in a workplace accident and OSHA violations leading to fines/penalties.</p> | |
| <p>Observation: OSHA has established standards to protect employees and prevent-work related injuries, illnesses and deaths, including specific safety and health training requirements to ensure that workers have the required skills and knowledge to safely execute their required work. At the time of our audit, a process was not formalized to assign OSHA-required training to new employees based on role requirements and formal monitoring controls were insufficient to ensure required OSHA trainings were assigned to and completed timely by all applicable employees. We evaluated training records for a sample of 20 new employees and identified 19 (of 20) employees had not completed all assigned training by established due dates.</p> | <p>Management Action Plan: At the time of our audit, Safety Services and Occupational Safety management had previously identified the noted gaps associated with establishing training requirements by job title and monitoring the application of trainings to employees and as a result, Safety Services and Occupational Safety management has partnered with the Training Execution team to assist with performing the following:</p> <ul style="list-style-type: none"> Formally establishing OSHA training requirements by job title (October 2024) Establishing monitoring to validate that OSHA trainings have been assigned to applicable employees based on job title (October 2024) <p>Additionally, Health, Safety, and Environmental Execution management will identify the appropriate party in Operations management to partner with to perform the following:</p> <ul style="list-style-type: none"> Develop a plan to recommunicate roles and responsibilities for training monitoring and follow-up to ensure that employees are completing OSHA required trainings in a timely manner (October 2024) Execute a plan to recommunicate roles and responsibilities for training monitoring and follow-up to ensure that employees are completing OSHA required trainings in a timely manner (TBD) <p>Responsible: Bryan Adams, Director of Safety Services and Occupational Safety Steven Sylvester, VP Health Safety & Environmental Execution</p> <p>Resolution Date: Refer to the target remediation dates for each action item listed above.</p> |
| <p>Evaluation Criteria: Processes and controls are sufficient to ensure that NiSource employees receive the required education and training to maintain compliance with OSHA requirements and safely perform their required work; specifically: 1) employees that are required to receive OSHA related trainings are appropriately identified upon hire; 2) trainings are assigned to impacted employees timely; and 3) monitoring and follow-up is established to ensure that all identified employees have received/completed required training in a timely manner.</p> | |

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NiSource Inc.
Occupational Health & Safety Program
Appendix B – Internal Audit Findings Matrix

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| 2) <u>Short-term Incentive (STI) Calculation Metrics</u> | Rating: 2 |
| <p><u>Risk:</u> Potential that safety metrics included within NiSource Inc.'s (NiSource or the Company) STI calculations are inappropriately manipulated in an effort to ensure bonus targets are met.</p> | |
| <p><u>Observation:</u> NiSource's STI calculation for 2023 included specific metrics pertaining to Operational Excellence and Occupational Safety data, including Days Away, Restricted and Transferred (DART) and Preventable Vehicle Collisions (PVC). The data utilized in the STI calculations is compiled by the Operational Excellence team and submitted to the Compensation team monthly.</p> <p>A control is not formalized to validate the completeness and accuracy of the data utilized to calculate the DART and PVC metrics impacting the annual STI calculation. Internal audit specifically evaluated the accuracy of the 2023 DART and PVC metrics utilized in the 2023 STI calculation and did not identify discrepancies.</p> | <p><u>Management Action Plan:</u> Safety Services management will perform the following:</p> <ul style="list-style-type: none"> Formally document the procedures performed by their team to ensure completeness and accuracy over the data utilized to calculate the monthly DART and PVC bonus metrics Establish a formal approval process within their team over the monthly bonus calculations prior to the submission of the metric information to Operational Excellence management <p>Operational Excellence management will also perform the following:</p> <ul style="list-style-type: none"> Formally document the procedures performed by their team to ensure completeness and accuracy over the reporting associated with the monthly DART and PVC bonus metrics Establish a formal approval process within their team over the monthly bonus calculations prior to the submission of the metric information to Compensation management <p><u>Responsible:</u> Jennifer Sawyers, Director of Operational Excellence – Performance and Process Management Steven Sylvester, VP Health Safety & Environmental Execution</p> <p><u>Resolution Date:</u> October 2024</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure that safety information utilized within Company bonus metrics is complete and accurate; specifically: 1) Operational Excellence and Occupational Safety Performance data is reviewed and approved by someone on the Operational Excellence team independent of the preparer prior to being submitted to the Compensation team; 2) DART and PVC metric information is reviewed and approved by Safety leadership; and 3) the Compensation team has established processes to ensure that validity of the information provided prior to utilization in the bonus calculation.</p> | |
| 3) <u>Completeness and Accuracy of External and Internal Safety Reporting</u> | Rating: 2 |
| <p><u>Risk:</u> Potential that required external safety reporting is incomplete and/or inaccurate, resulting in fines/penalties. Potential that internal safety reporting is incomplete and/or inaccurate, resulting in inappropriate business decisioning.</p> | |

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NiSource Inc.
Occupational Health & Safety Program
Appendix B – Internal Audit Findings Matrix

