Columbia Gas of Pennsylvania, Inc.
2016 General Rate Case
Docket No. R-2016-2529660
Standard Filing Requirements
Exhibits 400-403
Volume 8 of 10

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

25. If the utility plans to make a formal claim for a specific allowable rate of return, provide the following data in statement or exhibit 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.

Response:

See the attached schedules.

Exhibit No. 400

COLUMBIA GAS OF PENNSYLVANIA, INC.

Schedules to Accompany

The Direct Testimony

of

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

Concerning

Cost of Capital

and

Fair Rate of Return

March 17, 2016

COLUMBIA GAS OF PENNSYLVANIA, INC.
Index of Schedules

Columbia Gas of Pennsylvania, Inc.
Summary Cost of Capital

Type of Capital	Ratios	Cost Rate	Weighted Cost Rate
Long-Term Debt	43.91%	5.26%	2.31%
Short Term Debt	3.78%	2.33%	0.09%
Total Debt	47.69%		2.40%
Common Equity	52.31%	11.00%	5.75%
Total	100.00%		8.15%

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

Pre-tax coverage of interest expense based upon a 41.4935% income tax rate (12.23% ÷ 2.40%)	5.10 x
Post-tax coverage of interest expense (8.15% ÷ 2.40%)	3.40 x

Columbia Gas of Pennsylvania, Inc.
Cost of Equity
as of December 31, 2015

Discounted Cash Flow (DCF)				D_1/P_0 (1)	+	*g* (2)	+	*lev.* (3)	=	*k*	+	***Credit Quality***	=	*K*
Gas Group				3.32%	+	6.25%	+	0.82%	=	10.39%	+	0.40%	=	10.79%
Risk Premium (RP)						*I* (4)	+	*RP* (5)	=	*k*	+	***Credit Quality***	=	*K*
Gas Group						5.00%	+	6.50%	=	11.50%	+	0.40%	=	11.90%
Capital Asset Pricing Model (CAPM)	*Rf* (6)	+	*ß* (7)	x (	*Rm-Rf* (8)	) +	*size* (9)	=	*k*					
Gas Group	3.75%	+	0.86	x (	7.34%	) +	1.10%	=	11.16%					
Comparable Earnings (CE) (10)						***Historical***	***Forecast***	***Average***						
Comparable Earnings Group						13.0%	12.6%	12.80%						

References: (1) Schedule 07
(2) Schedule 09
(3) Schedule 10
(4) A-rated public utility bond yield comprised of a 3.75% risk-free rate of return (Schedule 13 page 2) and a yield spread of 1.25%
(5) Schedule 12 page 1
(6) Schedule 13 page 2
(7) Schedule 10
(8) Schedule 13 page 2
(9) Schedule 13 page 3
(10) Schedule 14 page 2

Columbia Gas of Pennsylvania, Inc.
Capitalization and Financial Statistics
2010-2014, Inclusive

	2014	2013	2012	2011	2010	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 932.6	$ 886.3	$ 782.8	$ 631.0	$ 659.6	
Short-Term Debt	$ 47.4	$ 55.4	$ 34.2	$ 64.8	$ -	
Total Capital	$ 979.9	$ 941.7	$ 817.0	$ 695.9	$ 659.6	
Capital Structure Ratios						
Based on Permanent Captial:						Average
Long-Term Debt	42.3%	46.4%	45.5%	39.4%	47.5%	44.2%
Common Equity [1]	57.7%	53.6%	54.5%	60.6%	52.5%	55.8%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	45.0%	49.6%	47.8%	45.0%	47.5%	47.0%
Common Equity [1]	55.0%	50.4%	52.2%	55.0%	52.5%	53.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity [1]	12.6%	12.5%	11.5%	11.4%	14.9%	12.6%
Operating Ratio [2]	78.5%	81.9%	83.7%	88.9%	90.0%	84.6%
Coverage incl. AFUDC [3]						
Pre-tax: All Interest Charges	5.18 x	4.20 x	3.36 x	2.89 x	3.67 x	3.86 x
Post-tax: All Interest Charges	3.63 x	3.47 x	3.20 x	3.04 x	4.04 x	3.48 x
Overall Coverage: All Int. & Pfd. Div.	3.63 x	3.47 x	3.20 x	3.04 x	4.04 x	3.48 x
Coverage excl. AFUDC [3]						
Pre-tax: All Interest Charges	5.17 x	4.18 x	3.35 x	2.88 x	3.66 x	3.85 x
Post-tax: All Interest Charges	3.62 x	3.45 x	3.19 x	3.03 x	4.03 x	3.46 x
Overall Coverage: All Int. & Pfd. Div.	3.62 x	3.45 x	3.19 x	3.03 x	4.03 x	3.46 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	0.5%	0.7%	0.7%	0.4%	0.3%	0.5%
Effective Income Tax Rate	37.2%	22.7%	6.7%	-7.7%	-13.7%	9.0%
Internal Cash Generation/Construction [4]	66.7%	52.1%	86.8%	49.2%	45.9%	60.1%
Gross Cash Flow/ Avg. Total Debt [5]	28.3%	23.6%	36.4%	23.1%	22.3%	26.7%
Gross Cash Flow Interest Coverage [6]	5.30 x	4.43 x	6.04 x	4.54 x	5.03 x	5.07 x
Common Dividend Coverage [7]	N/A x	12.66 x	42.69 x	14.47 x	2.12 x	17.99 x

See Page 2 for Notes.

Columbia Gas of Pennsylvania, Inc.
Capitalization and Financial Statistics
2010-2014, Inclusive

Notes:

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

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

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

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

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

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

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

Source of Information: Company provided Financial Statements

Gas Group
Capitalization and Financial Statistics [1]
2010-2014, Inclusive

	2014	2013	2012 (Millions of Dollars)	2011	2010	Average
Amount of Capital Employed						
Permanent Capital	$ 2,452.5	$ 2,082.4	$ 1,811.1	$ 1,747.1	$ 1,673.1	
Short-Term Debt	$ 226.5	$ 228.6	$ 216.1	$ 118.6	$ 134.5	
Total Capital	$ 2,679.0	$ 2,311.0	$ 2,027.2	$ 1,865.7	$ 1,807.6	
Market-Based Financial Ratios						
Price-Earnings Multiple	19 x	19 x	17 x	16 x	15 x	17 x
Market/Book Ratio	192.3%	178.9%	177.4%	179.3%	169.7%	179.5%
Dividend Yield	3.2%	3.5%	3.6%	3.6%	3.8%	3.5%
Dividend Payout Ratio	63.6%	68.8%	59.7%	57.6%	57.1%	61.4%
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	44.9%	42.7%	40.7%	41.2%	41.7%	42.3%
Preferred Stock	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Common Equity [2]	54.9%	57.1%	59.1%	58.6%	58.1%	57.6%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	51.2%	50.1%	47.4%	45.9%	48.0%	48.5%
Preferred Stock	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%
Common Equity [2]	48.7%	49.8%	52.4%	53.9%	51.8%	51.3%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity [2]	10.1%	9.5%	10.5%	10.9%	11.1%	10.4%
Operating Ratio [3]	87.9%	88.5%	87.2%	88.8%	89.0%	88.3%
Coverage incl. AFUDC [4]						
Pre-tax: All Interest Charges	5.03 x	4.70 x	4.97 x	5.01 x	4.99 x	4.94 x
Post-tax: All Interest Charges	3.75 x	3.62 x	3.79 x	3.67 x	3.54 x	3.67 x
Overall Coverage: All Int. & Pfd. Div.	3.74 x	3.61 x	3.77 x	3.65 x	3.52 x	3.66 x
Coverage excl. AFUDC [4]						
Pre-tax: All Interest Charges	4.99 x	4.64 x	4.92 x	4.97 x	4.97 x	4.90 x
Post-tax: All Interest Charges	3.72 x	3.55 x	3.74 x	3.64 x	3.52 x	3.63 x
Overall Coverage: All Int. & Pfd. Div.	3.70 x	3.54 x	3.72 x	3.62 x	3.50 x	3.62 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	1.2%	2.2%	1.6%	1.0%	0.7%	1.3%
Effective Income Tax Rate	31.3%	26.5%	30.1%	34.2%	36.5%	31.7%
Internal Cash Generation/Construction [5]	86.2%	66.4%	72.7%	99.5%	125.0%	90.0%
Gross Cash Flow/ Avg. Total Debt [6]	26.9%	24.6%	28.8%	30.1%	31.0%	28.3%
Gross Cash Flow Interest Coverage [7]	7.97 x	7.07 x	7.02 x	6.92 x	7.18 x	7.23 x
Common Dividend Coverage [8]	4.78 x	4.17 x	4.33 x	4.52 x	4.90 x	4.54 x

See Page 2 for Notes.

Gas Group
Capitalization and Financial Statistics
2010-2014, Inclusive

Notes:

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

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

	Corporate Credit Ratings		Stock	S&P Stock	Value Line
Company	Moody's	S&P	Traded	Ranking	Beta
Atmos Energy Corp.	A2	A-	NYSE	A-	0.80
Chesapeake Utilities Corp.			NYSE	A	0.65
Laclede Group	A3	A-	NYSE	B+	0.70
New Jersey Resources Corp.	Aa2	A	NYSE	B+	0.80
Northwest Natural Gas Co.	A3	A+	NYSE	A-	0.65
South Jersey Industries, Inc.	A2	BBB+	NYSE	A-	0.80
Southwest Gas Corporation	A3	BBB+	NYSE	B+	0.80
WGL Holdings, Inc.	A1	A+	NYSE	B+	0.75
Average	A2	A-		B+	0.74

Note: Ratings are those of utility subsidiaries

Source of Information: Utility COMPUSTAT
Moody's Investors Service
Standard & Poor's Corporation

Standard & Poor's Public Utilities
Capitalization and Financial Statistics [1]
2010-2014, Inclusive

	2014	2013	2012	2011	2010	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 23,785.1	$ 22,496.2	$ 21,620.0	$ 18,840.8	$ 17,587.3	
Short-Term Debt	$ 887.5	$ 703.8	$ 648.9	$ 531.4	$ 435.4	
Total Capital	$ 24,672.6	$ 23,200.0	$ 22,268.9	$ 19,372.2	$ 18,022.7	
Market-Based Financial Ratios						Average
Price-Earnings Multiple	21 x	21 x	18 x	15 x	15 x	18 x
Market/Book Ratio	201.5%	175.8%	164.0%	155.2%	142.8%	167.9%
Dividend Yield	3.6%	3.9%	4.1%	4.4%	4.8%	4.2%
Dividend Payout Ratio	74.3%	81.1%	72.9%	64.7%	72.0%	73.0%
Capital Structure Ratios						
Based on Permanent Captial:						
Long-Term Debt	52.8%	52.7%	52.9%	52.9%	53.4%	52.9%
Preferred Stock	2.7%	1.9%	1.6%	1.3%	1.3%	1.8%
Common Equity [2]	44.4%	45.4%	45.5%	45.8%	45.3%	45.3%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	54.7%	54.3%	54.5%	54.5%	54.7%	54.5%
Preferred Stock	2.6%	1.9%	1.6%	1.3%	1.3%	1.7%
Common Equity [2]	42.7%	43.9%	44.0%	44.3%	44.0%	43.8%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity [2]	9.9%	8.4%	9.2%	10.5%	10.8%	9.8%
Operating Ratio [3]	81.0%	81.3%	81.3%	81.4%	81.6%	81.3%
Coverage incl. AFUDC [4]						
Pre-tax: All Interest Charges	3.57 x	3.24 x	2.94 x	3.35 x	3.34 x	3.29 x
Post-tax: All Interest Charges	2.70 x	2.46 x	2.35 x	2.59 x	2.52 x	2.52 x
Overall Coverage: All Int. & Pfd. Div.	2.67 x	2.43 x	2.32 x	2.57 x	2.50 x	2.50 x
Coverage excl. AFUDC [4]						
Pre-tax: All Interest Charges	3.47 x	3.15 x	2.85 x	3.25 x	3.25 x	3.19 x
Post-tax: All Interest Charges	2.60 x	2.36 x	2.25 x	2.49 x	2.43 x	2.43 x
Overall Coverage: All Int. & Pfd. Div.	2.57 x	2.34 x	2.22 x	2.47 x	2.41 x	2.40 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	7.6%	7.6%	7.1%	5.7%	6.7%	6.9%
Effective Income Tax Rate	30.2%	35.2%	31.8%	33.5%	34.3%	33.0%
Internal Cash Generation/Construction [5]	85.0%	80.3%	75.0%	89.4%	108.0%	87.5%
Gross Cash Flow/ Avg. Total Debt [6]	23.3%	22.7%	21.9%	23.2%	23.9%	23.0%
Gross Cash Flow Interest Coverage [7]	5.70 x	5.47 x	5.37 x	5.12 x	5.09 x	5.35 x
Common Dividend Coverage [8]	7.00 x	6.38 x	4.31 x	4.58 x	4.88 x	5.43 x

See Page 2 for Notes.

Standard & Poor's Public Utilities
Capitalization and Financial Statistics
2010-2014, Inclusive

Notes:

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

Source of Information: Annual Reports to Shareholders
Utility COMPUSTAT

Standard & Poor's Public Utilities

Company Identities

	Ticker	Credit Rating (1) Moody's	S&P	Common Stock Traded	S&P Stock Ranking	Value Line Beta
AGL Resources Inc.	GAS	A2	BBB+	NYSE	A	0.75
Ameren Corporation	AEE	Baa1	BBB+	NYSE	B	0.80
American Electric Power	AEP	Baa1	BBB	NYSE	B	0.70
CMS Energy	CMS	A3	BBB	NYSE	B	0.70
CenterPoint Energy	CNP	A3	A-	NYSE	B	0.80
Consolidated Edison	ED	A2	A-	NYSE	B+	0.60
DTE Energy Co.	DTE	A2	BBB+	NYSE	B+	0.80
Dominion Resources	D	A2	A-	NYSE	B+	0.70
Duke Energy	DUK	A1	BBB+	NYSE	B	0.65
Edison Int'l	EIX	A2	BBB+	NYSE	B	0.80
Entergy Corp.	ETR	Baa1	BBB	NYSE	A	0.70
EQT Corp.	EQT	Baa3	BBB	NYSE	B+	1.15
Exelon Corp.	EXC	A2	BBB	NYSE	B+	0.75
FirstEnergy Corp.	FE	Baa2	BBB-	NYSE	B+	0.75
Integrys Energy Group	TEG	A1	A-	NYSE	B	1.00
NextEra Energy Inc.	NEE	A1	A-	NYSE	A	0.70
NiSource Inc.	NI	Baa1	BBB-	NYSE	B	0.85
Northeast Utilities	NU	Baa1	A-	NYSE	B	0.75
NRG Energy Inc.	NRG	Ba3	BB-	NYSE	B	1.05
ONEOK, Inc.	OKE	Baa3	BB+	NYSE	A-	1.05
PEPCO Holdings, Inc.	POM	Baa1	BBB+	NYSE	B	0.75
PG&E Corp.	PCG	A3	BBB	NYSE	B	0.60
PPL Corp.	PPL	Baa1	BBB	NYSE	B+	0.65
Pinnacle West Capital	PNW	A3	A-	NYSE	B	0.75
Public Serv. Enterprise Inc.	PEG	A2	BBB+	NYSE	B+	0.75
SCANA Corp.	SCG	Baa2	BBB+	NYSE	A-	0.70
Sempra Energy	SRE	A1	A	NYSE	B+	0.75
Southern Co.	SO	A3	A	NYSE	A-	0.55
TECO Energy	TE	A2	BBB+	NYSE	B	0.95
Wisconsin Energy Corp.	WEC	A1	A-	NYSE	A	0.65
Xcel Energy Inc	XEL	A2	A-	NYSE	B+	0.65
Average for S&P Utilities		A3	BBB+		B+	0.77

Note: (1) Ratings are those of utility subsidiaries

Source of Information: Moody's Investors Service
Standard & Poor's Corporation
Standard & Poor's Stock Guide
Value Line Investment Survey for Windows

Columbia Gas of Pennsylvania, Inc.

