

COVID-19 Supplemental Investor Update

May 26, 2020



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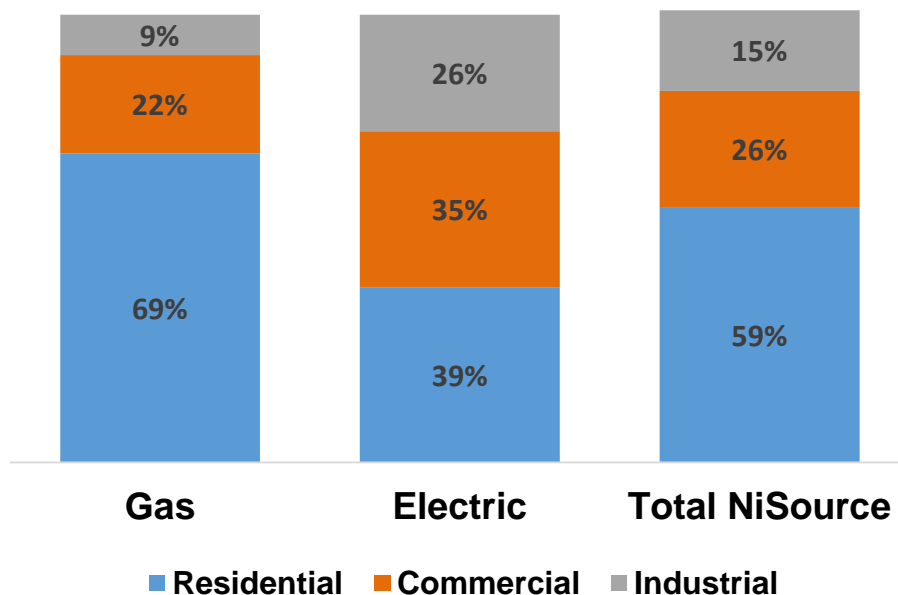
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Primary Focus on Customer and Employee Safety and Health

- **Following CDC and local guidelines intended to ensure the health and safety of our employees and customers**
- **Activated Incident Command Structure to coordinate strategy, execution and communication across all seven states**
- **For Customers**
 - Suspended shut-offs for non-payment and are offering flexible payment plans
 - Directed field employees to follow CDC and local health department guidance including social distancing at any customer premises and minimized all non-essential field work that requires entry to customer homes and locations
 - On-going and frequent communications
- **For Communities**
 - NiSource foundation donation of \$1M to American Red Cross
 - Nearly \$500K donated by the foundation to support operating company initiatives at the local level
- **For Employees**
 - Approximately 75% are working remotely or reporting directly to job sites
 - Sequestering employees in critical operations
 - Employees who need to enter company facilities are required to submit to temperature checks, adhere to social distancing measures and wear face masks
 - More frequent cleaning and sanitizing of equipment and buildings
 - Generally limiting company vehicle occupancy to one person

Rate Design and Recovery Mechanisms/Trackers Help Mitigate Impacts

% Retail Margins by Customer Class



Expected Customer Demand (During State Shutdowns)

- Lower commercial and industrial sales
- Increased residential sales

Rate Design

- Gas Segment
 - Residential ~75% Fixed
 - Commercial ~45% Fixed
- Electric Segment
 - Residential ~20% Fixed
 - Commercial ~25% Fixed
 - Small Industrial ~55% Fixed (demand charge ratcheting)
 - Large Industrial ~50% Fixed (5 year fixed demand charge)