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| <p><u>Observation:</u> The Operational Excellence team, in support of the Safety Services team, is responsible for compiling and filing the 300A logs with OSHA (electronic reporting requirement), which is required annually for all Company locations with 20 or more employees. Operational Excellence has not established formal controls to validate the completeness and accuracy of reported information prior to submission. Due to a system limitation within OSHA's website, the internal audit team was not able to test the completeness and accuracy of the filed 2023 OSHA 300A logs.</p> <p>Additionally, Operational Excellence has not established formal controls to validate the completeness and accuracy of safety data that is periodically reported internally to employees (e.g. monthly Occupational Safety Metric Report, Weekly Safety Update). Internal audit specifically evaluated the DART, PVC, and OSHA recordable counts for select periods within 2023 and did not identify any discrepancies.</p> | <p><u>Management Action Plan:</u> Safety Services and Operational Safety management will partner together to formally document the procedures performed by their teams to ensure completeness and accuracy of critical data elements driving internal and external reporting.</p> <p>Operational Excellence management will formally document the procedures performed by their team to ensure completeness and accuracy of internal and external reporting activities, including maintaining evidence directly from OSHA's website to substantiate the annual 300A log submissions.</p> <p><u>Responsible:</u> Bryan Adams, Director of Safety Services and Occupational Safety Jennifer Sawyers, Director of Operational Excellence – Performance and Process Management Christina Treybig, Director of Operational Safety</p> <p><u>Resolution Date:</u> October 2024</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure that established and required internal and external safety reporting information is complete and accurate; specifically: 1) documented procedures have been established over reporting completeness and accuracy validation activities; 2) completeness and accuracy activities are executed for key report information; 3) evidence of completeness and accuracy validation activities is maintained and 4) an independent review is performed to ensure the validation has occurred.</p> | |
| <p>4) <u>Occupational Health and Safety Vendor Risk Management Activities</u> Rating: 3</p> | |
| <p><u>Risk:</u> Potential that sensitive safety information maintained within a third-party system is inadequately protected, resulting in financial exposure and reputational damage.</p> | |
| <p><u>Observation:</u> DevonWay, Inc. (DevonWay) is a cloud-based, software as a service (SaaS) solution that is utilized as the Company's system of record for critical safety and incident management activities (including retention of select medical components as required by OSHA). Third-party vendor controls for DevonWay are not formally validated. Specifically, a service organization control report (SOC 2 Type II) for DevonWay is not periodically obtained and reviewed to ensure that the vendors' controls are adequate and operating effectively.</p> | <p><u>Management Action Plan:</u> Operational Excellence management will formalize and implement a process to periodically obtain and review the SOC report for DevonWay.</p> <p><u>Responsible:</u> Jeb Lowder, Director of Operational Excellence</p> <p><u>Resolution Date:</u> April 2025</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure risk management activities are being executed for key vendors supporting the Safety Services and Operational Excellence teams; specifically: 1) SOC reports and corresponding bridge letters are obtained and reviewed annually by a member of the Operational Excellence team with sufficient knowledge to perform the review; 2) if issues are identified, an evaluation is performed to determine the impact to the Company,</p> | |

NiSource Inc.
Occupational Health & Safety Program
Appendix B – Internal Audit Findings Matrix

including appropriate vendor management risk reduction/resolution activities; and 3) complementary user entity controls (CUEC) are reviewed, implemented and verified, if applicable.

5) **System User Access Reviews** **Rating: 3**

Risk:
 Potential that inappropriate changes are made to safety system access and/or data, resulting in incomplete and/or inaccurate safety metrics and reporting.

Observation:
 The appropriateness of which users have administrative access to DevonWay is periodically verified; however, administrative activities within the system (including changes to user access and key data elements) are not independently monitored. Internal audit identified one instance where a user with administrative access updated employee access without formal monitoring to ensure the changes made were appropriate.

Management Action Plan:
 Operational Excellence will perform the following:

- Establish periodic monitoring controls to review the appropriateness of any changes to employee access rights made by employees with administrator access
- Periodically provide Safety Services management with a current user access listing to review

Safety Services management will perform a review of the periodic access listings provided to them by the Operational Excellence team to determine if access is appropriate or should be modified.

Responsible:
 Jeb Lowder, Director of Operational Excellence
 Bryan Adams, Director of Safety Services and Occupational Safety

Resolution Date:
 April 2025

Evaluation Criteria:
 Processes and controls are sufficient to ensure that administrative access to the DevonWay system is restricted and monitored; specifically: 1) policies and procedures formally document a process to review and remove all administrative access to DevonWay within the established period of time after termination; 2) user access listings are periodically reviewed and inappropriate access is timely removed by the appropriate employees; and 3) monitoring over employees with administrator access activities has been established to ensure that it is appropriate.

6) **Approved Personal Protective Equipment (PPE) and Tools Listings** **Rating: 4**

Risk:
 Potential that approved PPE and tools listings include duplicative and/or outdated items, resulting in inconsistent operational practices and excessive spend.

Observation:
 Safety Services management and the Tools team are responsible for establishing and maintaining approved lists of PPE and tools (excluding tools related to pipeline safety and integrity that are subject to established Company standards), which field personnel utilize as a guide when purchasing materials. Approved PPE and tool lists are established, and processes are in place to ensure items added to these lists are appropriately approved. However, the approved lists are not periodically analyzed for opportunities to cull and optimize the catalog of options to

Management Action Plan:
 A management response is not requested; however, Internal Audit recommends the Safety Services and Tools team implement and perform a periodic review of the established PPE and Tools listing, respectively.

NiSource Inc.
Occupational Health & Safety Program
Appendix B – Internal Audit Findings Matrix

| | |
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| drive consistent operational practices and cost efficiency. | |
|---|--|

Evaluation Criteria:

Processes and controls are in place to ensure that the PPE and tools listings are complete and accurate; specifically: 1) Established listings for PPE and tools that should be utilized by field personnel exist; 2) a review/approval process has been formalized to add new items to the established listings; and 3) a periodic review of the established listings is performed to ensure that they are complete and accurate, with specific consideration given to cost effective materials.

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Internal Audit Department



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NiSource Inc.

