

Segment and Financial Information
First Quarter 2018

Supplement to NiSource First Quarter 2018
Earnings Presentation









NiSource®

First Quarter 2018 Operating Earnings - Segment Results (non-GAAP)

NiSource's consolidated operating earnings (non-GAAP) for the first quarter of 2018 were $401.7 million, compared to $445.9 million in the comparable 2017 period. Refer to the attached schedules for the items included in 2018 and 2017 GAAP operating income but excluded from operating earnings (non-GAAP).

Operating earnings (non-GAAP) for NiSource's business segments for the three months ended March 31, 2018, are discussed below.

Gas Distribution Operations

For the first quarter of 2018, Gas Distribution Operations reported operating earnings of $320.2 million, compared to operating earnings of $361.9 million in the comparable 2017 period.

Net revenues for the first quarter of 2018 were $737.3 million, a decrease of $29.4 million from the comparable 2017 period. The change in net revenues was primarily driven by:

- A regulatory revenue reserve in 2018 resulting from the probable future refund of certain collections from customers as a result of the lower income tax rate from the TCJA of $47.6 million.

Partially offset by:

- New rates from infrastructure replacement programs of $12.5 million.
- The effects of increased customer growth and usage of $6.5 million.

Operating expenses for the first quarter of 2018 were $417.1 million, an increase of $12.3 million from the comparable 2017 period. The change in operating expenses was primarily driven by:

- Higher employee and administrative expenses of $7.7 million.
- Higher depreciation of $5.1 million due to increased capital expenditures placed in service.

Electric Operations

For the first quarter of 2018, Electric Operations reported operating earnings of $86.0 million, compared to operating earnings of $85.0 million in the comparable 2017 period.

Net revenues for the first quarter of 2018 were $293.7 million, a decrease of $17.9 million from the comparable 2017 period. The change in net revenues was primarily driven by:

- Lower regulatory and depreciation trackers, which are offset in operating expense, of $13.3 million.
- A regulatory revenue reserve in 2018 resulting from the probable future refund of certain collections from customers as a result of the lower income tax rate from the TCJA of $12.5 million.

Partially offset by:

- Increased rates from incremental capital spend on electric transmission projects and infrastructure replacement programs of $7.7 million.

Operating expenses for the first quarter of 2018 were $207.7 million, a decrease of $18.9 million from the comparable 2017 period. The change in operating expenses was primarily driven by:

- Lower depreciation and regulatory trackers, which are offset in net revenues, of $13.3 million.
- Decreased materials and supplies cost of $4.9 million and lower outside service costs of $4.3 million primarily related to decreased maintenance activities.

Corporate and Other Operations

For the first quarter of 2018, Corporate and Other Operations reported an operating loss of $4.5 million compared to an operating loss of $1.0 million in the comparable 2017 period. This change resulted primarily from unrealized losses on the cash surrender value of corporate owned life insurance investments of $2.7 million.

Other Income (Deductions)

Other income (deductions) reduced income by $83.0 million for the first quarter of 2018 compared to a reduction in income of $82.9 million in the comparable 2017 period.

The effective tax rate of net operating earnings was 18.5 percent compared to 36.5 percent for the same period last year, primarily due to the change in tax rates in 2018 as a result of the TCJA and the associated amortization of excess deferred tax regulatory liabilities.

NiSource Inc.

Consolidated Net Operating Earnings (Non-GAAP) *(unaudited)*

(in millions, except per share amounts)	Three Months Ended March 31, **2018**	2017
Net Revenues		
Operating Revenues	**$ 1,752.2**	$ 1,627.6
Cost of Sales (excluding depreciation and amortization)	**724.4**	552.3
Total Net Revenues (Non-GAAP)	**1,027.8**	1,075.3
Operating Expenses		
Operation and maintenance	**338.0**	335.9
Operation and maintenance - trackers	**64.5**	74.2
Depreciation and amortization	**139.6**	128.3
Depreciation and amortization - trackers	**5.1**	15.0
Other taxes	**52.8**	52.5
Other taxes - trackers	**26.1**	23.5
Total Operating Expenses	**626.1**	629.4
Operating Earnings	**401.7**	**445.9**
Other Income (Deductions)		
Interest expense, net	**(93.1)**	(85.2)
Other, net	**9.1**	3.5
Other, net - trackers	**1.0**	(1.2)
Total Other Deductions, Net	**(83.0)**	(82.9)
Operating Earnings Before Income Taxes	**318.7**	363.0
Income Taxes	**59.0**	132.4
Net Operating Earnings	**259.7**	230.6
Basic Net Operating Earnings Per Share	**$ 0.77**	$ 0.71
Basic Average Common Shares Outstanding	**338.0**	323.7