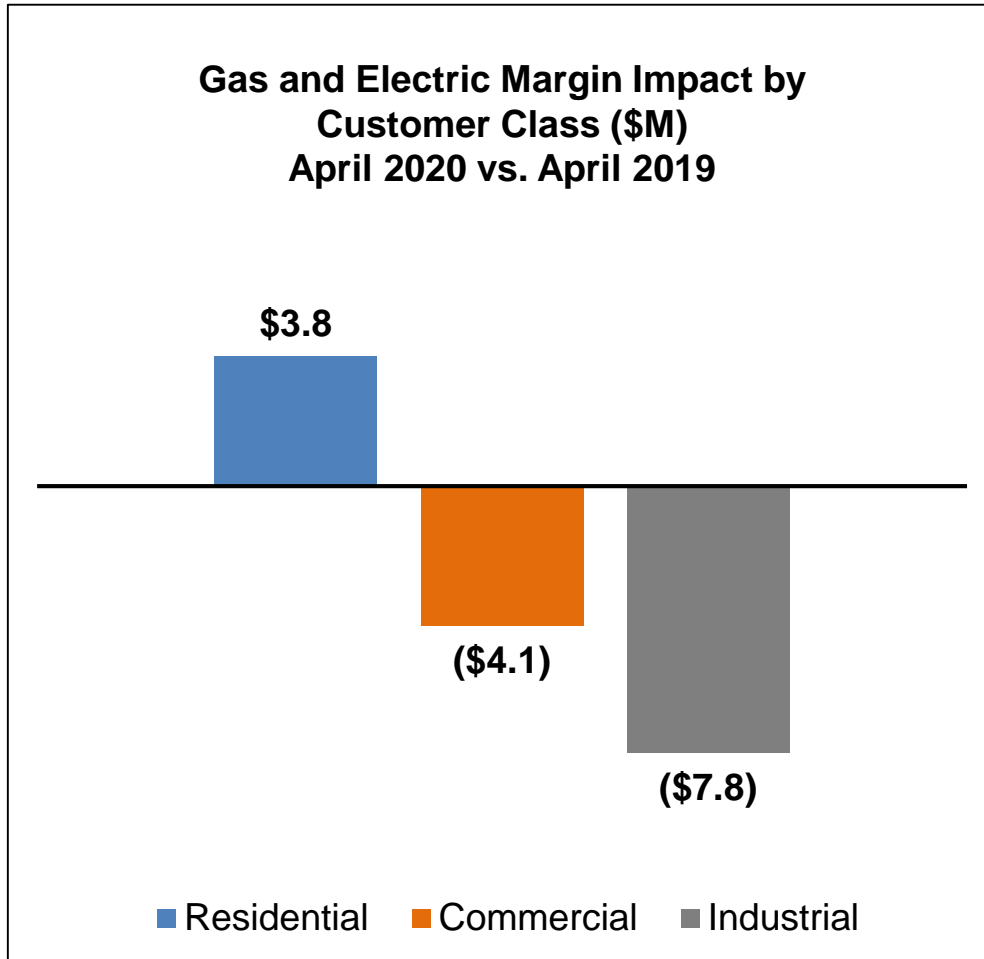
Initial pre-tax operating earnings sensitivity to +/- 1% change in annual sales volumes* (\$M)		
Customer Class	Electric	Gas
Residential	\$ 3.9	\$ 3.8
Commercial	\$ 3.9	\$ 2.4
Industrial	\$ 2.3	\$ 1.2

Bad Debt

- Expect higher expense
- Bad debt primarily recovered in base rates; additional mechanisms exist in several states on gas/fuel recovery
- Recent orders in MD, VA and PA allow for deferral of COVID-related expenses and bad debt. Request on file with IN IURC for deferral of expenses and creation of bad debt tracker

* Sensitivity may not be linear for large or prolonged volume changes

COVID-19 Weather Normalized April Volume Impacts



- As an off peak month...April sales volumes are less than 8% of total annual volumes for both gas and electric
- April 2020 sales volume declines vs. prior year (month/annualized):
 - (4%) / (0.3%) Gas Distribution
 - (26%) / (2.3%) Electric Operations
- April volumetric declines were concentrated in the Commercial and Industrial segments, partially offset by increased Residential volumes
- April total margin loss of (\$8.1M) reflects the mitigating effects of “decoupled” rate designs across the NiSource utilities
- Trends indicate mid-to-late May volumes beginning to recover from April lows

Demand Trends Show Upward Trajectory Starting in May as States Begin to Reopen

Actions Underway to Mitigate 2020/2021 Headwinds from COVID-19

COVID-19 Impact Base Case Assumptions

Estimated COVID Related NOEPS* Impacts	
<u>2020</u>	<u>2021</u>
(\$0.15 - \$0.20)	(\$0.00 - \$0.10)