Operations & Regulatory Compliance Reporting Framework

Internal Audit Advisory Report

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NiSource Inc.
Operations & Regulatory Compliance Reporting Framework

| Advisory Audit Report | | | | | | | | | | | |
|--|---|---|--|---|---|---|--|---|-----------------------------------|--------------------|--|
| Key Insights | Key Background Information | | | | | | | | | | |
| <ul style="list-style-type: none"> • Extensive collaboration and communication across teams and stakeholder groups is required to accurately report NiSource Inc.'s (NiSource or the Company) operations and regulatory compliance events; the Operations teams and centralized Compliance function should strive to integrate processes to ensure consistent communications to stakeholder groups (i.e., to ensure 'one version of the truth') • The objectives of the operations & compliance reporting framework do not currently include validating remediation of all known operational and compliance items; management should consider the cost versus benefit of expanding second line of defense (i.e., compliance) activities to validate remediation of higher-risk issues • The reporting tool currently utilized could be further leveraged to drive consistency and to evidence communication with stakeholders | <ul style="list-style-type: none">  The objective of the framework is to ensure the Company properly informs the Safety, Operations, Regulatory, and Policy (SORP) Committee of the Board of Directors of key operational and regulatory compliance items  The SORP Committee receives operational and compliance reporting at each meeting  The framework covers four categories of operations and regulatory events (specifically: electric operations compliance, gas operations compliance, operational events, and utility company regulatory compliance) and defines 15 specific criteria that are reportable  13 stakeholders, holding various roles across the Company, have been identified as criteria owners; criteria owners are responsible for providing data inputs to the framework reporting process | | | | | | | | | | |
| Count of Audit Recommendations by Scope Area | Audit Approach & Coverage | | | | | | | | | | |
| <table border="0"> <tr> <td style="padding-left: 40px;">Adequacy of policies and procedures</td> <td style="text-align: right;">1</td> </tr> <tr> <td style="padding-left: 40px;">Identification of key stakeholders and change management processes</td> <td style="text-align: right;">1</td> </tr> <tr> <td style="padding-left: 40px;">Reportable information submission processes</td> <td style="text-align: right;">1</td> </tr> <tr> <td style="padding-left: 40px;">Reportable information confidentiality</td> <td style="text-align: right;">1</td> </tr> <tr> <td style="padding-left: 40px;">Information compilation processes</td> <td style="text-align: right;">No recommendations</td> </tr> </table> <p><i>Note: Less-significant observations were discussed with management during the audit.</i></p> | Adequacy of policies and procedures | 1 | Identification of key stakeholders and change management processes | 1 | Reportable information submission processes | 1 | Reportable information confidentiality | 1 | Information compilation processes | No recommendations | <p>We conducted a risk-based, advisory review assessing the adequacy of the controls related to ensuring that operations and compliance information reported through the established framework to the SORP Committee is appropriately captured, evaluated, reported, and monitored. Processes in place as of December 2023, including associated records, were evaluated for this audit.</p> <p>We did not evaluate information reported to the SORP Committee that was not managed via processes related to the operations and regulatory compliance reporting framework.</p> |
| Adequacy of policies and procedures | 1 | | | | | | | | | | |
| Identification of key stakeholders and change management processes | 1 | | | | | | | | | | |
| Reportable information submission processes | 1 | | | | | | | | | | |
| Reportable information confidentiality | 1 | | | | | | | | | | |
| Information compilation processes | No recommendations | | | | | | | | | | |

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NiSource Inc.
Operations & Regulatory Compliance Reporting Framework

| Summary of Observations & Recommendations | |
|--|---|
| 1) <u>Definition & Approval of Reportable Criteria</u> | |
| <u>Risk:</u> Potential that informal processes related to defining, reviewing, and approving reportable criteria result in incomplete or inconsistent information being reported. | |
| <u>Observation:</u> Management has identified certain information reportable to the SORP Committee via the operations & compliance reporting framework by defining categories and associated criteria; however, some criteria definitions can be clarified to facilitate stakeholder understanding and drive consistent reporting. We noted that the Federal Energy Regulatory Commission (FERC) gas compliance criteria under the gas operations compliance category was not fully defined or understood by framework stakeholders, and the work process and safety category did not explicitly identify Occupational Safety & Health Administration (OSHA) violations as a reportable criterion. | <u>Recommendation:</u> Establish a formal process to periodically (e.g., annually) evaluate defined reportable categories and criteria to ensure definitions are clear, account for changes in regulatory requirements, and align with framework objectives. |
| 2) <u>Stakeholder Identification, Change Management, & Education</u> | |
| <u>Risk:</u> Potential that stakeholders are not correctly identified or engaged to facilitate accurate and complete reporting; also, potential that informal definition and communication of stakeholder roles and responsibilities results in insufficient stakeholder understanding to properly execute their role. | |
| <u>Observation:</u> Various stakeholders across the Company are engaged to gather information associated with reportable criteria. Accurate reporting is dependent upon the correct stakeholders being identified and indoctrinated regarding their roles and responsibilities associated with reporting processes. We noted that stakeholders were not identified for all defined reportable criteria (in particular, the FERC gas compliance criterion), and stakeholder assignments were not timely updated or delegated when individuals' roles within the | <u>Recommendation:</u> Ensure that a stakeholder is identified for the FERC gas compliance criterion, and periodically validate that all reportable criteria are appropriately sponsored; additionally, establish a Responsible, Accountable, Consulted, Informed (RACI) chart to formalize and clarify roles and responsibilities for operations and compliance reporting. |

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NiSource Inc.
Operations & Regulatory Compliance Reporting Framework