Investor-provided Capitalization

Actual at November 30, 2015, Estimated at November 30, 2016, and Estimated at December 31, 2017

	Actual at November 30, 2015		Estimated at November 30, 2016		Estimated at December 31, 2017	
	Amount Outstanding	Ratios	Amount Outstanding	Ratios	Amount Outstanding	Ratios
Long Term Debt	$ 514,040,000	45.97%	$ 540,515,000	43.96%	$ 625,515,000	43.91%
Common Stock Equity						
Common Stock	45,128,000		45,128,000		45,128,000	
Additional Paid in Capital	7,889,000		7,890,000		7,890,000	
Retained Earnings	538,878,000		603,626,000		692,211,000	
Total Common Equity	591,895,000	52.94%	656,644,000	53.40%	745,229,000	52.31%
Total Permanent Capital	$1,105,935,000	98.91%	$1,197,159,000	97.36%	$1,370,744,000	96.22%
Short Term Debt (Twelve month average)	12,192,000	1.09%	32,461,000	2.64%	53,818,000	3.78%
Total Capital Employed	$1,118,127,000	100.00%	$1,229,620,000	100.00%	$1,424,562,000	100.00%

Source of information: Company provided data

Columbia Gas of Pennsylvania, Inc.
Long-term Debt Outstanding
Estimated at November 30, 2015

Date of Issuance	Coupon Rate	Amount Outstanding	Annualized Debt Service	Embedded Cost of Debt
November 28, 2005	5.450%	$ 18,525,000	$ 1,009,613	
November 28, 2005	5.920%	54,515,000	3,227,288	
November 1, 2006	6.015%	20,000,000	1,203,000	
December 14, 2007	6.865%	58,000,000	3,981,700	
December 16, 2010	6.020%	28,000,000	1,685,600	
March 28, 2012	5.355%	30,000,000	1,606,500	
March 28, 2012	5.890%	35,000,000	2,061,500	
November 28, 2012	5.260%	65,000,000	3,419,000	
June 9, 2013	5.530%	23,000,000	1,271,900	
December 18, 2013	6.290%	32,000,000	2,012,800	
December 18, 2014	4.430%	30,000,000	1,329,000	
March 1, 2015	4.150%	60,000,000	2,490,000	
September 1, 2015	4.505%	60,000,000	2,703,000	
Total Long-Term Debt		514,040,000	28,000,901	5.45%
Short Term Debt (Twelve month average)	0.46%	12,192,000	56,083	
Total Debt		$ 526,232,000	$ 28,056,984	5.33%

Source of information: Company provided data

Columbia Gas of Pennsylvania, Inc.
Long-term Debt Outstanding
Estimated at November 30, 2016

Date of Issuance	Coupon Rate	Amount Outstanding	Annualized Debt Service	Embedded Cost of Debt
November 28, 2005	5.920%	$ 54,515,000	$ 3,227,288	
November 1, 2006	6.015%	20,000,000	1,203,000	
December 14, 2007	6.865%	58,000,000	3,981,700	
December 16, 2010	6.020%	28,000,000	1,685,600	
March 28, 2012	5.355%	30,000,000	1,606,500	
March 28, 2012	5.890%	35,000,000	2,061,500	
November 28, 2012	5.260%	65,000,000	3,419,000	
June 9, 2013	5.530%	23,000,000	1,271,900	
December 18, 2013	6.290%	32,000,000	2,012,800	
December 18, 2014	4.430%	30,000,000	1,329,000	
March 1, 2015	4.150%	60,000,000	2,490,000	
September 1, 2015	4.505%	60,000,000	2,703,000	
March 1, 2016	4.530%	45,000,000	2,038,500	
Total Long-Term Debt		540,515,000	29,029,788	5.37%
Short Term Debt (Twelve month average)	1.96%	32,461,000	636,236	
Total Debt		$ 572,976,000	$ 29,666,024	5.18%

Source of information: Company provided data

Columbia Gas of Pennsylvania, Inc.
Long-term Debt Outstanding
Estimated at December 31, 2017

Date of Issuance	Coupon Rate	Amount Outstanding	Annualized Debt Service	Embedded Cost of Debt
November 28, 2005	5.920%	$ 54,515,000	$ 3,227,288	
November 1, 2006	6.015%	20,000,000	1,203,000	
December 14, 2007	6.865%	58,000,000	3,981,700	
December 16, 2010	6.020%	28,000,000	1,685,600	
March 28, 2012	5.355%	30,000,000	1,606,500	
March 28, 2012	5.890%	35,000,000	2,061,500	
November 28, 2012	5.260%	65,000,000	3,419,000	
June 9, 2013	5.530%	23,000,000	1,271,900	
December 18, 2013	6.290%	32,000,000	2,012,800	
December 18, 2014	4.430%	30,000,000	1,329,000	
March 1, 2015	4.150%	60,000,000	2,490,000	
September 1, 2015	4.505%	60,000,000	2,703,000	
March 1, 2016	4.530%	45,000,000	2,038,500	
January 31, 2017	4.580%	85,000,000	3,893,000	
Total Long-Term Debt		625,515,000	32,922,788	5.26%
Short Term Debt (Twelve month average)	2.33%	53,818,000	1,253,959	
Total Debt		$ 679,333,000	$ 34,176,747	5.03%

Source of information: Company provided data

Monthly Dividend Yields for
Natural Gas Group
for the Twelve Months Ending December 2015

Company	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	12-Month Average	6-Month Average	3-Month Average
Atmos Energy Corp (ATO)	2.76%	2.94%	2.83%	2.91%	2.89%	3.05%	2.84%	2.85%	2.69%	2.68%	2.70%	2.67%			
Chesapeake Utilities Corp (CPK)	2.22%	2.30%	2.14%	2.41%	2.20%	2.14%	2.24%	2.35%	2.17%	2.21%	2.17%	2.03%			
Laclede Group Inc (LG)	3.44%	3.58%	3.60%	3.56%	3.47%	3.54%	3.42%	3.50%	3.38%	3.36%	3.38%	3.31%			
New Jersey Resources Corporation (NJR)	2.83%	2.89%	2.90%	2.96%	3.01%	3.27%	3.13%	3.21%	3.00%	3.04%	3.22%	2.92%			
Northwest Natural Gas (NWN)	3.73%	3.95%	3.90%	3.98%	4.18%	4.44%	4.30%	4.25%	4.09%	3.92%	3.85%	3.72%			
South Jersey Industries Inc (SJI)	3.47%	3.57%	3.71%	3.83%	3.84%	4.07%	4.17%	4.21%	3.99%	4.00%	4.64%	4.50%			
Southwest Gas Corp (SWX)	2.39%	2.55%	2.52%	2.96%	2.98%	3.06%	2.89%	2.94%	2.79%	2.65%	2.89%	2.95%			
WGL Holdings Inc (WGL)	3.12%	3.31%	3.14%	3.37%	3.23%	3.43%	3.32%	3.43%	3.23%	2.98%	3.01%	2.96%			
Average	**3.00%**	**3.14%**	**3.09%**	**3.25%**	**3.23%**	**3.38%**	**3.29%**	**3.34%**	**3.17%**	**3.11%**	**3.23%**	**3.13%**	**3.20%**	**3.21%**	**3.16%**

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

Source of Information: http://performancé.morningstar.com/stock/performance-return
http://www.snl.com/interactivex/dividends

Forward-looking Dividend Yield

1/2 Growth	D_0/P_0	(.5g)	D_1/P_0
	3.21%	1.031250	3.31%
Discrete	D_0/P_0	Adj.	D_1/P_0
	3.21%	1.038767	3.34%
Quarterly	D_0/P_0	Adj.	D_1/P_0
	0.8029%	1.015272	3.30%
Average			3.32%
Growth rate			6.25%
k			9.57%

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

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

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

Historical Growth Rates

Earnings Per Share, Dividends Per Share,
Book Value Per Share, and Cash Flow Per Share

	Earnings per Share		Dividends per Share		Book Value per Share		Cash Flow per Share	
	Value Line		Value Line		Value Line		Value Line	
Gas Group	5 Year	10 Year	5 Year	10 Year	5 Year	10 Year	5 Year	10 Year
Atmos Energy Corp.	5.00%	5.00%	2.00%	1.50%	4.50%	6.00%	4.00%	5.00%
Chesapeake Utilities Corp.	10.50%	8.50%	4.50%	3.00%	8.50%	8.50%	12.50%	7.00%
Laclede Group	-2.00%	4.00%	3.00%	2.50%	7.50%	7.00%	-2.00%	3.00%
New Jersey Resources Corp.	5.50%	6.50%	8.50%	6.50%	4.50%	8.00%	4.50%	5.00%
Northwest Natural Gas	-4.00%	2.50%	3.50%	3.50%	3.00%	3.50%	-1.00%	3.00%
South Jersey Industries, Inc.	6.50%	8.00%	10.00%	8.50%	8.00%	8.50%	7.50%	8.00%
Southwest Gas Corp.	11.00%	8.50%	8.00%	5.00%	5.00%	5.00%	6.00%	4.50%
WGL Holdings, Inc.	1.50%	3.50%	3.00%	2.50%	3.00%	4.00%	1.50%	2.50%
Average	4.25%	5.81%	5.31%	4.13%	5.50%	6.31%	4.13%	4.75%

Source of Information: Value Line Investment Survey, December 4, 2015

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

						Value Line				
Gas Group	**I/B/E/S First Call**	**Reuters**	**Zacks**	**Morningstar**	**SNL**	**Earnings Per Share**	**Dividends Per Share**	**Book Value Per Share**	**Cash Flow Per Share**	**Percent Retained to Common Equity**
Atmos Energy Corp.	7.00%	7.00%	7.00%	6.20%	7.00%	7.00%	5.00%	4.50%	4.50%	5.00%
Chesapeake Utilities Corp.	3.00%	-	NA	3.00%	NA	8.50%	5.50%	9.00%	7.50%	7.00%
Laclede Group, Inc.	4.50%	4.50%	4.80%	-	4.70%	10.00%	4.50%	7.50%	8.50%	4.00%
New Jersey Resources Corp.	6.00%	6.00%	6.00%	NMF (1)	6.00%	4.00%	3.50%	7.50%	4.50%	5.50%
Northwest Natural Gas	4.00%	-	4.00%	4.00%	4.00%	7.00%	2.50%	3.50%	4.50%	3.50%
South Jersey Industries, Inc.	6.00%	-	NA	6.00%	NA	7.00%	7.00%	6.50%	7.00%	5.00%
Southwest Gas Corporation	4.00%	-	5.00%	-	4.00%	7.00%	8.00%	4.50%	5.50%	6.00%
WGL Holdings, Inc.	7.00%	7.00%	6.50%	6.80%	7.00%	5.50%	3.00%	4.00%	4.00%	5.00%
Average	5.19%	6.13%	5.55%	5.20%	5.45%	7.00%	4.88%	5.88%	5.75%	5.13%

Note: (1) Excluding negative growth rate of -14.40% by Morningstar

Source of Information :
Yahoo Finance, January 6, 2016
Reuters.com, January 6, 2016
Zacks, January 6, 2016
Morningstar, January 6, 2016
SNL, January 6, 2016
Value Line Investment Survey, December 4, 2015

Gas Group
Financial Risk Adjustment

	ATMOS Energy (NYSE:ATO)	Chesapeake Utilities (NYSE:CPK)	Laclede Group (NYSE:LG)	New Jersey Resources (NYSE:NJR)	Northwest Natural Gas (NYSE:NWN)	South Jersey Industries (NYSE:SJI)	Southwest Gas (SWX)	WGL Holdings (NYSE:WGL)	Average
Fiscal Year	09/30/14	12/31/14	09/30/14	09/30/14	12/31/14	12/31/14	12/31/14	09/30/14	
Capitalization at Fair Values									
Debt(D)	2,769,541	180,700	1,937,300	586,909	756,808	1,058,500	1,795,928	809,300	1,236,873
Preferred(P)	0	0	0	0	0	0	0	28,173	3,522
Equity(E)	4,788,512	724,475	2,003,729	1,982,284	1,361,472	2,013,487	2,875,598	2,133,654	2,235,401
Total	7,558,053	905,175	3,941,029	2,569,193	2,118,280	3,071,987	4,671,526	2,971,127	3,475,796
Capital Structure Ratios									
Debt(D)	36.64%	19.96%	49.16%	22.84%	35.73%	34.46%	38.44%	27.24%	33.06%
Preferred(P)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.95%	0.12%
Equity(E)	63.36%	80.04%	50.84%	77.16%	64.27%	65.54%	61.56%	71.81%	66.82%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Common Stock									
Issued	100,388.092	14,588.711	43,183.818	42,178.156	27,284.000	34,167.430	46,523.184	50,656.553	
Treasury	0.000	0.000	0.000	2,932.775	0.000	0.000	0.000	0.000	
Outstanding	100,388.092	14,588.711	43,183.818	39,245.381	27,284.000	34,167.430	46,523.184	50,656.553	
Market Price	$ 47.70	$ 49.66	$ 46.40	$ 50.51	$ 49.90	$ 58.93	$ 61.81	$ 42.12	
Capitalization at Carrying Amounts									
Debt(D)	2,460,000	161,500	1,851,000	557,845	661,700	1,009,400	1,663,950	679,200	1,130,574
Preferred(P)	0	0	0	0	0	0	0	28,173	3,522
Equity(E)	3,086,232	300,322	1,508,400	966,166	767,321	932,432	1,488,523	1,246,576	1,286,997
Total	5,546,232	461,822	3,359,400	1,524,011	1,429,021	1,941,832	3,152,473	1,953,949	2,421,093
Capital Structure Ratios									
Debt(D)	44.35%	34.97%	55.10%	36.60%	46.30%	51.98%	52.78%	34.76%	44.61%
Preferred(P)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.44%	0.18%
Equity(E)	55.65%	65.03%	44.90%	63.40%	53.70%	48.02%	47.22%	63.80%	55.22%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Betas Value Line	0.80	0.65	0.70	0.80	0.65	0.80	0.80	0.75	0.74