- Customer load and demand changes highly concentrated in 2020 during state shutdowns; assumes current state level reopen plans and a gradual recovery into normal usage patterns in 1H 2021
- Modest customer attrition and load declines in 2021
- Base Case margin reduction of (\$30-\$40M) in 2020 and (\$0-\$25M) in 2021
- Lost late payment and reconnection fee revenues and increased bad debt expenses continue into second half of 2020 with a modest impact into 2021
- Increased operational expenses and supply costs primarily during 2020 with some potential impact into 2021
- Other potential 2020/2021 impacts include regulatory timing and additional financing expenses

Mitigation Efforts Underway - Initiated in April

Estimated NOEPS Impact of Mitigation Efforts Underway	
<u>2020</u>	<u>2021</u>
\$0.10 - \$0.15	\$0.05 - \$0.10

- O&M Reductions (non-safety related): Employee and administrative expenses, deferral of some non-essential field work
- Regulatory deferrals/recovery for COVID related impacts currently allowed in several states with ongoing conversations across all jurisdictions
- Organizational repositioning (announced May 21, 2020) includes adjustments to address dis-synergies and improve efficiencies. Timing of implementation/execution will impact the level of benefit in 2021

Estimated Net NOEPS Impact (Base Case Scenario)

2020 (\$0.00 - \$0.10)

2021 (\$0.00 - \$0.10)

* Net Operating Earnings Per Share (Non-GAAP)

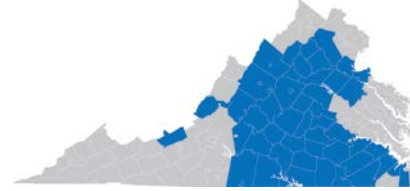
Reopening Progress for Each State of Operation

Ohio



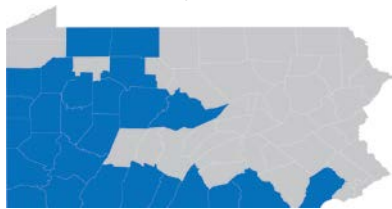
- May 19: Stay at home no longer an order, only a recommendation
- May 12: retail
- May 15: outdoor dining and personal services
- May 21: indoor dining, campgrounds
- May 26: gyms, outdoor recreation

Virginia



- June 10: Stay at home expires
- Phase 1: May 15 – retail, outdoor dining, worship at 50% capacity, personal services by appt. only
- No dates yet for Phase 2 and beyond

Pennsylvania



- June 4: Stay at home expires (for part of the state)
- Yellow Phase: 49 counties included – daycare, retail open: 8 more counties May 29, all counties by June 5
- Green Phase: 17 counties will move to green on May 29 – dining, bars, personal services, gyms at 50% capacity

Kentucky



- May 11: professional services, construction, manufacturing
- May 20: retail, worship
- May 22: outdoor dining at 33% capacity
- May 25: personal services
- June 15: childcare services

Indiana



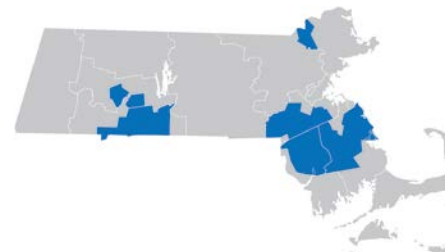
- May 1: Stay at home expired
- May 4: (most counties): public libraries
- May 24: retail at 75% capacity, gyms, community pools, playgrounds
- June 14: retail full capacity, restaurants 75% capacity
- July 4: retail, restaurants, gyms, etc. all full capacity

Maryland



- May 15: Stay at home order expired
- May 15: retail, worship, personal services at 50%, manufacturing

Massachusetts



- Four phase approach to new normal
- Phase 1: May 18 – worship, manufacturing, construction
- May 25: Retail, limited personal services
- No dates yet for Phase 2 and beyond