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| <p>Company changed, which resulted in one stakeholder no longer being responsible for activities relevant to their assigned criteria. Additionally, a formal process is not established to communicate criteria definitions and stakeholder roles and responsibilities.</p> | |
| <p>3) <u>Validation Processes</u></p> | |
| <p><u>Risk:</u> Potential that nonexistent or insufficient second-level verification controls increases the probability that omitted or inconsistent information will not be identified and addressed.</p> | |
| <p><u>Observation:</u> Processes are not formalized to validate the completeness and accuracy of information submitted by stakeholders. Specifically, a second-level review (including validation of compiled information against external third-party sources when possible) has not been implemented. Additionally, in cases where stakeholders are soliciting information from various personnel across the Company, stakeholders do not always obtain positive confirmation, increasing the risk that 'no response' is inappropriately equated to a lack of reportable information. We compared the population of reported items associated with two criteria (OSHA violations and environmental compliance) to the applicable information publicly available on governmental websites and identified three instances of noncompliance were improperly excluded from reporting.</p> | <p><u>Recommendation:</u> To facilitate complete reporting, implement processes to validate the completeness and accuracy of reported information (with validation to third-party sources when possible); consider establishing a second-level verification of compiled information and positive confirmation process when soliciting information from multiple business partners.</p> |
| <p>4) <u>Information Classification, Protection, & Security</u></p> | |
| <p><u>Risk:</u> Potential that confidential, highly restricted, or privileged information may be inappropriately disclosed.</p> | |
| <p><u>Observation:</u> To facilitate complete and accurate reporting, information related to the operations and regulatory compliance reporting framework process must be shared across multiple individuals and teams that are dispersed across the Company. Stakeholders utilize various methods to report information that is entered into the operations and</p> | <p><u>Recommendation:</u> Establish a process to assess framework data inputs and compiled records to appropriately classify and protect information classified as confidential or highly restricted (with consideration given to how methods for sharing the information may need to be adjusted); additionally, formalize legal review processes.</p> |

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NiSource Inc.
Operations & Regulatory Compliance Reporting Framework

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| <p>regulatory compliance reporting framework (e.g., verbal communication, email, entry into a module within DevonWay, etc.), and compiled information is distributed monthly via email to various Company leaders. The sensitivity of information compiled into the operations and regulatory compliance framework has not been formally assessed and evaluated for adherence to the NiSource Information Classification and Protection Policy (which establishes the Company's expectations and standards for the classification and protection of business documents and records). Additionally, a formal legal review process is not established, which could increase legal risk.</p> | |
|---|--|

We would like to thank all personnel involved with this assessment for their cooperation and support throughout our review. If Internal Audit can be of further assistance, please contact us.

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NiSource Inc.
Pipeline and Hazardous Materials
Safety Administration (PHMSA) –
Rupture Mitigation Rules Compliance



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NiSource Inc.
PHMSA Rupture Mitigation Rules Compliance

| Internal Audit Results Summary | | | | | | | | | |
|---|--|----------|-------------------------|------------------|----------------------------|-------------|------------------------------------|----------|--|
| Key Insights | Key Background Information | | | | | | | | |
| <ul style="list-style-type: none"> NiSource Inc. (NiSource or the Company) engaged a third-party to execute a PHMSA-required risk assessment process with the purpose of identifying higher-risk areas of the pipeline system for which rupture mitigation efforts should be prioritized; management should enhance documentation evidencing the population of assets included in the assessment activities, which will ensure adequate support of compliance with regulatory requirements and facilitate sustainability of the process The Company is currently formalizing a methodology and associated criteria to be applied to the results of the risk assessment to drive required action plan activities; management should clearly define and document actions required for different risk determinations and develop a process to ensure appropriate action occurs | <p> The Pipeline Safety: Requirement of Valve Installation and Minimum Rupture Detection Standards rule became effective on October 5, 2022 and applies to new or replacement pipelines installed on or after April 10, 2023 which meet defined criteria (i.e. six inch or greater diameter, onshore transmission, Type A gas gathering)</p> <p> One project meeting the criteria has been completed and one project meeting the criteria is the design phase</p> <p> Eight rupture mitigation valves (RMVs) installed and configured in the Supervisory Control and Data Acquisition (SCADA) application</p> | | | | | | | | |
| Audit Coverage, Count of Findings by Scope Area & Follow Up | Summary of Key Findings* | | | | | | | | |
| <p>We conducted a risk-based evaluation of the adequacy, effectiveness, and efficiency of controls. Activity evaluated for this audit occurred during the period between April 2023 and June 2024.</p> <table border="0"> <tr> <td>Design & Installation Processes (Incl. Commissioning Activities)</td> <td>1</td> </tr> <tr> <td>Risk Analysis Processes</td> <td>See Key Insights</td> </tr> <tr> <td>SCADA System Configuration</td> <td>No Findings</td> </tr> <tr> <td>Inspection & Monitoring Activities</td> <td>2</td> </tr> </table> <p> ■ Rating 1 ■ Rating 2 ■ Rating 3 </p> <p>Management agrees with the facts of the findings and has provided action plans that we believe are appropriate. We will track the progress of resolution and will conduct follow-up testing per our defined process. Lower-risk items were discussed with management during the audit.</p> | Design & Installation Processes (Incl. Commissioning Activities) | 1 | Risk Analysis Processes | See Key Insights | SCADA System Configuration | No Findings | Inspection & Monitoring Activities | 2 | <p>1) Point-to-Point (P2P) Verification Processes (Rating 2) – While required P2P verifications occurred when field equipment was commissioned for the eight installed rupture mitigation valves, P2P processes were inconsistent and some documentation was insufficient; also, the established secondary validation control was not always performed before assets were placed in service, and some safety-related points in SCADA were not assessed as part of the secondary review</p> <p>Additionally, the internal audit findings matrix includes two Rating 3 findings.</p> <p><i>* Key findings are defined as findings that are assigned a rating 1 or rating 2.</i></p> |
| Design & Installation Processes (Incl. Commissioning Activities) | 1 | | | | | | | | |
| Risk Analysis Processes | See Key Insights | | | | | | | | |
| SCADA System Configuration | No Findings | | | | | | | | |
| Inspection & Monitoring Activities | 2 | | | | | | | | |

Note: See the Internal Audit Findings Rating Scale in Appendix A and a complete write-up of the risk, observation, and management action plans in Appendix B



NiSource Inc.
PHMSA Rupture Mitigation Rules Compliance
Appendix A – Internal Audit Finding Rating Scale