NiSource Inc.
Segment Operating Earnings (Non-GAAP) *(unaudited)*

Gas Distribution Operations	Three Months Ended March 31,	
(in millions)	**2018**	2017
Net Revenues		
Operating revenues	**$ 1,329.1**	$ 1,202.9
Cost of Sales (excluding depreciation and amortization)	**591.8**	436.2
Net Revenues (Non-GAAP)	**737.3**	766.7
Operating Expenses		
Operation and maintenance	**233.1**	223.8
Operation and maintenance - trackers	**54.1**	60.7
Depreciation and amortization	**69.7**	64.6
Depreciation and amortization - trackers	**1.0**	0.7
Other taxes	**33.1**	31.5
Other taxes - trackers	**26.1**	23.5
Total Operating Expenses	**417.1**	404.8
Operating Earnings (Non-GAAP)	**$ 320.2**	$ 361.9

Electric Operations	Three Months Ended March 31,	
(in millions)	**2018**	2017
Net Revenues		
Operating Revenues	**$ 426.4**	$ 427.8
Cost of Sales (excluding depreciation and amortization)	**132.7**	116.2
Net Revenues (Non-GAAP)	**293.7**	311.6
Operating Expenses		
Operation and maintenance	**115.8**	123.8
Operation and maintenance - trackers	**10.4**	13.5
Depreciation and amortization	**61.4**	57.7
Depreciation and amortization - trackers	**4.1**	14.3
Other taxes	**16.0**	17.3
Total Operating Expenses	**207.7**	226.6
Operating Earnings (Non-GAAP)	**$ 86.0**	$ 85.0

Corporate and Other Operations	Three Months Ended March 31,	
(in millions)	**2018**	2017
Operating Loss (Non-GAAP)	**$ (4.5)**	$ (1.0)

NiSource Inc.
Segment Volumes and Statistical Data *(unaudited)*

Gas Distribution Operations	Three Months Ended March 31, 2018	2017
Sales and Transportation (MMDth)		
Residential	**135.1**	113.5
Commercial	**82.2**	69.4
Industrial	**145.5**	132.8
Off System	**7.6**	10.8
Other	**0.1**	(0.1)
Total	**370.5**	326.4
Weather Adjustment	**(0.8)**	32.7
Sales and Transportation Volumes - Excluding Weather	**369.7**	359.1
Customers		
Residential	**3,179,647**	3,152,352
Commercial	**281,503**	280,480
Industrial	**6,244**	6,225
Other	**5**	—
Total	**3,467,399**	3,439,057
Heating Degree Days	**2,823**	2,379
Normal Heating Degree Days	**2,892**	2,892
% Warmer than Normal	**(2)%**	(18)%

Electric Operations	Three Months Ended March 31, 2018	2017
Sales (Gigawatt Hours)		
Residential	**788.4**	752.6
Commercial	**905.7**	895.0
Industrial	**2,333.8**	2,363.3
Wholesale	**50.8**	20.2
Other	**33.2**	33.4
Total	**4,111.9**	4,064.5
Weather Adjustment	**39.5**	74.5
Sales Volumes - Excluding Weather	**4,151.4**	4,139.0
Customers		
Residential	**409,962**	407,321
Commercial	**56,175**	55,692
Industrial	**2,300**	2,315
Wholesale	**739**	750
Other	**2**	2
Total	**469,178**	466,080

NiSource Inc.

Schedule 1 - Reconciliation of Consolidated Net Income to Net Operating Earnings (Non-GAAP)

(unaudited)

(in millions, except per share amounts)	Three Months Ended March 31, **2018**	2017
GAAP Net Income	**$ 276.1**	$ 211.3
Adjustments to Operating Income:		
Operating Revenues:		
Weather - compared to normal	**1.4**	29.0
Operating Expenses:		
Plant retirement costs[1]	**—**	1.5
Gain on sale of assets	**(0.3)**	—
Total adjustments to operating income	**1.1**	30.5
Other Income (Deductions):		
Interest rate swap settlement gain	**(21.2)**	—
Income Taxes:		
Tax effect of above items	**3.7**	(11.2)
Total adjustments to net income	**(16.4)**	19.3
Net Operating Earnings (Non-GAAP)	**$ 259.7**	$ 230.6
Basic Average Common Shares Outstanding	**338.0**	323.7
GAAP Basic Earnings Per Share	**$ 0.82**	$ 0.65
Adjustments to basic earnings per share	**(0.05)**	0.06
Non-GAAP Basic Net Operating Earnings Per Share	$ 0.77	$ 0.71

[1] Represents costs incurred associated with the planned retirement of Units 7 and 8 at Bailly Generating Station.