Hamada	Bl	=	Bu	[1+	(1 - t)	D/E	+	P/E	]
	0.74	=	Bu	[1+	(1-0.35)	0.4948	+	0.0018	]
	0.74	=	Bu	[1+	0.65	0.4948	+	0.0018	]
	0.74	=	Bu	1.3234					
	0.56	=	Bu						
Hamada	Bl	=	0.56	[1+	(1 - t)	D/E	+	P/E	]
	Bl	=	0.56	[1+	0.65	0.8078	+	0.0033	]
	Bl	=	0.56	1.5284					
	Bl	=	0.86						

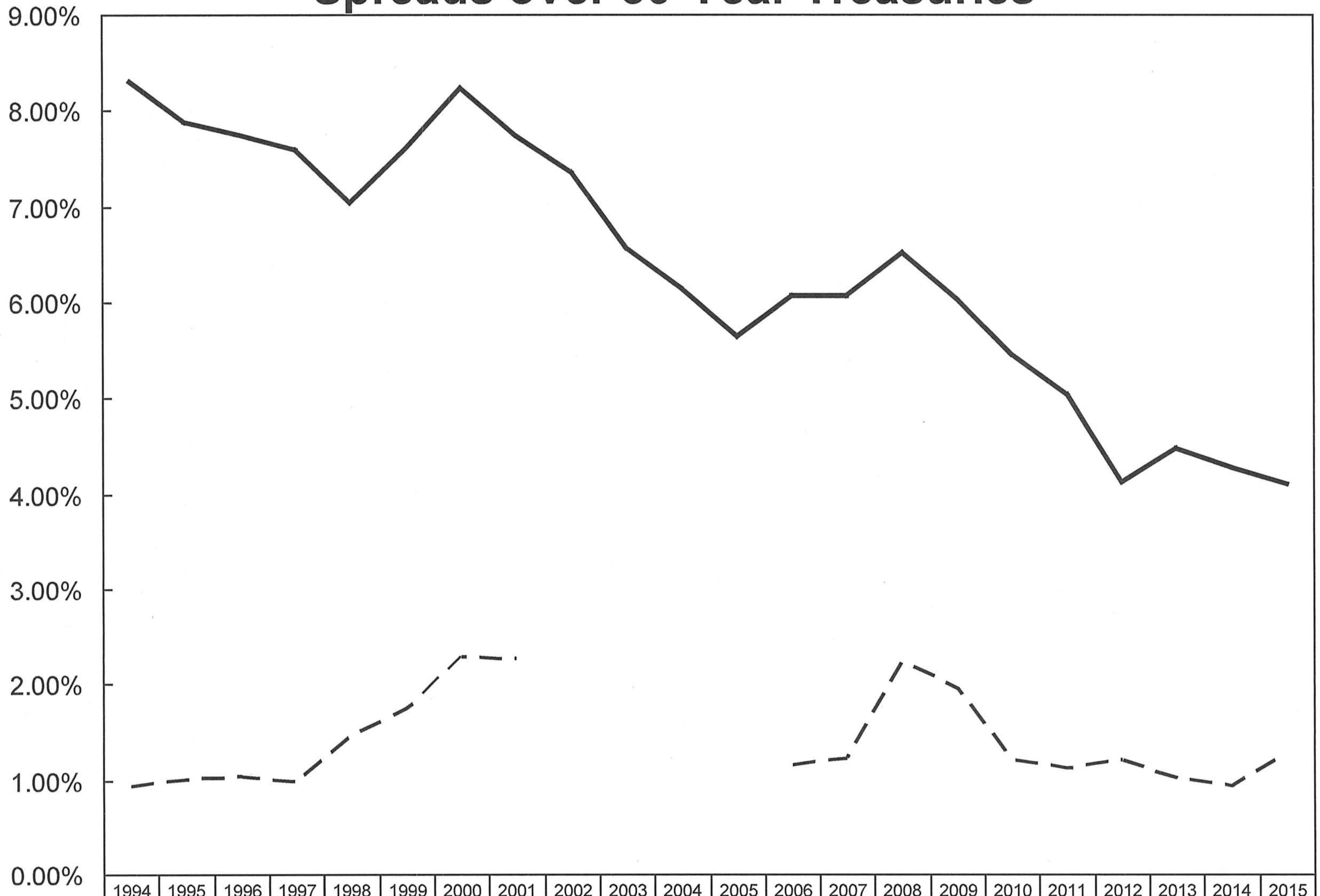
M&M	ku	=	ke	-	(((	ku	-	i	)	1-t	)	D	/	E	-	(ku	- d	)	P	/	E
	8.30%	=	9.57%	-	(((	8.30%	-	4.35%	)	0.65	)	33.06%	/	66.82%	-	8.30%	- 5.68%	)	0.12%	/	66.82%
	8.30%	=	9.57%	-	(((	3.95%			)	0.65	)	0.4948			-	2.62%		)	0.0018		
	8.30%	=	9.57%	-	((	2.57%					)	0.4948			-	2.62%		)	0.0018		
	8.30%	=	9.57%	-		1.27%									-	0.00%					
M&M	ke	=	ku	+	(((	ku	-	i	)	1-t	)	D	/	E	+	(ku	- d	)	P	/	E
	10.39%	=	8.30%	+	(((	8.30%	-	4.35%	)	0.65	)	44.61%	/	55.22%	+	8.30%	- 5.68%	)	0.18%	/	55.22%
	10.39%	=	8.30%	+	(((	3.95%			)	0.65	)	0.8078			+	2.62%		)	0.0033		
	10.39%	=	8.30%	+	((	2.57%					)	0.8078			+	2.62%		)	0.0033		
	10.39%	=	8.30%	+		2.08%									+	0.01%					

Interest Rates for Investment Grade Public Utility Bonds
Yearly for 2010-2014
and the Twelve Months Ended December 2015

Years	Aa Rated	A Rated	Baa Rated	Average
2010	5.24%	5.46%	5.96%	5.55%
2011	4.78%	5.04%	5.57%	5.13%
2012	3.83%	4.13%	4.86%	4.27%
2013	4.24%	4.48%	4.98%	4.57%
2014	4.19%	4.28%	4.80%	4.42%
Five-Year Average	4.46%	4.68%	5.23%	4.79%
Months				
Jan-15	3.52%	3.58%	4.39%	3.83%
Feb-15	3.62%	3.67%	4.44%	3.91%
Mar-15	3.67%	3.74%	4.51%	3.97%
Apr-15	3.63%	3.75%	4.51%	3.96%
May-15	4.05%	4.17%	4.91%	4.38%
Jun-15	4.29%	4.39%	5.13%	4.60%
Jul-15	4.27%	4.40%	5.22%	4.63%
Aug-15	4.13%	4.25%	5.23%	4.54%
Sep-15	4.25%	4.39%	5.42%	4.68%
Oct-15	4.13%	4.29%	5.47%	4.63%
Nov-15	4.22%	4.40%	5.57%	4.73%
Dec-15	4.16%	4.35%	5.55%	4.69%
Twelve-Month Average	4.00%	4.12%	5.03%	4.38%
Six-Month Average	4.19%	4.35%	5.41%	4.65%
Three-Month Average	4.17%	4.35%	5.53%	4.68%

Source: Mergent Bond Record

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



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
A-rated Public Utility	8.31%	7.89%	7.75%	7.60%	7.04%	7.62%	8.24%	7.76%	7.37%	6.58%	6.16%	5.65%	6.07%	6.07%	6.53%	6.04%	5.46%	5.04%	4.13%	4.48%	4.28%	4.12%
Spread vs. 30-year	0.94%	1.01%	1.04%	0.99%	1.46%	1.75%	2.30%	2.27%					1.16%	1.23%	2.25%	1.96%	1.21%	1.13%	1.21%	1.03%	0.94%	1.28%

A rated Public Utility Bonds over 30-Year Treasuries

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

Year	A-rated Public Utility	30-Year Treasuries Yield	30-Year Treasuries Spread
Jan-03	7.07%		
Feb-03	6.93%		
Mar-03	6.79%		
Apr-03	6.64%		
May-03	6.36%		
Jun-03	6.21%		
Jul-03	6.57%		
Aug-03	6.78%		
Sep-03	6.56%		
Oct-03	6.43%		
Nov-03	6.37%		
Dec-03	6.27%		
Jan-04	6.15%		
Feb-04	6.15%		
Mar-04	5.97%		
Apr-04	6.35%		
May-04	6.62%		
Jun-04	6.46%		
Jul-04	6.27%		
Aug-04	6.14%		
Sep-04	5.98%		
Oct-04	5.94%		
Nov-04	5.97%		
Dec-04	5.92%		
Jan-05	5.78%		
Feb-05	5.61%		
Mar-05	5.83%		
Apr-05	5.64%		
May-05	5.53%		
Jun-05	5.40%		
Jul-05	5.51%		
Aug-05	5.50%		
Sep-05	5.52%		
Oct-05	5.79%		
Nov-05	5.88%		
Dec-05	5.80%		
Jan-06	5.75%		
Feb-06	5.82%	4.54%	1.28%
Mar-06	5.98%	4.73%	1.25%
Apr-06	6.29%	5.06%	1.23%
May-06	6.42%	5.20%	1.22%
Jun-06	6.40%	5.15%	1.25%
Jul-06	6.37%	5.13%	1.24%
Aug-06	6.20%	5.00%	1.20%
Sep-06	6.00%	4.85%	1.15%
Oct-06	5.98%	4.85%	1.13%
Nov-06	5.80%	4.69%	1.11%
Dec-06	5.81%	4.68%	1.13%

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

Year	A-rated Public Utility	30-Year Treasuries Yield	30-Year Treasuries Spread
Jan-11	5.57%	4.52%	1.05%
Feb-11	5.68%	4.65%	1.03%
Mar-11	5.56%	4.51%	1.05%
Apr-11	5.55%	4.50%	1.05%
May-11	5.32%	4.29%	1.03%
Jun-11	5.26%	4.23%	1.03%
Jul-11	5.27%	4.27%	1.00%
Aug-11	4.69%	3.65%	1.04%
Sep-11	4.48%	3.18%	1.30%
Oct-11	4.52%	3.13%	1.39%
Nov-11	4.25%	3.02%	1.23%
Dec-11	4.33%	2.98%	1.35%
Jan-12	4.34%	3.03%	1.31%
Feb-12	4.36%	3.11%	1.25%
Mar-12	4.48%	3.28%	1.20%
Apr-12	4.40%	3.18%	1.22%
May-12	4.20%	2.93%	1.27%
Jun-12	4.08%	2.70%	1.38%
Jul-12	3.93%	2.59%	1.34%
Aug-12	4.00%	2.77%	1.23%
Sep-12	4.02%	2.88%	1.14%
Oct-12	3.91%	2.90%	1.01%
Nov-12	3.84%	2.80%	1.04%
Dec-12	4.00%	2.88%	1.12%
Jan-13	4.15%	3.08%	1.07%
Feb-13	4.18%	3.17%	1.01%
Mar-13	4.20%	3.16%	1.04%
Apr-13	4.00%	2.93%	1.07%
May-13	4.17%	3.11%	1.06%
Jun-13	4.53%	3.40%	1.13%
Jul-13	4.68%	3.61%	1.07%
Aug-13	4.73%	3.76%	0.97%
Sep-13	4.80%	3.79%	1.01%
Oct-13	4.70%	3.68%	1.02%
Nov-13	4.77%	3.80%	0.97%
Dec-13	4.81%	3.89%	0.92%
Jan-14	4.63%	3.77%	0.86%
Feb-14	4.53%	3.66%	0.87%
Mar-14	4.51%	3.62%	0.89%
Apr-14	4.41%	3.52%	0.89%
May-14	4.26%	3.39%	0.87%
Jun-14	4.29%	3.42%	0.87%
Jul-14	4.23%	3.33%	0.90%
Aug-14	4.13%	3.20%	0.93%
Sep-14	4.24%	3.26%	0.98%
Oct-14	4.06%	3.04%	1.02%
Nov-14	4.09%	3.04%	1.05%
Dec-14	3.95%	2.83%	1.12%

Year	A-rated Public Utility	30-Year Treasuries Yield	30-Year Treasuries Spread
Jan-15	3.58%	2.46%	1.12%
Feb-15	3.67%	2.57%	1.10%
Mar-15	3.74%	2.63%	1.11%
Apr-15	3.75%	2.59%	1.16%
May-15	4.17%	2.96%	1.21%
Jun-15	4.39%	3.11%	1.28%
Jul-15	4.40%	3.07%	1.33%
Aug-15	4.25%	2.86%	1.39%
Sep-15	4.39%	2.95%	1.44%
Oct-15	4.29%	2.89%	1.40%
Nov-15	4.40%	3.03%	1.37%
Dec-15	4.35%	2.97%	1.38%
Average:			
12-months			1.27%
6-months			1.39%
3-months			1.38%

Common Equity Risk Premiums
Years 1926-2014

	Large Common Stocks	Long-Term Corp. Bonds	Equity Risk Premium	Long-Term Govt. Bonds Yields
Low Interest Rates	12.21%	4.85%	7.36%	3.00%
Average Across All Interest Rates	12.07%	6.38%	5.69%	5.12%
High Interest Rates	11.93%	7.95%	3.98%	7.28%

Source of Information: Stocks, Bonds, Bills, and Inflation (SBBI) 2015 Classic Yearbook

Basic Series
Annual Total Returns (except yields)