“1” Significant Improvement is Needed and

Prompt Management Attention is Required

- More than remote probability for damage to the Company’s reputation or brand and the impact to the enterprise could be substantial and rapidly realized
- More than remote probability for a non-compliance with laws/regulations and the impact to the enterprise could be substantial and rapidly realized
- Crucial foundational controls related to high-impact processes are inadequate or ineffective and the impact to the enterprise could be substantial and rapidly realized
- Repeat audit findings and the impact could be significant within the scope of the area being audited

“2” Improvement is Needed and Management Attention is Necessary (target to reduce risk within 3 to 6 months)

- More than remote probability for damage to the Company’s reputation or brand and the impact could be substantial within the scope of the audit
- More than remote probability for a non-compliance with laws/regulations and the impact could be substantial within the scope of the audit
- Foundational controls are inadequate or ineffective and the impact could be substantial within the scope of the audit
- Controls are not adequate to prevent or detect fraud in a timely manner
- Transactional errors identified during audit testing are significant within the scope of the audit (based on value or number of erroneous transactions identified)
- Internal Policy is not adequate or is violated and the impact could be substantial within the scope of the audit

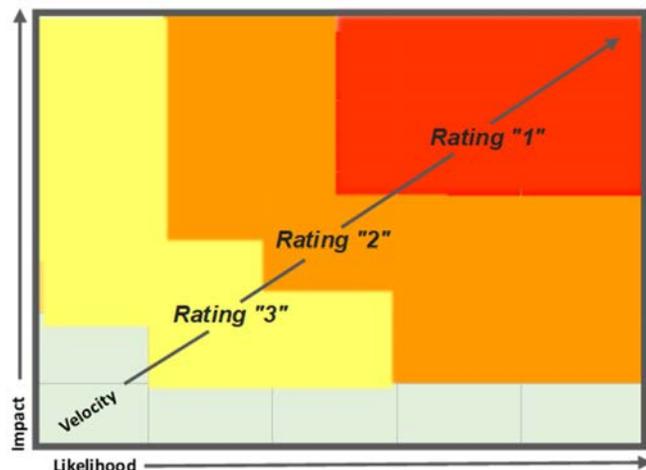
“3” Some Improvement is Needed and

Management Attention is Justified (target to reduce risk within 12 months)

- Internal Policy is not adequate or is violated, but impact is limited and the overall system of controls is not significantly compromised
- Controls are not adequate to prevent erroneous transactions and errors could be more than immaterial within the scope of the audit
- Notable lost opportunity or inefficiency within the scope of the audit

“4” Management Evaluation is Desirable

- Isolated exception with limited impact
- Lost opportunity or inefficiency, but impact is limited



NiSource Inc.
PHMSA Rupture Mitigation Rules Compliance
Appendix B – Internal Audit Findings Matrix

| 1) <u>Point-to-Point (P2P) Verification Processes</u> | | Rating: 2 |
|---|---|-----------|
| <p>Risk: Potential for increased risk that a safety-related point (SRP) is not adequately verified, impairing the ability to remotely operate and/or monitor pipeline assets.</p> | | |
| <p>Observation: Gas standards require that all SRPs in the Supervisory Control and Data Acquisition (SCADA) system be verified via a P2P when field equipment is modified at a site with SCADA.</p> <p>While P2P verifications were completed during the commissioning process for field equipment associated with the eight installed rupture mitigation valves (RMVs), controls should be improved to ensure that P2P activities are consistently executed and adequately evidenced; specifically:</p> <ul style="list-style-type: none"> • Remote closure test procedures for RMVs have not been formalized; the P2P event log for one RMV did not evidence a successful closure test, but information captured within SCADA from the secondary remote transmitter unit demonstrated that the valve closed during the P2P process, and management reperformed a P2P verification for this valve during the audit • A reconciliation step is not formalized to ensure that all SRPs in SCADA are assessed during the P2P process • A P2P is not applicable or not possible for some SCADA points classified as an SRP (e.g., “MAOP exceedance” and “RTU timestamp”), and processes and documentation are inconsistent for these types of points <p>Additionally, while the Gas Control Support team has established a secondary review to confirm the results of P2P verifications, this control should be improved, specifically:</p> <ul style="list-style-type: none"> • A target time limit within which the review should occur is not defined, and reviews for the RMV P2P activities occurred up to 62 days after the assets were placed in service • A step to validate that P2P results were received for all SRPs in SCADA (i.e., reconciliation of validated points to configured points) is not completed • The review process does not verify resolution of manually skipped and unverified points | <p>Management Action Plan: The Gas Control team will perform the following:</p> <ul style="list-style-type: none"> • Reevaluate which points in SCADA should be classified as an SRP; if there are SRPs for which a P2P is not applicable (e.g., “RTU timestamp”), determine an alternative verification process is justified • Formalize RMV remote closure testing procedures, including the established key metrics and documentation that sufficiently evidences successful valve closure • Evaluate SRPs in SCADA that were skipped or were unverified during 2024 P2P verification activities, investigate and remediate high-risk exceptions, and determine if expanded (i.e., beyond 2024 activities) analysis is warranted • Document procedures for secondary P2P review, including requirement to reconcile total configured points (for initial commissioning) to all reported passed/validated points to identify any missed/skipped points and define completion time limit targets, including addressing communication processes between Gas Control Operations and Gas Control Support • Define processes (and associated tracker utilized to perform the review) to ensure that manually skipped points are subsequently addressed (either through documented justification and/or P2P completion), and ensure that documentation expectations related to manually skipped SRPs are clearly defined and understood <p>Responsible: David Austin, director gas control & systems planning</p> <p>Resolution Date: March 2025</p> | |
| <p>Evaluation Criteria: Processes and controls are sufficient to ensure the pipeline controllers have accurate information about the pipeline system and can timely identify and isolate pipeline ruptures; specifically: 1) the remote control capabilities of the RMVs</p> | | |