NiSource Inc.

Schedule 2 - Reconciliation by Segment of Operating Income (Loss) to Operating Earnings (Loss) (Non-GAAP) *(unaudited)*

Three Months Ended March 31, 2018 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Income (Loss) (GAAP)	**$ 321.7**	**$ 83.1**	**$ (4.2)**	**$ 400.6**
Adjustments to Operating Income:				
Operating Revenues:				
Weather - compared to normal	(1.5)	2.9	—	**1.4**
Operating Expenses:				
Gain on sale of assets	—	—	(0.3)	**(0.3)**
Total Adjustments to Operating Income	**(1.5)**	**2.9**	**(0.3)**	**1.1**
Operating Earnings (Loss) (Non-GAAP)	**$ 320.2**	**$ 86.0**	**$ (4.5)**	**$ 401.7**

Three Months Ended March 31, 2017 *(in millions)*	Gas Distribution	Electric	Corporate & Other	Total
Operating Income (Loss) (GAAP)	**$ 338.8**	**$ 77.6**	**$ (1.0)**	**$ 415.4**
Adjustments to Operating Income:				
Operating Revenues:				
Weather - compared to normal	23.1	5.9	—	**29.0**
Operating Expenses:				
Plant retirement costs[(1)]	—	1.5	—	**1.5**
Total Adjustments to Operating Income	**23.1**	**7.4**	**—**	**30.5**
Operating Earnings (Loss) (Non-GAAP)	**$ 361.9**	**$ 85.0**	**$ (1.0)**	**$ 445.9**

[(1)] Represents costs incurred associated with the planned retirement of Units 7 and 8 at Bailly Generating Station.

NiSource Inc.
Consolidated Income Statements (GAAP)

(in millions, except per share amounts)	Three Months Ended March 31, **2018**	2017
Operating Revenues		
Customer revenues	**$ 1,717.2**	$ 1,542.5
Other revenues	**33.6**	56.1
Total Operating Revenues	**1,750.8**	1,598.6
Operating Expenses		
Cost of sales (excluding depreciation and amortization)	**724.4**	552.3
Operation and maintenance	**402.5**	411.6
Depreciation and amortization	**144.7**	143.3
Gain on sale of assets	**(0.3)**	—
Other taxes	**78.9**	76.0
Total Operating Expenses	**1,350.2**	1,183.2
Operating Income	**400.6**	415.4
Other Income (Deductions)		
Interest expense, net	**(93.1)**	(85.2)
Other, net	**31.3**	2.3
Total Other Deductions	**(61.8)**	(82.9)
Income before Income Taxes	**338.8**	332.5
Income Taxes	**62.7**	121.2
Net Income	**276.1**	211.3
Earnings Per Share		
Basic earnings per share	**$ 0.82**	$ 0.65
Diluted earnings per share	**$ 0.81**	$ 0.65
Dividends Declared Per Common Share	**$ 0.39**	$ 0.35
Basic Average Common Shares Outstanding	**338.0**	323.7
Diluted Average Common Shares	**339.0**	325.3

NiSource Inc.
Consolidated Balance Sheets (GAAP)

(in millions)	**March 31, 2018**	December 31, 2017
ASSETS		
Property, Plant and Equipment		
Utility plant	**$ 21,374.0**	$ 21,026.6
Accumulated depreciation and amortization	**(7,048.1)**	(6,953.6)
Net utility plant	**14,325.9**	14,073.0
Other property, at cost, less accumulated depreciation	**130.7**	286.5
Net Property, Plant and Equipment	**14,456.6**	14,359.5
Investments and Other Assets		
Unconsolidated affiliates	**5.0**	5.5
Other investments	**201.3**	204.1
Total Investments and Other Assets	**206.3**	209.6
Current Assets		
Cash and cash equivalents	**35.0**	29.0
Restricted cash	**9.7**	9.4
Accounts receivable (less reserve of $28.0 and $18.3, respectively)	**973.8**	898.9
Gas inventory	**71.9**	285.1
Materials and supplies, at average cost	**104.3**	105.9
Electric production fuel, at average cost	**69.1**	80.1
Exchange gas receivable	**53.6**	45.8
Regulatory assets	**160.9**	176.3
Prepayments and other	**155.5**	132.8
Total Current Assets	**1,633.8**	1,763.3
Other Assets		
Regulatory assets	**1,784.2**	1,624.9
Goodwill	**1,690.7**	1,690.7
Intangible assets	**228.9**	231.7
Deferred charges and other	**98.0**	82.0
Total Other Assets	**3,801.8**	3,629.3
Total Assets	**$ 20,098.5**	$ 19,961.7