Gas Service Territory

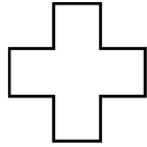
Electric Service Territory

Constructive Regulatory Approaches to COVID-19

Company	Status
NIPSCO	Petition filed with IURC on May 8, 2020 for deferral of expenses and lost revenues, seeking to establish a bad debt tracker. Order requested by July 15 th .
Columbia Gas of Ohio	Engaging with peer utilities and PUCO, planning to file for deferrals related to COVID impacts
Columbia Gas of Pennsylvania	Order received May 13, 2020 authorizing deferral of incremental bad debt above levels currently in rates
Columbia Gas of Massachusetts	DPU established two working groups to focus on customer and utility concerns
Columbia Gas of Virginia	Order received April 29, 2020 allowing deferral of incremental bad debt, reconnection fees, late payment fees suspended, reconnection costs, carrying costs and other incremental incurred costs
Columbia Gas of Maryland	Order received April 9, 2020 allowing deferral of incremental costs and suspended late fees
Columbia Gas of Kentucky	Tracking COVID related costs for potential future recovery

Monitoring Health & Economic Indicators to Inform Mitigation Strategy

Public Health



May dictate need to redeploy shelter-in-place (major driver of economic outlook, even regionally)

Health indicators to track:

- COVID-19 cases
- Hospitalizations
- COVID deaths
- Share of population tested

Macroeconomic



Looking for consumer confidence, demand, and business distress to inform trajectory

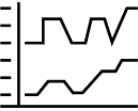
Consumer indicators to track:

- Unemployment claims
- Consumer spend

Employer indicators to track:

- Consumer demand
- Business bankruptcies / financial distress

Internal perspectives



NiSource is well positioned for a current view of economic outlook in our states based on load and gas demand

Internal metrics to track:

- C&I demand and outlook
- Customer arrearages

Rationale: Movement of these indicators over the coming weeks and months will be evidence of economy shifting closer to, or farther from, the base case scenario

NiSource will continue to monitor these metrics, including after shelter-in-place is initially lifted, to assess mitigation strategy and potential impacts to economic outlook

Key Takeaways

- Continued Focus on Customer and Employee Safety and Health
- Currently no Significant Impacts to Supply Chain or Operating Activities
- Proactively Managing Impacts to our Business Plan
 - O&M Reductions Underway
 - Regulatory Solutions – in dialogue across all jurisdictions
 - Organizational Repositioning announced May 21, 2020

5 to 7% Long-Term Growth and Generation Strategy Remain Intact

Appendix:
COVID-19 Update



Bad Debt Recovery Mechanisms

Company	Bad Debt Expense Included in Base Rates*	Tracked Incremental Expense	Tracked Filing Frequency
Gas Distribution			
NIPSCO Gas	Yes	Gas cost only	Quarterly
Columbia Gas of Ohio	Yes	Gas cost and delivery charge	Annual
Columbia Gas of Pennsylvania	Yes	Partial Gas Cost only	Quarterly
Columbia Gas of Massachusetts	Yes	Gas cost only	Semi-annual
Columbia Gas of Virginia	Yes	Gas cost only	Quarterly
Columbia Gas of Maryland	Yes	Gas cost only	Quarterly
Columbia Gas of Kentucky	Yes	Gas cost only	Quarterly
Electric Operations			
NIPSCO Electric	Yes	None	N/A

* Based on historical bad debt of ~1% of gross revenue

Revenue and Weather Normalization Mechanisms

Company	Revenue Decoupling/ Normalization	Weather Normalization
Gas Distribution		
NIPSCO Gas	None	None
Columbia Gas of Ohio	Straight Fixed Variable Rates for Residential and Small Commercial	None
Columbia Gas of Pennsylvania	None	Yes - Residential
Columbia Gas of Massachusetts	Yes (Decoupling) – All Classes	None
Columbia Gas of Virginia	Yes (RNA*) – Residential	Yes – Residential & Commercial
Columbia Gas of Maryland	Yes (RNA) – Residential	Yes – Residential & Commercial
Columbia Gas of Kentucky	None	Yes – Residential & Commercial
Electric Operations		
NIPSCO Electric	None (Most Industrial Rates include fixed demand or demand ratcheting)	None

* Revenue Normalization Adjustment