NiSource Inc.
PHMSA Rupture Mitigation Rules Compliance
Appendix B – Internal Audit Findings Matrix

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| <p>are timely verified during commissioning; 2) the point-to-point verification process, including verification of all safety-related points, is completed timely and adequately evidenced; and 3) results of the point-to-point verification are reviewed for completeness and accuracy, and exceptions are timely remediated.</p> | |
| <p>2) <u>Back-up Generator Functionality Validation Processes</u> Rating: 3</p> | |
| <p>Risk: Potential that back-up power sources installed to support pipeline safety devices (e.g. RMVs) do not operate as expected, increasing the probability that pipeline safety devices cannot operate remotely during an interruption of service to the main power source.</p> | |
| <p>Observation: Power sources are critical to the remote functionality of RMVs. The PHMSA regulation requires back-up power sources for RMVs to maintain communication and remote closure capabilities in the event of a power outage. Periodically validating back-up generator functionality reduces the risk that back-up power sources will not operate as intended during an interruption of service to the main power source. Processes are not established to periodically test back-up generators. Three (of eight) back-up generators related to RMVs have never been tested and the testing frequencies of the other four generators is sporadic.</p> | <p>Management Action Plan: Management has established a weekly testing frequency target for all back-up generators associated with RMVs. Instrumentation and Control will establish formal procedures to drive consistent execution of SCADA configuration, which ensures that testing of back-up generators is appropriately scheduled (December 2024). Gas Control and Measurement and Regulation will partner to perform the following:</p> <ul style="list-style-type: none"> • Develop a plan to establish weekly exception reporting and remediation processes, including definition of roles and responsibilities to ensure back-up generators are appropriately configured to self-test and exceptions to testing are timely addressed (January 2025) • Execute a plan to establish weekly exception reporting and remediation processes, including definition of roles and responsibilities to ensure back-up generators are appropriately configured to self-test and exceptions to testing are timely addressed (June 2025) <p>Responsible: Coleman Risch, director system operations David Austin, director gas control & systems planning Eric Belle, vice president engineering & standards</p> <p>Resolution Date: See target remediation dates above.</p> |
| <p>Evaluation Criteria: Processes and controls are sufficient to ensure that pipeline safety devices and sensors can operate remotely during an interruption of service to the main power source; specifically: 1) a back-up power source has been installed where required by regulation; 2) the back-up power source is periodically tested to verify functionality, and identified issues are remediated timely; and 3) evidence of the periodic testing is retained.</p> | |
| <p>3) <u>RMV Compliance Activities & Records Management</u> Rating: 3</p> | |
| <p>Risk: Potential for delayed or missed inspection and maintenance activities for in-service RMVs; also, potential that completed inspection activities do not align with requirements.</p> | |



NiSource Inc.
PHMSA Rupture Mitigation Rules Compliance
Appendix B – Internal Audit Findings Matrix

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| <p><u>Observation:</u> Processes are not established to ensure that required inspection and maintenance activities are effectively and timely executed for in-service RMVs. Some inspection requirements for RMV's are different than critical values, but RMVs are not uniquely identifiable from other critical valves within the geographic information system and the applicable work management systems. Additionally, work management processes are not established to ensure assigned inspection activities align with RMV requirements and that deployed resources are qualified to perform all components of the RMV inspection process.</p> | <p><u>Management Action Plan:</u> The System Operations team will partner with other support functions (including Gas Standards, Gas Control, Design Engineering, Training and the Transmission Integrity Management Program teams) to ensure RMVs can be tracked and monitored for compliance with inspection and maintenance requirements. With consideration given to how the work management system transformation will impact processes going forward, the System Operations teams will take the following actions:</p> <ul style="list-style-type: none"> • Establish and implement a process for how RMVs will be identified and/or tracked • Establish and implement a process to ensure inspection and maintenance activities can be assigned and completed in accordance with regulatory requirements <p><u>Responsible:</u> Coleman Risch, director system operations</p> <p><u>Resolution Date:</u> March 2025</p> |
| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure RMVs comply with regulatory requirements for inspection and maintenance; specifically: 1) in-service RMVs are timely recorded within systems of record and can be uniquely identified to facilitate tracking and monitoring; 2) the inspection cycle is tracked from the date of installation; 3) inspection and maintenance work orders are appropriately linked to the RMV assets and are established with the appropriate task directions and frequency; 4) the date and results of inspections are documented and maintained to support compliance; and 5) inspection and maintenance activities are monitored for compliance with the regulation.</p> | |



NiSource Inc.
**Technology Security Baselines &
Configuration Management**

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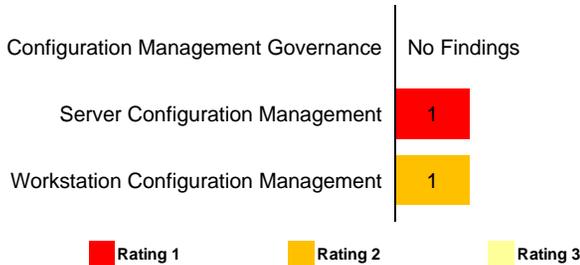
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NiSource Inc.
Technology Security Baselines & Configuration Management