NiSource Inc.
Consolidated Balance Sheets (GAAP) (continued)

(in millions, except share amounts)	**March 31, 2018**	December 31, 2017
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - $0.01 par value, 400,000,000 shares authorized; 337,598,033 and 337,015,806 shares outstanding, respectively	**$ 3.4**	$ 3.4
Treasury stock	**(99.5)**	(95.9)
Additional paid-in capital	**5,540.5**	5,529.1
Retained deficit	**(919.2)**	(1,073.1)
Accumulated other comprehensive loss	**(19.0)**	(43.4)
Total Common Stockholders' Equity	**4,506.2**	4,320.1
Long-term debt, excluding amounts due within one year	**7,286.8**	7,512.2
Total Capitalization	**11,793.0**	11,832.3
Current Liabilities		
Current portion of long-term debt	**262.7**	284.3
Short-term borrowings	**1,567.3**	1,205.7
Accounts payable	**497.3**	625.6
Dividends payable	**65.8**	—
Customer deposits and credits	**154.7**	262.6
Taxes accrued	**212.8**	208.1
Interest accrued	**93.9**	112.3
Risk management liabilities	**4.6**	43.2
Exchange gas payable	**11.5**	59.6
Regulatory liabilities	**97.3**	58.7
Legal and environmental	**33.6**	32.1
Accrued compensation and employee benefits	**115.2**	195.4
Other accruals	**109.5**	90.8
Total Current Liabilities	**3,226.2**	3,178.4
Other Liabilities		
Risk management liabilities	**32.8**	28.5
Deferred income taxes	**1,384.8**	1,292.9
Deferred investment tax credits	**12.1**	12.4
Accrued insurance liabilities	**83.9**	80.1
Accrued liability for postretirement and postemployment benefits	**323.4**	337.1
Regulatory liabilities	**2,780.7**	2,736.9
Asset retirement obligations	**269.9**	268.7
Other noncurrent liabilities	**191.7**	194.4
Total Other Liabilities	**5,079.3**	4,951.0
Commitments and Contingencies	**—**	—
Total Capitalization and Liabilities	**$ 20,098.5**	$ 19,961.7

NiSource Inc.
Statements of Consolidated Cash Flows (GAAP)

Three Months Ended March 31, *(in millions)*	**2018**	2017
Operating Activities		
Net Income	**$ 276.1**	$ 211.3
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:		
Depreciation and amortization	**144.7**	143.3
Deferred income taxes and investment tax credits	**56.8**	109.4
Other adjustments	**(15.6)**	11.0
Changes in Assets and Liabilities:		
Components of working capital	**(178.4)**	(117.5)
Regulatory assets/liabilities	**117.1**	69.3
Deferred charges and other noncurrent assets	**1.9**	(1.2)
Other noncurrent liabilities	**(14.4)**	(14.5)
Net Cash Flows from Operating Activities	**388.2**	411.1
Investing Activities		
Capital expenditures	**(370.0)**	(312.0)
Cost of removal	**(19.0)**	(31.4)
Other investing activities	**(9.9)**	0.4
Net Cash Flows used for Investing Activities	**(398.9)**	(343.0)
Financing Activities		
Repayments of long-term debt and capital lease obligations	**(279.0)**	(36.6)
Change in short-term borrowings, net	**361.6**	26.2
Issuance of common stock	**3.7**	6.4
Acquisition of treasury stock	**(3.6)**	(4.4)
Dividends paid - common stock	**(65.7)**	(56.5)
Net Cash Flows from Financing Activities	**17.0**	(64.9)
Change in cash, cash equivalents and restricted cash	**6.3**	3.2
Cash, cash equivalents and restricted cash at beginning of period	**38.4**	36.0
Cash, Cash Equivalents and Restricted Cash at End of Period	**$ 44.7**	$ 39.2