Year	Large Common Stocks	Long-Term Corp. Bonds	Long-Term Govt. Bonds Yields
1940	-9.78%	3.39%	1.94%
1945	36.44%	4.08%	1.99%
1941	-11.59%	2.73%	2.04%
1949	18.79%	3.31%	2.09%
1946	-8.07%	1.72%	2.12%
1950	31.71%	2.12%	2.24%
1939	-0.41%	3.97%	2.26%
1948	5.50%	4.14%	2.37%
2014	13.69%	17.28%	2.40%
2012	16.00%	10.68%	2.41%
1947	5.71%	-2.34%	2.43%
1942	20.34%	2.60%	2.46%
1944	19.75%	4.73%	2.46%
1943	25.90%	2.83%	2.48%
2011	2.11%	17.95%	2.48%
1938	31.12%	6.13%	2.52%
1936	33.92%	6.74%	2.55%
1951	24.02%	-2.69%	2.69%
1954	52.62%	5.39%	2.72%
1937	-35.03%	2.75%	2.73%
1953	-0.99%	3.41%	2.74%
1935	47.67%	9.61%	2.76%
1952	18.37%	3.52%	2.79%
1934	-1.44%	13.84%	2.93%
1955	31.56%	0.48%	2.95%
2008	-37.00%	8.78%	3.03%
1932	-8.19%	10.82%	3.15%
1927	37.49%	7.44%	3.17%
1957	-10.78%	8.71%	3.23%
1930	-24.90%	7.98%	3.30%
1933	53.99%	10.38%	3.36%
1928	43.61%	2.84%	3.40%
1929	-8.42%	3.27%	3.40%
1956	6.56%	-6.81%	3.45%
1926	11.62%	7.37%	3.54%
2013	32.39%	-7.07%	3.67%
1960	0.47%	9.07%	3.80%
1958	43.36%	-2.22%	3.82%
1962	-8.73%	7.95%	3.95%
1931	-43.34%	-1.85%	4.07%
2010	15.06%	12.44%	4.14%
1961	26.89%	4.82%	4.15%
1963	22.80%	2.19%	4.17%
1964	16.48%	4.77%	4.23%
1959	11.96%	-0.97%	4.47%
1965	12.45%	-0.46%	4.50%
2007	5.49%	2.60%	4.50%
1966	-10.06%	0.20%	4.55%
2009	26.46%	3.02%	4.58%
2005	4.91%	5.87%	4.61%
2002	-22.10%	16.33%	4.84%
2004	10.88%	8.72%	4.84%
2006	15.79%	3.24%	4.91%
2003	28.68%	5.27%	5.11%
1998	28.58%	10.76%	5.42%
1967	23.98%	-4.95%	5.56%
2000	-9.10%	12.87%	5.58%
2001	-11.89%	10.65%	5.75%
1971	14.30%	11.01%	5.97%
1968	11.06%	2.57%	5.98%
1972	18.99%	7.26%	5.99%
1997	33.36%	12.95%	6.02%
1995	37.58%	27.20%	6.03%
1970	3.86%	18.37%	6.48%
1993	10.08%	13.19%	6.54%
1996	22.96%	1.40%	6.73%
1999	21.04%	-7.45%	6.82%
1969	-8.50%	-8.09%	6.87%
1976	23.93%	18.65%	7.21%
1973	-14.69%	1.14%	7.26%
1992	7.62%	9.39%	7.26%
1991	30.47%	19.89%	7.30%
1974	-26.47%	-3.06%	7.60%
1986	18.67%	19.85%	7.89%
1994	1.32%	-5.76%	7.99%
1977	-7.16%	1.71%	8.03%
1975	37.23%	14.64%	8.05%
1989	31.69%	16.23%	8.16%
1990	-3.10%	6.78%	8.44%
1978	6.57%	-0.07%	8.98%
1988	16.61%	10.70%	9.19%
1987	5.25%	-0.27%	9.20%
1985	31.73%	30.09%	9.56%
1979	18.61%	-4.18%	10.12%
1982	21.55%	42.56%	10.95%
1984	6.27%	16.86%	11.70%
1983	22.56%	6.26%	11.97%
1980	32.50%	-2.76%	11.99%
1981	-4.92%	-1.24%	13.34%

Yields for Treasury Constant Maturities
Yearly for 2010-2014
and the Twelve Months Ended December 2015

Years	1-Year	2-Year	3-Year	5-Year	7-Year	10-Year	20-Year	30-Year
2010	0.32%	0.70%	1.11%	1.93%	2.62%	3.22%	4.03%	4.25%
2011	0.18%	0.45%	0.75%	1.52%	2.16%	2.78%	3.62%	3.91%
2012	0.17%	0.28%	0.38%	0.76%	1.22%	1.80%	2.54%	2.92%
2013	0.13%	0.31%	0.54%	1.17%	1.74%	2.35%	3.12%	3.45%
2014	0.12%	0.46%	0.90%	1.64%	2.14%	2.54%	3.07%	3.34%
Five-Year Average	0.18%	0.44%	0.74%	1.40%	1.98%	2.54%	3.28%	3.57%
Months								
Jan-15	0.20%	0.55%	0.90%	1.37%	1.67%	1.88%	2.20%	2.46%
Feb-15	0.22%	0.62%	0.99%	1.47%	1.79%	1.98%	2.34%	2.57%
Mar-15	0.25%	0.64%	1.02%	1.52%	1.84%	2.04%	2.41%	2.63%
Apr-15	0.23%	0.54%	0.87%	1.35%	1.69%	1.94%	2.33%	2.59%
May-15	0.24%	0.61%	0.98%	1.54%	1.93%	2.20%	2.69%	2.96%
Jun-15	0.28%	0.69%	1.07%	1.68%	2.10%	2.36%	2.85%	3.11%
Jul-15	0.30%	0.67%	1.03%	1.63%	2.04%	2.32%	2.77%	3.07%
Aug-15	0.38%	0.70%	1.03%	1.54%	1.91%	2.17%	2.55%	2.86%
Sep-15	0.37%	0.71%	1.01%	1.49%	1.88%	2.17%	2.62%	2.95%
Oct-15	0.26%	0.64%	0.93%	1.39%	1.76%	2.07%	2.50%	2.89%
Nov-15	0.48%	0.88%	1.20%	1.67%	2.02%	2.26%	2.69%	3.03%
Dec-15	0.65%	0.98%	1.28%	1.70%	2.04%	2.24%	2.61%	2.97%
Twelve-Month Average	0.32%	0.69%	1.03%	1.53%	1.89%	2.14%	2.55%	2.84%
Six-Month Average	0.41%	0.76%	1.08%	1.57%	1.94%	2.21%	2.62%	2.96%
Three-Month Average	0.46%	0.83%	1.14%	1.59%	1.94%	2.19%	2.60%	2.96%

Source: Federal Reserve statistical release H.15

Measures of the Risk-Free Rate & Corporate Bond Yields

The forecast of Treasury and Corporate yields
per the consensus of nearly 50 economists
reported in the Blue Chip Financial Forecasts dated January 1, 2016

		Treasury					Corporate	
Year	Quarter	1-Year Bill	2-Year Note	5-Year Note	10-Year Note	30-Year Bond	Aaa Bond	Baa Bond
2016	First	0.7%	1.1%	1.8%	2.4%	3.1%	4.1%	5.4%
2016	Second	0.9%	1.3%	2.0%	2.6%	3.2%	4.3%	5.6%
2016	Third	1.2%	1.5%	2.2%	2.7%	3.4%	4.4%	5.7%
2016	Fourth	1.4%	1.7%	2.4%	2.9%	3.5%	4.7%	5.9%
2017	First	1.7%	2.0%	2.6%	3.0%	3.7%	4.8%	6.0%
2017	Second	1.9%	2.2%	2.8%	3.2%	3.8%	4.9%	6.1%

Measures of the Market Premium

Value Line Return					
As of:	Dividend Yield		Median Appreciation Potential		Median Total Return
January 1, 2016	2.4%	+	10.67%	=	13.07%

DCF Result for the S&P 500 Composite					
D/P	(1+.5g)	+	g	=	k
2.11%	(1.0272)	+	5.44%	=	7.61%
where:	Price (P)	at	31-Dec-15	=	2043.94
	Dividend (D)	for	4th Qtr. '15	=	10.79
	Dividend (D)		annualized	=	43.16
	Growth (g)	by	First Call	=	5.44%

Summary			
Value Line			13.07%
S&P 500			7.61%
Average			10.34%
Risk-free Rate of Return (Rf)			3.75%
Forecast Market Premium			6.59%
Historical Market Premium	(Rm)	(Rf)	
1926-2014 Arith. mean	12.14%	4.06%	8.08%
Average - Forecast/Historical			7.34%

This phenomenon can also be viewed graphically, as depicted in the Graph 7-2. The security market line is based on the pure CAPM without adjusting for the size premium. Based on the risk (or beta) of a security, the expected return should fluctuate along the security market line. However, the expected returns for the smaller deciles of the NYSE/AMEX/NASDAQ lie above the line, indicating that these deciles have had returns in excess of those appropriate for their systematic risk.

Table 7-6: Size-Decile Portfolios of the NYSE/AMEX/NASDAQ Long-Term Returns in Excess of CAPM

Decile	Beta*	Arithmetic Mean Return (%)	Actual Return in Excess of Riskless Rate** (%)	CAPM Return in Excess of Riskless Rate† (%)	Size Premium (Return in Excess of CAPM) (%)
1	0.91	11.15	6.08	6.40	-0.32
2	1.04	12.96	7.89	7.24	0.65
3	1.10	13.71	8.64	7.70	0.94
4	1.13	14.01	8.93	7.88	1.05
5	1.16	14.84	9.76	8.11	1.65
6	1.19	15.01	9.94	8.31	1.63
7	1.24	15.53	10.46	8.69	1.77
8	1.30	16.35	11.27	9.10	2.18
9	1.35	17.13	12.06	9.42	2.64
10	1.40	20.62	15.54	9.82	5.72
Mid-Cap, 3-5	1.12	14.00	8.93	7.83	1.10
Low-Cap, 6-8	1.23	15.44	10.36	8.59	1.77
Micro-Cap, 9-10	1.36	18.26	13.18	9.49	3.69

Data from 1926–2014.

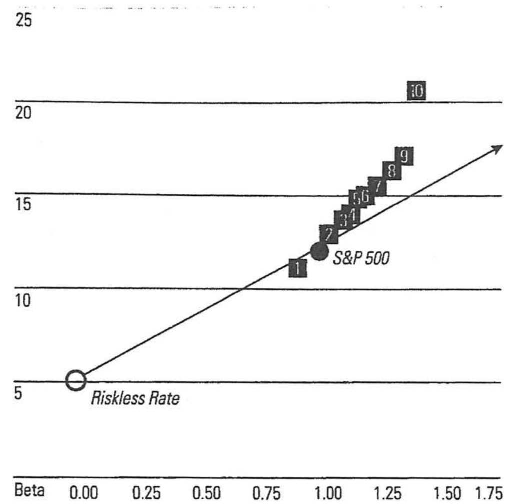
*Betas are estimated from monthly returns in excess of the 30-day U.S. Treasury bill total return, January 1926–December 2014.

**Historical riskless rate measured by the 89-year arithmetic mean income return component of 20-year government bonds (5.07%).

†Calculated in the context of the CAPM by multiplying the equity risk premium by beta. The equity risk premium is estimated by the arithmetic mean total return of the S&P 500 (12.07%) minus the arithmetic mean income return component of 20-year government bonds (5.07%) from 1926–2014.

Source: Morningstar and CRSP. Calculated (or Derived) based on data from CRSP US Stock Database and CRSP US Indices Database ©2015 Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business. Used with permission.

Graph 7-2: Security Market Line Versus Size-Decile Portfolios of the NYSE/AMEX/NASDAQ



Data from 1926–2014.

Serial Correlation in Small-Cap Stock Returns

In four of the last 10 years, large-capitalization stocks (deciles 1-2 of NYSE/AMEX/NASDAQ) have outperformed small-capitalization stocks (deciles 9-10). This has led some market observers to speculate that there is no size premium. But statistical evidence suggests that periods of underperformance should be expected. For instance, large-cap stocks have outperformed small-cap stocks in nearly half of the years since 1926. It should be noted, however, that large-cap stocks' average historical outperformance has been less than the average historical outperformance of small-cap stocks.

History tells us that small companies are riskier than large companies. Table 7-1 [see page 100] shows the standard deviation (a measure of risk) for each decile of the NYSE/AMEX/NASDAQ. As one moves from larger to smaller deciles, the standard deviation of return grows. Investors are compensated for taking on this additional risk by the higher returns provided by small companies. It is important to note, however, that the risk/return profile is over the long term. If small companies did not provide higher long-term returns, investors would be more inclined to invest in the less-risky stocks of large companies.

Comparable Earnings Approach
Using Non-Utility Companies with
Timeliness of 2, 3 & 4; Safety Rank of 1, 2 & 3; Financial Strength of B++, A & A+;
Price Stability of 85 to 100; Betas of .65 to .80; and Technical Rank of 1, 2, & 3

Company	Industry	Timeliness Rank	Safety Rank	Financial Strength	Price Stability	Beta	Technical Rank
Alleghany Corp	Insurance (Prop/Cas.)	3	1	A	100	0.80	3
AmerisourceBergen Corp	Med Supp Non-Invasive	2	1	A	95	0.80	3
Campbell Soup Co	Food Processing	2	2	B++	100	0.70	3
Church and Dwight Co Inc	Household Products	2	1	A+	100	0.70	3
ConAgra Foods Inc	Food Processing	2	1	A	90	0.70	3
Costco Wholesale Corporat	Retail Store	2	1	A+	100	0.75	2
CR Bard Inc	Med Supp Invasive	2	1	A+	90	0.80	2
Dollar Tree Inc	Retail Store	3	2	A	85	0.70	3
Erie Indemnity Company	Insurance (Prop/Cas.)	2	2	B++	95	0.75	2
General Mills Inc	Food Processing	2	1	A+	100	0.70	2
Hershey Company	Food Processing	3	2	B++	100	0.65	3
Kellogg Company	Food Processing	3	1	A	100	0.65	3
Kroger Co	Retail/Wholesale Food	2	2	A	90	0.75	3
McCormick and Co	Food Processing	3	1	A+	100	0.80	2
Philip Morris International In	Tobacco	3	2	B++	95	0.80	3
Republic Services Inc	Environmental	3	2	B++	95	0.80	3
Sysco Corp	Retail/Wholesale Food	3	1	A+	100	0.70	2
Target Corp	Retail Store	3	1	A	95	0.70	3
Verisk Analytics Inc	Information Services	2	2	B++	95	0.80	2
WR Berkley Corp	Insurance (Prop/Cas.)	3	1	A	95	0.80	2
Average		3	1	A	96	0.74	3
Gas Group	Average	3	2	A	94	0.74	3

Source of Information: Value Line Investment Survey for Windows, January 2016

Comparable Earnings Approach
Five -Year Average Historical Earned Returns
for Years 2010-2014 and
Projected 3-5 Year Returns

Company	2010	2011	2012	2013	2014	Average	Projected 2018-20
Alleghany Corp	4.6%	4.9%	11.0%	7.1%	5.8%	6.7%	6.5%
AmerisourceBergen Corp	21.6%	24.6%	28.8%	31.9%	47.2%	30.8%	46.0%
Campbell Soup Co	91.1%	77.8%	87.2%	64.6%	49.5%	74.0%	33.5%
Church and Dwight Co Inc	15.3%	15.9%	17.0%	17.1%	19.7%	17.0%	17.5%
ConAgra Foods Inc	15.8%	16.2%	17.3%	17.1%	17.5%	16.8%	23.0%
Costco Wholesale Corporation	12.1%	12.2%	14.1%	18.2%	16.7%	14.7%	20.0%
CR Bard Inc	32.8%	31.9%	29.4%	22.7%	36.1%	30.6%	22.0%
Dollar Tree Inc	27.2%	36.3%	34.9%	51.0%	33.6%	36.6%	22.0%
Erie Indemnity Company	17.8%	21.4%	24.9%	22.2%	24.0%	22.1%	29.0%
General Mills Inc	29.1%	26.0%	26.6%	26.8%	27.9%	27.3%	33.0%
Hershey Company	65.1%	76.4%	71.4%	52.6%	61.6%	65.4%	42.0%
Kellogg Company	57.8%	69.9%	53.6%	38.9%	50.1%	54.1%	37.0%
Kroger Co	21.1%	30.0%	33.8%	27.8%	32.6%	29.1%	23.5%
McCormick and Co	24.4%	23.1%	24.0%	21.5%	24.4%	23.5%	22.5%
Philip Morris International Inc	NMF	NMF	NMF	NMF	NMF	-	NMF
Republic Services Inc	8.4%	9.7%	8.6%	9.0%	9.0%	8.9%	10.0%
Sysco Corp	30.9%	24.5%	23.9%	19.1%	17.7%	23.2%	25.0%
Target Corp	18.3%	18.5%	17.5%	12.7%	19.5%	17.3%	23.5%
Verisk Analytics Inc	-	-	NMF	NMF	NMF	-	19.0%
WR Berkley Corp	11.4%	7.7%	8.8%	9.7%	10.6%	9.6%	10.0%
Average						28.2%	24.5%
Median						23.4%	23.0%
Average (excluding companies with values >20%)						13.0%	12.6%

Comparable Earnings Approach
Screening Parameters

Timeliness Rank

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

Safety Rank

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

Financial Strength

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

Price Stability Index

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

Beta

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

Technical Rank

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

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

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

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

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

Response:

1. Capitalization and capitalization ratios for the last five year period are provided on page 2 (Company) and page 3 (NiSource Inc.).

   a. Interest coverage ratios are provided on page 4 (Company) and page 5 (NiSource Inc.).

   b. Preferred stock dividend coverage for the last 3 years and at latest date for NiSource Inc. are as follows:

In millions	2012	2013	2014	2015
Net Income				
Required Preferred Dividend Payment				
Preferred Stock dividend coverage	N/A (1)	N/A (1)	N/A (1)	N/A (1)

(1) All outstanding cumulative preferred stock was redeemed in 2006.