| Internal Audit Results Summary | |
|--|---|
| Key Insights | Key Background Information |
| <ul style="list-style-type: none"> Internal Audit performed an advisory review of security baselines and configuration management activities in 2021 and reported control gaps in January 2022; current configuration management processes remain insufficient to ensure security risks are adequately managed Windows workstations running the Windows 10 operating system are not included in the security baseline process managed by the Cybersecurity team; management should evaluate the opportunity to incorporate workstations into this process for the upcoming rollout of Windows 11 |  500 Center of Internet Security (CIS) configuration benchmarks  ~1625 servers  ~9500 Windows 10 workstations |
| Audit Coverage, Count of Findings by Scope Area & Follow Up | Summary of Key Findings* |
| <p>We engaged PwC US Consulting LLP (PwC) to conduct a risk-based evaluation of the adequacy, effectiveness, and efficiency of controls. Audit testing occurred between June 2024 and August 2024.</p>  <p>Management agrees with the facts of the findings and has provided action plans that we believe are appropriate. We will track the progress of resolution and will conduct follow-up testing per our defined process. Lower-risk observations and recommendations were discussed with management during the audit.</p> | <ol style="list-style-type: none"> 1) Server Baseline Configuration Enforcement & Monitoring (Rating 1) – Server configuration management controls are insufficient to prevent unmitigated server security vulnerabilities and ensure optimized server performance, resulting in hundreds of configuration gaps across the environment with some internet-facing servers having gaps classified by Qualys as urgent 2) Workstation Configuration Design & Monitoring (Rating 2) – A formal configuration design documentation and/or a ‘golden image’ was not retained to evidence the configurations utilized during the Windows 10 deployment aligned with CIS benchmarks; additionally, current group policy objects (GPOs) have not been formally evaluated, resulting in hundreds of workstation configuration gaps with some instances classified by Qualys as urgent <p>* Key findings are defined as findings that are assigned a rating 1 or rating 2.</p> |

Note: See the Internal Audit Findings Rating Scale in Appendix A and a complete write-up of the risk, observation, and management action plans in Appendix B



NiSource Inc.
Technology Security Baselines & Configuration Management
Appendix A – Internal Audit Finding Rating Scale

“1” Significant Improvement is Needed and

Prompt Management Attention is Required

- More than remote probability for damage to the Company’s reputation or brand and the impact to the enterprise could be substantial and rapidly realized
- More than remote probability for a non-compliance with laws/regulations and the impact to the enterprise could be substantial and rapidly realized
- Crucial foundational controls related to high-impact processes are inadequate or ineffective and the impact to the enterprise could be substantial and rapidly realized
- Repeat audit findings and the impact could be significant within the scope of the area being audited

“2” Improvement is Needed and Management Attention is Necessary (target to reduce risk within 3 to 6 months)

- More than remote probability for damage to the Company’s reputation or brand and the impact could be substantial within the scope of the audit
- More than remote probability for a non-compliance with laws/regulations and the impact could be substantial within the scope of the audit
- Foundational controls are inadequate or ineffective and the impact could be substantial within the scope of the audit
- Controls are not adequate to prevent or detect fraud in a timely manner
- Transactional errors identified during audit testing are significant within the scope of the audit (based on value or number of erroneous transactions identified)
- Internal Policy is not adequate or is violated and the impact could be substantial within the scope of the audit

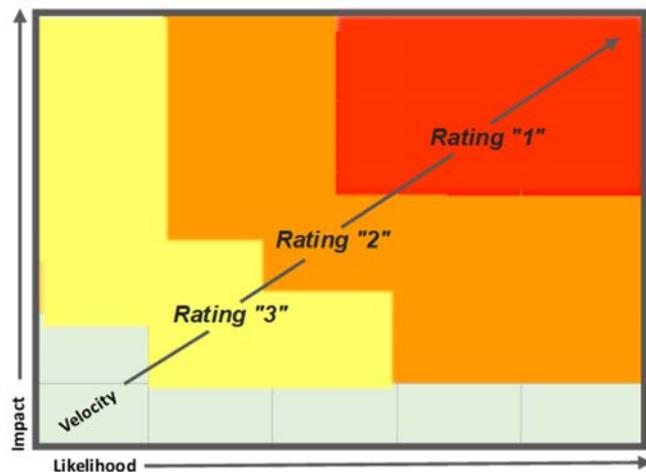
“3” Some Improvement is Needed and

Management Attention is Justified (target to reduce risk within 12 months)

- Internal Policy is not adequate or is violated, but impact is limited and the overall system of controls is not significantly compromised
- Controls are not adequate to prevent erroneous transactions and errors could be more than immaterial within the scope of the audit
- Notable lost opportunity or inefficiency within the scope of the audit

“4” Management Evaluation is Desirable

- Isolated exception with limited impact
- Lost opportunity or inefficiency, but impact is limited



NiSource Inc.
Technology Security Baselines & Configuration Management
Appendix B – Internal Audit Findings Matrix

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| 1) <u>Server Baseline Configuration Enforcement & Monitoring</u> | | Rating: 1 |
| Risk: Potential that servers are susceptible to vulnerabilities due to management not effectively controlling configuration settings resulting in attackers gaining unauthorized access or causing disruption to operations. | | |
| Observation: The NiSource Inc. (NiSource or the Company) Cybersecurity team establishes server configuration baselines and performs Qualys configuration compliance scans on newly provisioned servers. The results of these scans are provided to the Information Technology (IT) Infrastructure team to action. Controls are insufficient to prevent unmitigated server security vulnerabilities and ensure optimized server performance, specifically: <ul style="list-style-type: none"> • Server configuration baseline compliance requirements are not clearly defined and understood (including thresholds for acceptable variation from the baseline) • The established Tata Consultancy Services (TCS) server build documentation does not include a requirement to validate that server configurations comply with the baselines established by Cybersecurity prior to deploying servers into production • A process is not formalized to evaluate and approve exceptions from baseline configuration requirements, including documentation of mitigating controls and/or risk acceptance • Production servers are not monitored for configuration drift to ensure that configuration baselines are maintained, which may result in weak settings within the production environment being undetected and unremediated <p>PwC US Consulting LLP (PwC) evaluated the configurations on 70% of server assets against technical specification benchmarks and identified 324 server configuration gaps; including 11 internet-facing servers with four “urgent” gaps (e.g., operating system/database updates, root/administrator account access/credentials) as classified by Qualys.</p> | | Management Action Plan: The IT Infrastructure team has partnered with the Cybersecurity team to evaluate and remediate the ‘urgent’ internet-facing server configuration gaps (reported complete September 2024). The IT Infrastructure team will continue to partner with the Cybersecurity team to develop and execute a plan to address the following (the plan will be developed by January 2025; dates associated with specific action steps to be identified in the plan are to be determined): <ul style="list-style-type: none"> • Evaluate the non-internet facing server configuration gaps and identify actions to manage risk within appropriate levels (change configuration settings, and/or document mitigating controls and/or risk acceptance) • Update server provisioning procedures to define and enforce configuration compliance requirements prior to server deployment (including thresholds for acceptable variation from the baseline) • Establish and implement a formal process to ensure compliance with security-related baseline configurations on servers in production • Formalize and implement mitigating controls for instances where configurations cannot be set or remediated • Utilize the risk acceptance/exception process within Archer to formalize the risk acceptance process for high-risk assets • Formalize and implement (at minimum) quarterly configuration drift monitoring for server assets; for high-risk or internet-facing assets, a more frequent review should be considered <p>Responsible: Theresa Collins, director IT infrastructure Jeremy Plante, senior director cybersecurity Ishreth Sameem, director IT infrastructure</p> <p>Resolution Date: Refer to target remediation dates above.</p> |

NiSource Inc.
Technology Security Baselines & Configuration Management
Appendix B – Internal Audit Findings Matrix

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| <p><u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure configuration management activities enforce configuration requirements prior to a servers deployment and effectively detect and remediate configuration drift in a timely manner; specifically: 1) policies and procedures are established to govern configuration management activities (including establishment of configuration baselines compliance thresholds); 2) prior to the deployment of a server into production, a compliance review is performed and results are provided to appropriate individuals; 3) compliance review results are evaluated by appropriate individuals and either configurations are adjusted to the recommended setting or mitigating controls are identified to justify not making the adjustment and evidence of this evaluation is maintained; 4) monitoring is established over configurations for servers in production to identify and remediate instances of configuration drift; and 5) configuration gaps identified are addressed in the order of criticality.</p> | |
| <p>2) <u>Workstation Configuration Design & Monitoring</u></p> | |
| <p>Rating: 2</p> | |
| <p><u>Risk:</u> Potential that deployment of vulnerable workstation systems within the enterprise could be exploited by attackers, resulting in business disruption or negative reputational implications.</p> | |
| <p><u>Observation:</u> The NiSource IT Workstation team utilized group policy objects (GPOs) to manage and configure operating systems and user settings during workstation deployment when Windows 10 was deployed in 2019. However, a formal configuration design document and/or a 'golden image' was not retained to evidence that the configurations utilized during this deployment aligned with Center of Internet Security (CIS) benchmarks. Additionally, current GPOs have not been formally evaluated relative to CIS benchmarks and GPO changes are not managed via a formal change management process, which impairs the ability to identify misconfigurations that could compromise system security. Also, workstation assets are not monitored for configuration drift.</p> <p>PwC evaluated configurations on 95% of workstation assets against approximately 500 CIS benchmarks and identified approximately 285 configuration gaps, including 21 instances classified as "urgent".</p> | <p><u>Management Action Plan:</u> The Cybersecurity team will create technical specifications for Windows 10 and 11 workstations and coordinate and review with the appropriate information technology teams (February 2025).</p> <p>The IT Workstation team will partner with the Cybersecurity team to develop and execute a plan to perform the following (the plan will be developed by November 2024; dates associated with specific action steps to be identified in the plan are to be determined):</p> <ul style="list-style-type: none"> • Establish and regularly update a formal technical baseline configuration design document that would define the configuration baselines that the team will adhere to during workstation operating system deployments and changes (including the Windows 11 deployment) • Create and maintain a technical baseline configuration design document for Windows 10 (including the assessment of the number of Windows 10 workstations that will be retained upon the rollout of Windows 11) • Formalize and implement configuration drift monitoring for workstations • Establish a review process related to new operating system deployment GPOs technical baseline configuration design document (to be performed at least quarterly) <p><u>Responsible:</u> Theresa Collins, director IT infrastructure Jeremy Plante, senior director cybersecurity</p> |



NiSource Inc.
Technology Security Baselines & Configuration Management
Appendix B – Internal Audit Findings Matrix

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| | <u>Resolution Date:</u> Refer to target remediation dates above. |
| <u>Evaluation Criteria:</u> Processes and controls are sufficient to ensure that workstation configurations are documented, regularly reviewed, updated, and any misconfigurations are promptly identified and resolved; specifically: 1) policies and procedures are established to govern configuration management activities (including establishment of configuration baselines compliance thresholds); 2) prior to the deployment of new operating systems into production, a compliance review is performed and results are provided to appropriate individuals; 3) compliance review results are evaluated by appropriate individuals and either configurations are adjusted to the recommended setting or mitigating controls are identified to justify not making the adjustment and evidence of this evaluation is maintained; 4) monitoring is established over configurations for servers in production to identify and remediate instances of configuration drift; and 5) configuration gaps identified are addressed in order of criticality. | |

COLUMBIA GAS OF PENNSYLVANIA, INC
53.53 III. BALANCE SHEET AND OPERATING STATEMENT
A. ALL UTILITIES

19. List extraordinary property losses as a separate item, not included in operating expenses or depreciation and amortization. Sufficient supporting data must be provided.

Response: Columbia Gas of Pennsylvania, Inc. has no extraordinary property losses.

COLUMBIA GAS OF PENNSYLVANIA, INC
53.53 III. BALANCE SHEET AND OPERATING STATEMENT
E. GAS UTILITIES

27. Submit a schedule for gas producing units retired or scheduled for retirements subsequent to the test year showing station, units, Mcf capacity, hours of operation during test year, net output produced and cents/Mcf of maintenance and fuel expenses.

Response:

None.