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

Line No.	As of	With Short Term Debt Amount (1) $000	With Short Term Debt Ratio (2) %	Without Short Term Debt Amount (3) $000	Without Short Term Debt Ratio (4) %
1	November 30, 2010				
2	Common Equity (a)	360,788	55.85	360,788	55.85
3	Long-Term Debt	285,215	44.15	285,215	44.15
4	Short-Term Debt (b)	0	0.01	0	0.00
5	Total	646,003	100.00	646,003	100.00
6	November 30, 2011				
7	Common Equity (a)	378,707	54.66	378,707	54.73
8	Long-Term Debt	313,215	45.21	313,215	45.27
9	Short-Term Debt (b)	874	0.13	0	0.00
10	Total	692,796	100.00	691,922	100.00
11	November 30, 2012				
12	Common Equity (a)	418,406	52.34	418,406	52.51
13	Long-Term Debt	378,390	47.34	378,390	47.49
14	Short-Term Debt (b)	2,577	0.32	0	0.00
15	Total	799,373	100.00	796,796	100.00
16	November 30, 2013				
17	Common Equity (a)	461,318	52.92	461,318	53.47
18	Long-Term Debt	401,390	46.05	401,390	46.53
19	Short-Term Debt (b)	8,956	1.04	0	0.00
20	Total	871,664	100.00	862,708	100.00
21	November 30, 2014				
22	Common Equity (a)	525,099	53.30	525,099	56.07
23	Long-Term Debt	411,390	41.76	411,390	43.93
24	Short-Term Debt (b)	48,598	4.93	0	0.00
25	Total	985,087	99.99	936,489	100.00
26	November 30, 2015 - Projected				
27	Common Equity (a)	583,684	51.72	583,684	53.17
28	Long-Term Debt	514,040	45.55	514,040	46.83
29	Short-Term Debt (b)	30,877	2.74	0	0.00
30	Total	1,128,601	100.01	1,097,724	100.00
31	December 31, 2016 - Projected				
32	Common Equity (a)	661,631	52.21	661,631	55.04
33	Long-Term Debt	540,515	42.65	540,515	44.96
34	Short-Term Debt (b)	65,104	5.14	0	0.00
35	Total	1,267,250	100.00	1,202,146	100.00

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

NiSource, Inc.
Capitalization and Capitalization Ratios
As Ratios

Line No.	As of	With Short Term Debt Amount (1) $000	With Short Term Debt Ratio (2) %	Without Short Term Debt Amount (3) $000	Without Short Term Debt Ratio (4) %
1	November 30, 2010				
2	Common Equity (a)	4,999,928	41.15	4,999,928	46.30
3	Preferred Stock	0	0.00	0	0.00
4	Long-Term Debt (c)	5,800,033	47.73	5,800,033	53.70
5	Short-Term Debt (b)	1,350,979	11.12	0	0.00
6	Total	12,150,940	100.00	10,799,961	100.00
7	November 30, 2011				
8	Common Equity (a)	5,091,272	40.33	5,091,272	43.82
9	Preferred Stock	0	0.00	0	0.00
10	Long-Term Debt (c)	6,526,138	51.69	6,526,138	56.18
11	Short-Term Debt (b)	1,007,905	7.99	0	0.00
12	Total	12,625,315	100.01	11,617,411	100.00
13	November 30, 2012				
14	Common Equity (a)	5,557,493	41.68	5,557,493	43.93
15	Preferred Stock	0	0.00	0	0.00
16	Long-Term Debt (c)	7,093,789	53.20	7,093,789	56.07
17	Short-Term Debt (b)	681,707	5.10	0	0.00
18	Total	13,332,989	99.98	12,651,282	100.00
19	November 30, 2013				
20	Common Equity (a)	5,865,304	40.75	5,865,304	42.52
21	Preferred Stock	0	0.00	0	0.00
22	Long-Term Debt (c)	7,929,918	55.10	7,929,918	57.48
23	Short-Term Debt (b)	597,154	4.15	0	0.00
24	Total	14,392,376	100.00	13,795,222	100.00
25	November 30, 2014				
26	Common Equity	6,157,886	38.18	6,157,886	42.23
27	Preferred Stock	0	0.00	0	0.00
28	Long-Term Debt	8,422,285	52.21	8,422,285	57.77
29	Short-Term Debt (b)	1,550,675	9.60	0	0.00
30	Total	16,130,846	99.99	14,580,171	100.00
31	November 30, 2015 - Projected				
32	Common Equity	7,217,205	40.58	7,217,205	44.69
33	Preferred Stock	0	0.00	0	0.00
34	Long-Term Debt	8,931,408	50.22	8,931,408	55.31
35	Short-Term Debt (b)	1,635,030	9.19	0	0.00
36	Total	17,783,643	99.99	16,148,612	100.00
37	December 31, 2016 - Projected				
38	Common Equity	8,462,687	43.80	8,462,687	48.02
39	Preferred Stock	0	0.00	0	0.00
40	Long-Term Debt	9,162,037	47.42	9,162,037	51.98
41	Short-Term Debt (b)	1,695,842	8.78	0	0.00
42	Total	19,320,566	100.00	17,624,724	100.00

(a) Reported per 10Q, excluding Accumulated Other Comprehensive Income ("OCI") from the equity account, if any.
(b) Balance at specified date
(c) Amounts include amortization of debt discounts/premiums and expenses for regulatory purposes that may have been expensed on the books.

COLUMBIA GAS OF PENNSYLVANIA, INC.
INTEREST COVERAGES

Line No.	Description	Twelve Months Ended November 30 2011 (1)	Twelve Months Ended November 30 2012 (2)	Twelve Months Ended November 30 2013 (3)	Twelve Months Ended November 30 2014 (4)
1	Income Before Interest and Taxes	70,404,780	60,234,301	87,548,459	124,208,990
2	Less: Income Taxes	3,226,677	3,221,207	13,208,582	36,920,000
3	Income Before Interest	67,178,103	57,013,094	74,339,877	87,288,990
4	Interest Expense	21,305,717	20,474,841	22,435,108	23,541,000
5	SFAS 96	0	0	0	0
6	Pre Tax Coverage (times) 1/	3.30	2.94	3.90	5.28
7	Post Tax Coverage (times) 2/	3.15	2.78	3.31	3.71

1/ Pre Tax=Line 1 / 4

2/ Pre Tax=Line 3 / 4

NISOURCE, INC.
INTEREST COVERAGES

Line No.	Description *000's*	Twelve Months Ended November 30 2011 (1)	Twelve Months Ended November 2012 (2)	Twelve Months Ended November 2013 (3)	Twelve Months Ended November 2014 (4)
1	Income Before Interest and Taxes	952,950.3	960,377.0	1,151,210.7	1,290,666.3
2	Less: Income Taxes	150,107.1	188,658.4	256,784.0	313,525.5
3	Income Before Interest	802,843.2	771,718.6	894,426.7	977,140.7
4	Interest Expense	376,789.8	416,380.4	411,916.1	443,714.5
5	SFAS 96	0.0	0.0	0.0	0.0
6	Pre Tax Coverage (times) 1/	2.53	2.31	2.79	2.91
7	Post Tax Coverage (times) 2/	2.13	1.85	2.17	2.20

1/ Pre Tax=Line 1 / 4

2/ Pre Tax=Line 3 / 4

NOTE: Historical TME November Income Statements for NiSource Consolidated do not include all restatements related to discontinued operations as they are not made on a monthly basis.

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

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

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

Attached is NiSource Inc.'s September 30, 2015 Form 10-Q.

NISOURCE INC/DE

FORM 10-Q
(Quarterly Report)

Filed 11/03/15 for the Period Ending 09/30/15

Address	801 EAST 86TH AVE
	MERRILLVILLE, IN 46410-6272
Telephone	2196475200
CIK	0001111711
Symbol	NI
Fiscal Year	12/31

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

FORM 10-Q

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

For the quarterly period ended September 30, 2015

or

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

For the transition period from ______to ______

Commission file number 001-16189

NiSource Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

Large accelerated filer ☑ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, $0.01 Par Value: 318,671,280 shares outstanding at October 27, 2015 .

NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

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DEFINED TERMS

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

NiSource Subsidiaries, Affiliates and Former Subsidiaries

Capital Markets	NiSource Capital Markets, Inc.
CGORC	Columbia Gas of Ohio Receivables Corporation
Columbia of Kentucky	Columbia Gas of Kentucky, Inc.
Columbia of Maryland	Columbia Gas of Maryland, Inc.
Columbia of Massachusetts	Bay State Gas Company
Columbia of Ohio	Columbia Gas of Ohio, Inc.
Columbia OpCo	CPG OpCo LP
Columbia of Pennsylvania	Columbia Gas of Pennsylvania, Inc.
Columbia of Virginia	Columbia Gas of Virginia, Inc.
CPG	Columbia Pipeline Group, Inc.
CPPL	Columbia Pipeline Partners LP
CPRC	Columbia Gas of Pennsylvania Receivables Corporation
NARC	NIPSCO Accounts Receivable Corporation
NDC Douglas Properties	NDC Douglas Properties, Inc.
NIPSCO	Northern Indiana Public Service Company
NiSource	NiSource Inc.
NiSource Corporate Services	NiSource Corporate Services Company
NiSource Development Company	NiSource Development Company, Inc.
NiSource Finance	NiSource Finance Corp.

Abbreviations and Other

AFUDC	Allowance for funds used during construction
AOCI	Accumulated Other Comprehensive Income (Loss)
ASU	Accounting Standards Update
BNS	Bank of Nova Scotia
BTMU	The Bank of Tokyo-Mitsubishi UFJ, LTD.
CAA	Clean Air Act
CAMR	Clean Air Mercury Rule
CCRs	Coal Combustion Residuals
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
CO_2	Carbon Dioxide
DPU	Department of Public Utilities
DSM	Demand Side Management
ECR	Environmental Cost Recovery
ECRM	Environmental Cost Recovery Mechanism
ECT	Environmental Cost Tracker
EERM	Environmental Expense Recovery Mechanism
EGUs	Electric Utility Generating Units
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board

DEFINED TERMS (continued)

FERC	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
FIP	Federal Implementation Plan
FTRs	Financial Transmission Rights
GAAP	Generally Accepted Accounting Principles
GCR	Gas cost recovery
GHG	Greenhouse gases
gwh	Gigawatt hours
IDEM	Indiana Department of Environmental Management
IRP	Infrastructure Replacement Program
IURC	Indiana Utility Regulatory Commission
kV	Kilovolt
LDCs	Local distribution companies
LIFO	Last-in, first-out
MATS	Mercury and Air Toxics Standards
MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator
Mizuho	Mizuho Corporate Bank Ltd.
MMDth	Million dekatherms
NAAQS	National Ambient Air Quality Standards
NYMEX	New York Mercantile Exchange
OPEB	Other Postretirement Benefits
OUCC	Indiana Office of Utility Consumer Counselor
PNC	PNC Bank, N.A.
Pure Air	Pure Air on the Lake LP
Separation	The separation of NiSource's natural gas pipeline, midstream and storage business from NiSource's natural gas and electric utility business accomplished through the pro rata distribution by NiSource to holders of its outstanding common stock of all the outstanding shares of common stock of CPG. The Separation was completed on July 1, 2015.
ppb	Parts per billion
PUC	Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RA	Resource Adequacy
RAAF	Residential Assistance Adjustment Factor
SEC	Securities and Exchange Commission
SO_2	Sulfur dioxide
TDSIC	Transmission, Distribution and Storage System Improvement Charge
TSA	Transition Services Agreement
TUAs	Transmission Upgrade Agreements
VIE	Variable Interest Entities
VSCC	Virginia State Corporation Commission

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PART I

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share amounts)	**2015**	2014	**2015**	2014
Net Revenues				
Gas Distribution	$ **208.9**	$ 240.3	$ **1,595.5**	$ 1,878.8
Gas Transportation	**172.1**	170.5	**739.9**	710.5
Electric	**428.4**	424.6	**1,198.7**	1,279.4
Other	**7.8**	2.8	**19.9**	10.4
Gross Revenues	**817.2**	838.2	**3,554.0**	3,879.1
Cost of Sales (excluding depreciation and amortization)	**209.1**	262.4	**1,307.3**	1,769.6
Total Net Revenues	**608.1**	575.8	**2,246.7**	2,109.5
Operating Expenses				
Operation and maintenance	**311.1**	327.4	**1,076.9**	990.5
Depreciation and amortization	**132.5**	123.8	**391.0**	363.1
Loss on sale of assets	**1.1**	0.1	**1.2**	1.5
Other taxes	**53.7**	53.4	**197.2**	192.2
Total Operating Expenses	**498.4**	504.7	**1,666.3**	1,547.3
Operating Income	**109.7**	71.1	**580.4**	562.2
Other Income (Deductions)				
Interest expense, net	**(94.9)**	(94.7)	**(285.9)**	(287.4)
Other, net	**5.8**	5.7	**11.6**	13.4
Loss on early extinguishment of long-term debt	**—**	—	**(97.2)**	—
Total Other Deductions	**(89.1)**	(89.0)	**(371.5)**	(274.0)
Income (Loss) from Continuing Operations before Income Taxes	**20.6**	(17.9)	**208.9**	288.2
Income Taxes	**5.8**	(0.7)	**74.7**	111.5
Income (Loss) from Continuing Operations	**14.8**	(17.2)	**134.2**	176.7
(Loss) Income from Discontinued Operations - net of taxes	**(19.7)**	48.6	**108.5**	199.1
Net (Loss) Income	**(4.9)**	31.4	**242.7**	375.8
Less: Net income attributable to noncontrolling interest	**—**	—	**15.6**	—
Net (Loss) Income attributable to NiSource	$ **(4.9)**	$ 31.4	$ **227.1**	$ 375.8
Amounts attributable to NiSource:				
Income (Loss) from continuing operations	$ **14.8**	$ (17.2)	$ **134.2**	$ 176.7
(Loss) Income from discontinued operations	**(19.7)**	48.6	**92.9**	199.1
Net (Loss) Income attributable to NiSource	$ **(4.9)**	$ 31.4	$ **227.1**	$ 375.8
Basic (Loss) Earnings Per Share				
Continuing operations	$ **0.05**	$ (0.05)	$ **0.42**	$ 0.56
Discontinued operations	**(0.07)**	0.15	**0.30**	0.63
Basic (Loss) Earnings Per Share	$ **(0.02)**	$ 0.10	$ **0.72**	$ 1.19
Diluted (Loss) Earnings Per Share				
Continuing operations	$ **0.05**	$ (0.05)	$ **0.42**	$ 0.56
Discontinued operations	**(0.07)**	0.15	**0.29**	0.63
Diluted (Loss) Earnings Per Share	$ **(0.02)**	$ 0.10	$ **0.71**	$ 1.19
Dividends Declared Per Common Share	$ **0.31**	$ 0.26	$ **0.83**	$ 1.02
Basic Average Common Shares Outstanding	**318.1**	315.4	**317.4**	314.9
Diluted Average Common Shares	**321.5**	315.4	**320.7**	316.0

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, net of taxes)	**2015**	2014	**2015**	2014
Net (Loss) Income	**$ (4.9)**	$ 31.4	**$ 242.7**	$ 375.8
Other comprehensive income				
Net unrealized gain (loss) on available-for-sale securities (1)	**0.3**	(0.6)	**—**	0.2
Net unrealized gain on cash flow hedges (2)	**0.2**	0.6	**1.8**	1.9
Unrecognized pension and OPEB benefit (cost) (3)	**(0.2)**	(0.2)	**2.7**	(0.1)
Total other comprehensive income (loss)	**0.3**	(0.2)	**4.5**	2.0
Comprehensive (Loss) Income	**$ (4.6)**	$ 31.2	**$ 247.2**	$ 377.8
Less: Comprehensive income attributable to noncontrolling interest	**—**	—	**15.6**	—
Comprehensive (Loss) Income attributable to NiSource	**$ (4.6)**	$ 31.2	**$ 231.6**	$ 377.8

(1) Net unrealized gain (loss) on available-for-sale securities, net of $ 0.2 million tax expense and $ 0.3 million tax benefit in the third quarter of 2015 and 2014 , respectively, and zero and $0.1 million tax expense for the first nine months of 2015 and 2014, respectively.

(2) Net unrealized gains on derivatives qualifying as cash flow hedges, net of $ 0.2 million and $0.4 million tax expense in the third quarter of 2015 and 2014 , respectively, and $1.1 million and $1.2 million tax expense for the first nine months of 2015 and 2014, respectively.

(3) Unrecognized pension and OPEB (cost) benefit net of $0.1 million and zero tax benefit in the third quarter of 2015 and 2014 , respectively, and $2.1 million tax expense and $0.7 million tax benefit for the first nine months of 2015 and 2014, respectively.

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Consolidated Balance Sheets (unaudited)

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Property, Plant and Equipment		
Utility plant	$ 18,484.8	$ 17,668.4
Accumulated depreciation and amortization	(6,811.5)	(6,629.5)
Net utility plant	11,673.3	11,038.9
Other property, at cost, less accumulated depreciation	17.4	18.5
Net Property, Plant and Equipment	11,690.7	11,057.4
Investments and Other Assets		
Unconsolidated affiliates	6.7	8.3
Other investments	195.8	204.8
Total Investments and Other Assets	202.5	213.1
Current Assets		
Cash and cash equivalents	31.7	24.9
Restricted cash	27.9	24.9
Accounts receivable (less reserve of $20.7 and $24.9, respectively)	500.5	920.8
Gas inventory	398.9	440.3
Underrecovered gas costs	7.1	32.0
Materials and supplies, at average cost	84.2	81.1
Electric production fuel, at average cost	81.1	64.8
Exchange gas receivable	19.7	28.3
Assets of discontinued operations	—	341.3
Regulatory assets	183.7	187.4
Deferred income taxes	227.1	214.2
Prepayments and other	75.9	106.5
Total Current Assets	1,637.8	2,466.5
Other Assets		
Regulatory assets	1,507.5	1,544.5
Goodwill	1,690.7	1,690.7
Intangible assets	256.4	264.7
Assets of discontinued operations	—	7,546.0
Deferred charges and other	70.3	83.4
Total Other Assets	3,524.9	11,129.3
Total Assets	$ 17,055.9	$ 24,866.3

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

(in millions, except share amounts)	September 30, 2015	December 31, 2014
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - $0.01 par value, 400,000,000 shares authorized; 318,474,781 and 316,037,421 shares outstanding, respectively	$ 3.2	$ 3.2
Additional paid-in capital	5,078.6	4,787.6
Retained (deficit) earnings	(1,182.7)	1,494.0
Accumulated other comprehensive loss	(19.6)	(50.6)
Treasury stock	(79.2)	(58.9)
Total Common Stockholders' Equity	3,800.3	6,175.3
Long-term debt, excluding amounts due within one year	6,133.5	8,155.9
Total Capitalization	9,933.8	14,331.2
Current Liabilities		
Current portion of long-term debt	442.6	266.6
Short-term borrowings	107.2	1,576.9
Accounts payable	349.2	610.1
Dividends payable	49.3	—
Customer deposits and credits	255.4	280.9
Taxes accrued	137.0	169.2
Interest accrued	77.5	140.7
Overrecovered gas and fuel costs	169.2	45.6
Exchange gas payable	66.8	101.5
Deferred revenue	9.3	3.4
Regulatory liabilities	120.2	61.1
Accrued liability for postretirement and postemployment benefits	5.2	5.3
Liabilities of discontinued operations	—	369.0
Legal and environmental	36.8	22.7
Accrued compensation and employee benefits	125.9	166.8
Other accruals	121.7	144.5
Total Current Liabilities	2,073.3	3,964.3
Other Liabilities and Deferred Credits		
Deferred income taxes	2,513.9	2,380.0
Deferred investment tax credits	15.4	17.1
Deferred credits	99.4	100.9
Accrued liability for postretirement and postemployment benefits	665.2	733.9
Liabilities of discontinued operations	—	1,616.3
Regulatory liabilities	1,387.1	1,379.6
Asset retirement obligations	181.2	136.2
Other noncurrent liabilities	186.6	206.8
Total Other Liabilities and Deferred Credits	5,048.8	6,570.8
Commitments and Contingencies (Refer to Note 16, "Other Commitments and Contingencies")	—	—
Total Capitalization and Liabilities	$ 17,055.9	$ 24,866.3

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

Nine Months Ended September 30, *(in millions)*	2015	2014
Operating Activities		
Net Income	$ **242.7**	$ 375.8
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:		
Loss on early extinguishment of debt	**97.2**	—
Depreciation and amortization	**391.0**	363.1
Net changes in price risk management assets and liabilities	**2.0**	1.9
Deferred income taxes and investment tax credits	**60.1**	110.1
Deferred revenue	**7.3**	(0.4)
Stock compensation expense and 401(k) profit sharing contribution	**38.6**	50.2
Loss on sale of assets	**1.2**	1.5
Income from unconsolidated affiliates	**0.8**	0.6
Income from discontinued operations - net of taxes	**(108.5)**	(199.1)
Amortization of debt related costs	**6.8**	7.5
AFUDC equity	**(7.7)**	(7.4)
Changes in Assets and Liabilities		
Accounts receivable	**420.3**	360.3
Inventories	**19.8**	(170.5)
Accounts payable	**(287.5)**	(228.7)
Customer deposits and credits	**(25.5)**	(5.0)
Taxes accrued	**(30.6)**	(31.1)
Interest accrued	**(63.1)**	(54.7)
Over (Under) recovered gas and fuel costs	**148.5**	(19.2)
Exchange gas receivable/payable	**(26.1)**	(57.2)
Other accruals	**(57.1)**	(29.5)
Prepayments and other current assets	**30.1**	33.9
Regulatory assets/liabilities	**111.1**	(18.1)
Postretirement and postemployment benefits	**(61.0)**	(86.7)
Deferred credits	**(1.3)**	10.7
Deferred charges and other noncurrent assets	**10.8**	5.5
Other noncurrent liabilities	**(13.6)**	5.3
Net Operating Activities from Continuing Operations	**906.3**	418.8
Net Operating Activities from Discontinued Operations	**287.6**	467.7
Net Cash Flows from Operating Activities	**1,193.9**	886.5
Investing Activities		
Capital expenditures	**(923.4)**	(914.3)
Proceeds from disposition of assets	**4.3**	1.6
Restricted cash deposits	**(3.0)**	(8.1)
Cash contributions from CPG	**3,798.2**	—
Other investing activities	**(39.9)**	(7.4)
Net Investing Activities from (used for) Continuing Operations	**2,836.2**	(928.2)
Net Investing Activities used for Discontinued Operations	**(430.0)**	(584.0)
Net Cash Flows from (used for) Investing Activities	**2,406.2**	(1,512.2)
Financing Activities		
Cash of CPG at Separation	**(136.8)**	—
Issuance of long-term debt	**—**	748.4
Repayments of long-term debt and capital lease obligations	**(1,859.1)**	(517.1)
Premiums and other debt related costs	**(93.5)**	—

Change in short-term borrowings, net	**(1,396.6)**	612.3
Issuance of common stock	**17.9**	22.4
Acquisition of treasury stock	**(20.3)**	(10.2)
Dividends paid - common stock	**(214.0)**	(239.2)
Net Financing Activities (used for) from Continuing Operations	**(3,702.4)**	616.6
Net Financing Activities from Discontinued Operations	**108.6**	—
Net Cash Flows (used for) from Financing Activities	**(3,593.8)**	616.6
Change in cash and cash equivalents from continuing operations	**40.1**	107.2
Change in cash and cash equivalents used for discontinued operations	**(33.8)**	(116.3)
Change in cash included in discontinued operations	**0.5**	(0.1)
Cash and cash equivalents at beginning of period	**24.9**	26.5
Cash and Cash Equivalents at End of Period	**$ 31.7**	$ 17.3

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Statement of Consolidated Equity (unaudited)

(in millions)	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total
Balance as of January 1, 2015	**$ 3.2**	**$ (58.9)**	**$ 4,787.6**	**$ 1,494.0**	**$ (50.6)**	**$ 6,175.3**
Comprehensive Income:						
Net Income attributable to NiSource	—	—	—	227.1	—	227.1
Other comprehensive income, net of tax	—	—	—	—	4.5	4.5
Allocation of AOCI to noncontrolling interest [2]	—	—	—	—	2.0	2.0
Common stock dividends ($0.83 per share)	—	—	—	(263.5)	—	(263.5)
Distribution of CPG stock to shareholders (Note 4)	—	—	—	(2,640.3)	24.5	(2,615.8)
Treasury stock acquired	—	(20.3)	—	—	—	(20.3)
Issued:						
Employee stock purchase plan	—	—	4.0	—	—	4.0
Long-term incentive plan	—	—	17.0	—	—	17 0
401(k) and profit sharing issuance	—	—	36.7	—	—	36.7
Dividend reinvestment plan	—	—	6.2	—	—	6.2
Sale of interest in Columbia OpCo to CPPL [1][2]	—	—	227.1	—	—	227.1
Balance as of September 30, 2015	**$ 3.2**	**$ (79.2)**	**$ 5,078.6**	**$ (1,182.7)**	**$ (19.6)**	**$ 3,800.3**

[1] Represents the purchase of an additional 8.4% limited partner interest in Columbia OpCo by an affiliate of CPG, recorded at the historical carrying value of Columbia OpCo's net assets after giving effect to the $1,168.4 million equity contribution from CPPL's IPO completed on February 11, 2015.
[2] This transaction, which occurred prior to the Separation, was distributed through retained earnings as part of the Separation on July 1, 2015 .

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

1. Basis of Accounting Presentation

The accompanying Condensed Consolidated Financial Statements (unaudited) for NiSource Inc. ("NiSource" or the "Company") reflect all normal recurring adjustments that are necessary, in the opinion of management, to present fairly the results of operations in accordance with GAAP in the United States of America. The accompanying financial statements contain the accounts of the Company and its majority-owned or controlled subsidiaries. The results of operations of the former Columbia Pipeline Group Operations segment have been classified as discontinued operations for all periods presented. See Note 4, "Discontinued Operations," for further information.

Unless otherwise indicated, the information in the Notes to the Condensed Consolidated Financial Statements (unaudited) relates to NiSource's continuing operations.

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 . Income for interim periods may not be indicative of results for the calendar year due to weather variations and other factors.

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

2. Recent Accounting Pronouncements

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* . ASU 2015-11 replaces the current lower of cost or market test with a lower of cost or net realizable value test. The new standard applies only to inventories for which cost is determined by methods other than LIFO and the retail inventory method (RIM). NiSource is required to adopt ASU 2015-11 for periods beginning after December 15, 2016, including interim periods, with early adoption permitted. NiSource is currently evaluating the impact the adoption of ASU 2015-11 will have on the Condensed Consolidated Financial Statements (unaudited) or Notes to Condensed Consolidated Financial Statements (unaudited)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* . ASU 2014-09 outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB deferred the effective date for ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim periods. Companies are permitted to adopt ASU 2014-09 on the original effective date of the ASU. NiSource is currently evaluating the impact the adoption of ASU 2014-09 will have on its Condensed Consolidated Financial Statements (unaudited) or Notes to Condensed Consolidated Financial Statements (unaudited).

In April 2015, the FASB issued ASU 2015-05, *Intangibles - Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement.* ASU 2015-05 clarifies guidance on determining whether a cloud computing arrangement contains a software license that should be accounted for as internal-use software. NiSource is required to adopt ASU 2015-05 for periods beginning after December 15, 2015, including interim periods, and the guidance is permitted to be applied either (1) prospectively to all agreements entered into or materially modified after the effective date or (2) retrospectively, with early adoption permitted. NiSource is currently evaluating the impact the adoption of ASU 2015-05 will have on the Condensed Consolidated Financial Statements (unaudited) or Notes to Condensed Consolidated Financial Statements (unaudited).

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30) : Simplifying the Presentation of Debt Issuance Costs* . ASU 2015-03 changes the way entities present debt issuance costs in financial statements by presenting issuance costs on the balance sheet as a direct deduction from the related debt liability rather than as a deferred charge. Amortization of these costs will continue to be reported as interest expense. NiSource is required to adopt ASU 2015-03 for periods beginning after December 15, 2015, including interim periods, and the guidance is to be applied retrospectively with early adoption permitted. NiSource is currently evaluating the impact the adoption of ASU 2015-03 will have on the Condensed Consolidated Financial Statements (unaudited) or Notes to Condensed Consolidated Financial Statements (unaudited).

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

3. Earnings Per Share

Basic EPS is computed by dividing net income attributable to NiSource by the weighted-average number of shares of common stock outstanding for the period. The weighted-average shares outstanding for diluted EPS includes the incremental effects of the various long-term incentive compensation plans. The numerator in calculating both basic and diluted EPS for each period is reported net income attributable to NiSource. The computation of diluted average common shares for the three months ended September 30, 2014 is not presented since NiSource had a loss from continuing operations on the Condensed Statements of Consolidated (Loss) Income (unaudited) during the period and any incremental shares would have an antidilutive effect on EPS. The computation of diluted average common shares is as follows:

	Three Months Ended September 30,	Nine Months Ended September 30,	
(in thousands)	**2015**	**2015**	2014
Denominator			
Basic average common shares outstanding	**318,090**	**317,390**	314,889
Dilutive potential common shares:			
Stock options	**—**	**—**	30
Shares contingently issuable under employee stock plans	**—**	**—**	649
Shares restricted under stock plans [(1)]	**3,375**	**3,328**	438
Diluted Average Common Shares	**321,465**	**320,718**	316,006

[(1)] Change due to Separation-related adjustments, see Note 15, "Share-Based Compensation."

4. Discontinued Operations

On July 1, 2015, NiSource completed the Separation of CPG from NiSource through a special pro rata stock dividend, distributing one share of CPG common stock for every one share of NiSource common stock held by any NiSource stockholder on June 19, 2015, the record date. The Separation resulted in two stand-alone energy infrastructure companies: NiSource, a fully regulated natural gas and electric utilities company, and CPG, a natural gas pipeline, midstream and storage company. As a stand-alone company, CPG's operations consist of substantially all of NiSource's Columbia Pipeline Group Operations segment prior to the Separation. NiSource retained no ownership interest in CPG. On the date of the Separation, CPG consisted of approximately $9.2 billion of assets, $5.6 billion of liabilities and $3.6 billion of equity.

The results of operations and cash flows for the former Columbia Pipeline Group Operations segment have been reported as discontinued operations for all periods presented. Additionally, the assets and liabilities of the former Columbia Pipeline Group Operations segment were reclassified as assets and liabilities of discontinued operations for all prior periods.

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

Results from discontinued operations are provided in the following table. These results are primarily from NiSource's former Columbia Pipeline Group Operations segment.

	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
(in millions)	Columbia Pipeline Group Operations	Corporate and Other	Total	Columbia Pipeline Group Operations	Corporate and Other	Total
Net Revenues						
Transportation and storage revenues	$ —	$ —	$ —	$ 561.4	$ —	$ 561.4
Other revenues	—	—	—	94.3	—	94.3
Total Sales Revenues	—	—	—	655.7	—	655.7
Less: Cost of sales (excluding depreciation and amortization)	—	—	—	0.2	—	0.2
Net Revenues	—	—	—	655.5	—	655.5
Operating Expenses						
Operation and maintenance	5.5 (1)	—	5.5	374.8 (1)	—	374.8
Depreciation and amortization	—	—	—	66.4	—	66.4
Gain on sale of assets	—	—	—	(13.6)	—	(13.6)
Other taxes	—	—	—	38.0	—	38.0
Total Operating Expenses	5.5	—	5.5	465.6	—	465.6
Equity Earnings in Unconsolidated Affiliates	—	—	—	29.1	—	29.1
Operating (Loss) Income from discontinued operations	(5.5)	—	(5.5)	219.0	—	219.0
Other Income (Deductions)						
Interest expense, net	—	—	—	(37.1)	—	(37.1)
Other, net	—	—	—	7.8	(0.6)	7.2
Total Other Deductions	—	—	—	(29.3)	(0.6)	(29.9)
(Loss) Income from Discontinued Operations before Income Taxes	(5.5)	—	(5.5)	189.7	(0.6)	189.1
Income Taxes	14.2 (2)	—	14.2	80.9	(0.3)	80.6
(Loss) Income from Discontinued Operations - net of taxes	$ (19.7)	$ —	$ (19.7)	$ 108.8	$ (0.3)	$ 108.5

(1) Includes approximately $5.5 million and $54.4 million for the three and nine months ended September 30, 2015, of transaction costs related to the Separation.
(2) Primarily attributable to the write-off of consolidated state income tax benefits resulting from the Separation.

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
(in millions)	Columbia Pipeline Group Operations	Corporate and Other	Total	Columbia Pipeline Group Operations	Corporate and Other	Total
Net Revenues						
Transportation and storage revenues	$ 243.1	$ —	$ 243.1	$ 746.1	$ —	$ 746.1
Other revenues	74.5	—	74.5	260.6	—	260.6
Total Sales Revenues	317.6	—	317.6	1,006.7	—	1,006.7
Less: Cost of sales (excluding depreciation and amortization)	—	—	—	0.2	—	0.2
Net Revenues	317.6	—	317.6	1,006.5	—	1,006.5
Operating Expenses						
Operation and maintenance	202.1 [1]	—	202.1	573.3 [1]	—	573.3
Depreciation and amortization	29.2	—	29.2	87.7	—	87.7
Gain on sale of assets	(3.0)	—	(3.0)	(20.8)	—	(20.8)
Other taxes	14.6	—	14.6	50.3	—	50.3
Total Operating Expenses	242.9	—	242.9	690.5	—	690.5
Equity Earnings in Unconsolidated Affiliates	12.0	—	12.0	32.9	—	32.9
Operating Income from discontinued operations	86.7	—	86.7	348.9	—	348.9
Other Income (Deductions)						
Interest expense, net	(14.9)	—	(14.9)	(40.4)	—	(40.4)
Other, net	3.5	(0.2)	3.3	7.8	(1.0)	6.8
Total Other Deductions	(11.4)	(0.2)	(11.6)	(32.6)	(1.0)	(33.6)
Income (Loss) from Discontinued Operations before Income Taxes	75.3	(0.2)	75.1	316.3	(1.0)	315.3
Income Taxes	26.6	(0.1)	26.5	116.6	(0.4)	116.2
Income (Loss) from Discontinued Operations - net of taxes	$ 48.7	$ (0.1)	$ 48.6	$ 199.7	$ (0.6)	$ 199.1

[1] Includes approximately $9.3 million and $12.8 million for the three and nine months ended September 30, 2014, of transaction costs related to the Separation.

CPG's financing requirements prior to the private placement of senior notes on May 22, 2015 were satisfied through borrowings from NiSource Finance. Interest expense from discontinued operations primarily represents net interest charged to CPG from NiSource Finance, less AFUDC. Subsequent to May 22, 2015, interest expense from discontinued operations also includes interest incurred on CPG's private placement of $2,750.0 million of senior notes.

Continuing Involvement
Natural gas transportation and storage services provided to NiSource by CPG were $31.6 million and $105.4 million for the three and nine months ended September 30, 2015 and $31.9 million and $106.3 million for the three and nine months ended September 30, 2014. Prior to July 1, 2015, these costs were eliminated in consolidation. Beginning July 1, 2015, these costs and associated cash flows represent third-party transactions with CPG and are not eliminated in consolidation, as such services have continued subsequent to the Separation and are expected to continue for the foreseeable future.

As a result of the Separation, NiSource and CPG entered into a Transition Services Agreement (TSA). NiSource expects the TSA to terminate within 18 months from the date of the Separation. The TSA sets forth the terms and conditions for NiSource and CPG to provide certain transition services to one another. NiSource will provide CPG certain information technology, financial and accounting, human resource and other specified services. For the period July 1, 2015 to September 30, 2015, the amounts NiSource billed CPG for these services were not significant.

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

There were no assets and liabilities of discontinued operations on the Condensed Consolidated Balance Sheet (unaudited) at September 30, 2015.

The assets and liabilities of discontinued operations on the Condensed Consolidated Balance Sheet (unaudited) at December 31, 2014 were:

	December 31, 2014	
(in millions)	Columbia Pipeline Group Operations	
Current Assets		
Cash and cash equivalents	$	0.5
Accounts receivable, net		149.3
Gas inventory		4.8
Materials and supplies, at average cost		24.9
Exchange gas receivable		34.8
Regulatory assets		6.1
Deferred income taxes		57.9
Prepayments and other		63.0
Total current assets	$	341.3
Noncurrent Assets		
Net property, plant and equipment	$	4,959.7
Goodwill		1,975.5
Unconsolidated affiliates		444.3
Other investments		5.6
Regulatory assets		151.9
Deferred charges and other		9.0
Total noncurrent assets	$	7,546.0

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

(in millions)		December 31, 2014 Columbia Pipeline Group Operations
Current Liabilities		
Accounts payable	$	60.5
Customer deposits and credits		13.4
Taxes accrued		106.9
Exchange gas payable		34.7
Deferred revenue		22.2
Regulatory liabilities		1.3
Accrued liability for postretirement and postemployment benefits		0.6
Legal and environmental		1.5
Accrued capital expenditures		61.1
Other accruals		66.8
Total current liabilities	$	369.0
Noncurrent Liabilities		
Deferred income taxes	$	1,272.2
Deferred investment tax credits		0.2
Deferred credits		0.2
Accrued liability for postretirement and postemployment benefits (1)		(58.0)
Regulatory liabilities		294.2
Asset retirement obligations		23.2
Other noncurrent liabilities		84.3
Total noncurrent liabilities	$	1,616.3

(1) Represents Columbia Pipeline Group segment's overfunded position in NiSource's net underfunded other postretirement plan.

5. Asset Retirement Obligations

Certain costs of removal that have been, and continue to be, included in depreciation rates and collected in the service rates of the rate-regulated subsidiaries are classified as "Regulatory liabilities" on the Condensed Consolidated Balance Sheets (unaudited).

Changes in NiSource's liability for asset retirement obligations for the nine months ended September 30, 2015 and 2014 are presented in the table below:

(in millions)		**2015**		2014
Balance as of January 1,	$	**136.2**	$	148.1
Accretion recorded as a regulatory asset/liability		**5.9**		6.3
Additions		**6.4**		0.3
Settlements		**(4.3)**		(1.3)
Change in estimated cash flows (1)		**37.0**		(7.4)
Balance as of September 30,	$	**181.2**	$	146.0

(1) The current year change in estimated cash flows is primarily attributable to estimated costs associated with the EPA's final rule for regulation of CCRs and changes to cost estimates for certain solid waste management units. See Note 16, "Other Commitments and Contingencies," for additional information on CCRs.

ITEM 1. FINANCIAL STATEMENTS (continued)

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

6. Regulatory Matters

Gas Distribution Operations Regulatory Matters

Significant Rate Developments . On November 25, 2014, Columbia of Ohio filed a Notice of Intent to file an application to adjust rates associated with its IRP and DSM Riders. Columbia of Ohio filed its Application on February 27, 2015, and requested authority to increase revenues by $24.7 million . On March 26, 2015, PUCO Staff filed Comments recommending that the PUCO approve Columbia of Ohio's application in full. On April 22, 2015, the PUCO issued an Order that approved Columbia of Ohio's application. New rates went into effect on May 1, 2015.

On March 19, 2015, Columbia of Pennsylvania filed a base rate case with the Pennsylvania PUC, seeking a revenue increase of $46.2 million annually. The case is driven by Columbia of Pennsylvania's capital investment program which exceeds $197.0 million in 2015 and $211.0 million in 2016 as well as costs to train and comply with pipeline safety-related operation and maintenance expenditures. Columbia of Pennsylvania's request for rate relief includes the recovery of costs that are projected to be incurred after the implementation of new rates, as authorized by the Pennsylvania General Assembly with the passage of Act 11 of 2012. On August 27, 2015, the parties to the case filed a joint petition for approval of a settlement that features an annual revenue increase of $28.0 million . New rates are expected to go into effect during the fourth quarter of 2015.

On April 16, 2015, Columbia of Massachusetts filed a base rate case with the Massachusetts DPU. The case, which sought increased annual revenues of approximately $49.0 million , was designed to support Columbia of Massachusetts' continued focus on providing safe and reliable service in compliance with increasing state and federal regulations and oversight, and recovery of associated increased operations and maintenance costs. Columbia of Massachusetts arrived at a settlement agreement with the Massachsuetts Attorney General in the case which was filed for approval with the Massachusetts DPU on August 19, 2015 and approved on October 7, 2015. The settlement agreement provides for increased annual revenues of $32.8 million beginning November 1, 2015, with an additional $3.6 million annual increase in revenues starting November 1, 2016. The settlement also provides that Columbia of Massachusetts cannot increase base distribution rates to become effective prior to November 1, 2018.

On April 30, 2014, Columbia of Virginia filed a base rate case with the VSCC seeking an annual revenue increase of $31.8 million . New rates went into effect in October 2014, subject to refund. On December 10, 2014, Columbia of Virginia presented at hearing a Stipulation and Proposed Recommendation ("Stipulation") executed by certain parties to the rate proceeding that included a base revenue increase of $25.2 million including recovery of costs related to the implementation of pipeline safety programs. On March 30, 2015, the VSCC issued an Order Remanding for Further Action approving the revenue increase of $25.2 million contained in the Stipulation, but remanding for further proceedings the single issue of the manner in which fixed costs were to be assigned to the fixed customer charges of each rate class. Following a hearing, the VSCC on August 21, 2015 issued a Final Order resolving the fixed customer charge and allowing Columbia of Virginia to implement new rates.

Cost Recovery and Trackers . A significant portion of the NiSource distribution companies' revenue is related to the recovery of gas costs, the review and recovery of which occur via standard regulatory proceedings. All states require periodic review of actual gas procurement activity to determine prudence and to permit the recovery of prudently incurred costs related to the supply of gas for customers. NiSource distribution companies have historically been found prudent in the procurement of gas supplies to serve customers.

Certain operating costs of the NiSource distribution companies are significant, recurring in nature, and generally outside the control of the distribution companies. Some states allow the recovery of such costs via cost tracking mechanisms. Such tracking mechanisms allow for abbreviated regulatory proceedings in order for the distribution companies to implement charges and recover appropriate costs. Tracking mechanisms allow for more timely recovery of such costs as compared with more traditional cost recovery mechanisms. Examples of such tracking mechanisms include GCR adjustment mechanisms, tax riders, and bad debt recovery mechanisms.

Comparability of Gas Distribution Operations line item operating results is impacted by regulatory trackers that allow for the recovery in rates of certain costs such as bad debt expense. Increases in the expenses that are the subject of trackers, result in a corresponding increase in net revenues and therefore have essentially no impact on total operating income results.

Certain of the NiSource distribution companies have completed rate proceedings involving infrastructure replacement or are embarking upon regulatory initiatives to replace significant portions of their operating systems that are nearing the end of their

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

useful lives. Each LDC's approach to cost recovery may be unique, given the different laws, regulations and precedent that exist in each jurisdiction.

NIPSCO has approval from the IURC to recover certain costs for gas transmission, distribution and storage system improvements. On February 27, 2015, NIPSCO filed gas TDSIC-2 which included $43.3 million of net capital expenditures for the period ended December 31, 2014. Given the Indiana Court of Appeals decision in NIPSCO's electric TDSIC filing (for further information, see "Electric Operations Regulatory Matters" below), NIPSCO elected to dismiss its TDSIC-2 filing in favor of supplying further detailed plan updates in the next proceeding, TDSIC-3. On August 31, 2015, NIPSCO filed TDSIC-3 which included $75.2 million of net capital expenditures for the period ended June 30, 2015. An order is expected in the first quarter of 2016.

Electric Operations Regulatory Matters

Significant Rate Developments . On July 19, 2013, NIPSCO filed its electric TDSIC with the IURC. The filing included the seven-year plan of eligible investments for a total of approximately $1.1 billion with the majority of the spend occurring in years 2016 through 2020. On February 17, 2014, the IURC issued an order approving NIPSCO's seven-year plan of eligible investments. The order also granted NIPSCO ratemaking relief associated with the eligible investments through a rate adjustment mechanism. The NIPSCO Industrial Group and the OUCC filed Notices of Appeal with the Indiana Court of Appeals in response to the IURC's ruling. On November 25, 2014, NIPSCO's requested TDSIC factors were approved on an interim basis and subject to refund, pending the outcome of the appeals of the IURC's February 17, 2014 Orders. On April 8, 2015, the Court of Appeals issued an order concluding that the IURC erred in approving NIPSCO's seven-year plan given its lack of detail regarding the projects for years two through seven. The court then remanded the decision to the IURC. On May 26, 2015, NIPSCO filed a settlement on remand which, among other things, requires NIPSCO to file an electric base rate case proceeding by December 31, 2015 and a new seven-year electric TDSIC plan following the filing of its next general rate case proceeding. The settlement agreement was rejected by the IURC on September 23, 2015. The settling parties filed a Petition for Rehearing on September 29, 2015 and were granted a rehearing which was held on October 28, 2015.

On October 1, 2015, NIPSCO filed an electric base rate case with the IURC, seeking a revenue increase of approximately $148.0 million . As part of this filing, NIPSCO is proposing to update base rates for previously incurred infrastructure improvements, revised depreciation rates, and the inclusion of previously approved environmental and federally mandated compliance costs. A prehearing conference was held on October 29, 2015 and a final order is anticipated in the second half of 2016.

Cost Recovery and Trackers . A significant portion of NIPSCO's revenue is related to the recovery of fuel costs to generate power and the fuel costs related to purchased power. These costs are recovered through a FAC, a standard, quarterly, "summary" regulatory proceeding in Indiana.

Certain operating costs of the Electric Operations are significant, recurring in nature, and generally outside the control of NIPSCO. The IURC allows for recovery of such costs via cost tracking mechanisms. Such tracking mechanisms allow for abbreviated regulatory proceedings in order for NIPSCO to implement charges and recover appropriate costs. Tracking mechanisms allow for more timely recovery of such costs as compared with more traditional cost recovery mechanisms. Examples of such mechanisms include electric energy efficiency programs, MISO non-fuel costs and revenues, resource capacity charges, and environmental related costs.

NIPSCO has approval from the IURC to recover certain environmental related costs through an ECT. Under the ECT, NIPSCO is permitted to recover (1) AFUDC and a return on the capital investment expended by NIPSCO to implement environmental compliance plan projects through an ECRM and (2) related operation and maintenance and depreciation expenses once the environmental facilities become operational through an EERM.

On October 21, 2015, the IURC issued an order on ECR-26 approving NIPSCO's request to begin earning a return on $776.5 million of net capital expenditures for the period ended June 30, 2015. The order also approved a revised capital cost estimate of $255.3 million for its Phase III multi-pollutant compliance plan projects related to the Michigan City Unit 12 FGD, a decrease from the previous IURC approved cost estimate of $264.8 million .

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

7. Fair Value

A. Fair Value Measurements

Recurring Fair Value Measurements. The following tables present financial assets and liabilities measured and recorded at fair value on NiSource's Condensed Consolidated Balance Sheets (unaudited) on a recurring basis and their level within the fair value hierarchy as of September 30, 2015 and December 31, 2014 :

Recurring Fair Value Measurements September 30, 2015 *(in millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2015
Assets				
Price risk management assets:				
Commodity financial price risk programs	$ 0.1	$ —	$ —	$ 0.1
Available-for-sale securities	34.0	101.4	—	135.4
Total	**$ 34.1**	**$ 101.4**	**$ —**	**$ 135.5**
Liabilities				
Price risk management liabilities:				
Commodity financial price risk programs	$ 16.3	$ —	$ 0.6	$ 16.9
Total	**$ 16.3**	**$ —**	**$ 0.6**	**$ 16.9**

Recurring Fair Value Measurements December 31, 2014 *(in millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2014
Assets				
Price risk management assets:				
Commodity financial price risk programs	$ 0.1	$ —	$ —	$ 0.1
Available-for-sale securities	28.4	103.5	—	131.9
Total	**$ 28.5**	**$ 103.5**	**$ —**	**$ 132.0**
Liabilities				
Price risk management liabilities:				
Commodity financial price risk programs	$ 14.2	$ —	$ 0.1	$ 14.3
Total	**$ 14.2**	**$ —**	**$ 0.1**	**$ 14.3**

Price risk management assets and liabilities primarily include NYMEX futures and NYMEX options which are commodity exchange-traded and non-exchange-based derivative contracts. Exchange-traded derivative contracts are based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore nonperformance risk has not been incorporated into these valuations. Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, these instruments may utilize models to measure fair value. NiSource uses a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability, and market-corroborated inputs, (i.e., inputs derived principally from or corroborated by observable market data by correlation or other means). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3. Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements which reduce exposures. As of September 30, 2015

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

and December 31, 2014 , there were no material transfers between fair value hierarchies. Additionally, there were no changes in the method or significant assumptions used to estimate the fair value of NiSource's financial instruments.

Commodity price risk resulting from derivative activities at NiSource's rate-regulated subsidiaries is limited, since regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the ratemaking process, including gains or losses on these derivative instruments. If states should explore additional regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional ratemaking process and may be more exposed to commodity price risk. Some of NiSource's rate-regulated utility subsidiaries offer commodity price risk products to its customers for which derivatives are used to hedge forecasted customer usage under such products. These subsidiaries do not have regulatory recovery orders for these products and are subject to gains and losses recognized in earnings due to hedge ineffectiveness.

Available-for-sale securities are investments pledged as collateral for trust accounts related to NiSource's wholly-owned insurance company. Available-for-sale securities are included within "Other investments" in the Condensed Consolidated Balance Sheets (unaudited). Securities classified within Level 1 include U.S. Treasury debt securities which are highly liquid and are actively traded in over-the-counter markets. NiSource values corporate and mortgage-backed debt securities using a matrix pricing model that incorporates market-based information. These securities trade less frequently and are classified within Level 2. Total unrealized gains and losses from available-for-sale securities are included in other comprehensive income (loss). The amortized cost, gross unrealized gains and losses and fair value of available-for-sale debt securities at September 30, 2015 and December 31, 2014 were:

September 30, 2015 *(in millions)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities				
U.S. Treasury securities	$ 33.8	$ 0.3	$ —	$ 34.1
Corporate/Other bonds	101.0	0.7	(0.4)	101.3
Total Available-for-sale debt securities	**$ 134.8**	**$ 1.0**	**$ (0.4)**	**$ 135.4**

December 31, 2014 *(in millions)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities				
U.S. Treasury securities	$ 30.8	$ 0.3	$ (0.2)	$ 30.9
Corporate/Other bonds	100.6	1.0	(0.6)	101.0
Total Available-for-sale debt securities	**$ 131.4**	**$ 1.3**	**$ (0.8)**	**$ 131.9**

For the three months ended September 30, 2015 and 2014 , the net realized gain on the sale of available-for-sale U.S. Treasury debt securities was $0.1 million and zero , respectively. For the three months ended September 30, 2015 and 2014 , the net realized gain on the sale of available-for-sale Corporate/Other bond debt securities was $0.2 million and $0.1 million , respectively.

For the nine months ended September 30, 2015 and 2014, the net realized gain on sale of available-for-sale U.S. Treasury debt securities was $0.2 million and $0.1 million , respectively. For the nine months ended September 30, 2015 and 2014, the net realized gain on the sale of available-for-sale Corporate/Other bond debt securities was $0.3 million for each period.

The cost of maturities sold is based upon specific identification. At September 30, 2015 , approximately $2.2 million of U.S. Treasury debt securities have maturities of less than a year while the remaining securities have maturities of greater than one year. At September 30, 2015 , approximately $8.7 million of Corporate/Other bonds have maturities of less than a year while the remaining securities have maturities of greater than one year.

There are no material items in the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the three and nine months ended September 30, 2015 and 2014 .

Non-recurring Fair Value Measurements. There were no significant non-recurring fair value measurements recorded during the nine months ended September 30, 2015 .

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B. Other Fair Value Disclosures for Financial Instruments. The carrying amount of cash and cash equivalents, restricted cash, notes receivable, customer deposits and short-term borrowings is a reasonable estimate of fair value due to their liquid or short-term nature. NiSource's long-term borrowings are recorded at historical amounts.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value.

Long-term Debt. The fair values of these securities are estimated based on the quoted market prices for the same or similar securities. Certain premium costs associated with the early settlement of long-term debt are not taken into consideration in determining fair value. These fair value measurements are classified as Level 2 within the fair value hierarchy. For the nine months ended September 30, 2015 and 2014 , there were no changes in the method or significant assumptions used to estimate the fair value of the financial instruments.

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

(in millions)	**Carrying Amount as of September 30, 2015**	**Estimated Fair Value as of September 30, 2015**	Carrying Amount as of Dec. 31, 2014	Estimated Fair Value as of Dec. 31, 2014
Long-term debt (including current portion)	**$ 6,576.1**	**$ 7,286.7**	$ 8,422.5	$ 9,505.7

8. Transfers of Financial Assets

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term borrowings on the Condensed Consolidated Balance Sheets (unaudited). The maximum amount of debt that can be recognized related to NiSource's accounts receivable programs is $515 million .

All accounts receivables sold to the purchasers are valued at face value, which approximates fair value due to their short-term nature. The amount of the undivided percentage ownership interest in the accounts receivables sold is determined in part by required loss reserves under the agreements. Below is information about the accounts receivable securitization agreements entered into by NiSource's subsidiaries.

Columbia of Ohio is under an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CGORC, a wholly-owned subsidiary of Columbia of Ohio. CGORC, in turn, is party to an agreement with BTMU and BNS, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to commercial paper conduits sponsored by BTMU and BNS. T his agreement was last renewed on October 16, 2015; the current agreement expires on October 15, 2016 and can be further renewed if mutually agreed to by all parties. The maximum seasonal program limit under the terms of the current agreement is $240 million . As of September 30, 2015 , $60.0 million of accounts receivable had been transferred by CGORC. CGORC is a separate corporate entity from NiSource and Columbia of Ohio, with its own separate obligations, and upon a liquidation of CGORC, CGORC's obligations must be satisfied out of CGORC's assets prior to any value becoming available to CGORC's stockholder.

NIPSCO is under an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to NARC, a wholly-owned subsidiary of NIPSCO. NARC, in turn, is party to an agreement with PNC and Mizuho under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to PNC and a commercial paper conduit sponsored by Mizuho. This agreement was last renewed on August 26, 2015; the current agreement expires on August 24, 2016 and can be further renewed if mutually agreed to by all parties. The maximum seasonal program limit under the terms of the current agreement is $200 million . As of September 30, 2015 , $37.2 million of accounts receivable had been transferred by NARC. NARC is a separate corporate entity from NiSource and NIPSCO, with its own separate obligations, and upon a liquidation of NARC, NARC's obligations must be satisfied out of NARC's assets prior to any value becoming available to NARC's stockholder.

Columbia of Pennsylvania is under an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CPRC, a wholly-owned subsidiary of Columbia of Pennsylvania. CPRC, in turn, is party to an agreement with BTMU under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to a commercial paper conduit sponsored by BTMU. The agreement with BTMU was last renewed on March 10, 2015, having a current scheduled termination date of March 9, 2016 and can be further renewed if mutually agreed to by both parties. The maximum seasonal program limit

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

under the terms of the agreement is $75 million . As of September 30, 2015 , $10.0 million of accounts receivable had been transferred by CPRC. CPRC is a separate corporate entity from NiSource and Columbia of Pennsylvania, with its own separate obligations, and upon a liquidation of CPRC, CPRC's obligations must be satisfied out of CPRC's assets prior to any value becoming available to CPRC's stockholder.

The following table reflects the gross and net receivables transferred as well as short-term borrowings related to the securitization transactions as of September 30, 2015 and December 31, 2014 for Columbia of Ohio, NIPSCO and Columbia of Pennsylvania:

(in millions)	**September 30, 2015**	December 31, 2014
Gross Receivables	$ **347.9**	$ 611.7
Less: Receivables not transferred	**240.7**	327.4
Net receivables transferred	$ **107.2**	$ 284.3
Short-term debt due to asset securitization	$ **107.2**	$ 284.3

Columbia of Ohio, NIPSCO and Columbia of Pennsylvania remain responsible for collecting on the receivables securitized and the receivables cannot be sold to another party.

9. Goodwill

The following presents NiSource's goodwill balance allocated by segment as of September 30, 2015:

(in millions)	Gas Distribution Operations	Electric Operations	Corporate and Other	**Total**
Goodwill	$ 1,690.7	$ —	$ —	$ **1,690.7**

Goodwill previously allocated to the Columbia Pipeline Group Operations segment was disposed of in conjunction with the Separation. For prior periods, such balances are presented within "Assets of discontinued operations" on the Condensed Consolidated Balance Sheets (unaudited). There were no other changes to the goodwill balance during 2015.

10. Income Taxes

The effective tax rates for the three months ended September 30, 2015 and 2014 were 28.2% and 3.9% , respectively. The effective tax rates for the nine months ended September 30, 2015 and 2014 were 35.8% and 38.7% , respectively. These effective tax rates differ from the Federal tax rate of 35% primarily due to the effects of tax credits, state income taxes, utility ratemaking, and other permanent book-to-tax differences.

NiSource's interim effective tax rates reflect the estimated annual effective tax rates for 2015 and 2014, adjusted for tax expense associated with certain discrete items. The increase in the three month effective tax rate of 24.3% in 2015 versus 2014 is primarily due to the cumulative effect of an estimated annual effective tax rate adjustment resulting from estimated state apportionment changes and other permanent items. The tax rate adjustment in 2015 resulted in a $1.9 million reduction of income tax expense while the 2014 tax rate adjustment resulted in an increase of $4.5 million of income tax expense.

The decrease in the year-to-date effective tax rate of 2.9% is primarily due to the impact of the Indiana tax rate change recorded in 2014.

There were no material changes recorded in the third quarter of 2015 to NiSource's uncertain tax positions as of December 31, 2014 .

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

11. Pension and Other Postretirement Benefits

NiSource provides defined contribution plans and noncontributory defined benefit retirement plans that cover its employees. Benefits under the defined benefit retirement plans reflect the employees' compensation, years of service and age at retirement. Additionally, NiSource provides health care and life insurance benefits for certain retired employees. The majority of employees may become eligible for these benefits if they reach retirement age while working for NiSource. The expected cost of such benefits is accrued during the employees' years of service. Current rates of rate-regulated companies include postretirement benefit costs, including amortization of the regulatory assets that arose prior to inclusion of these costs in rates. For most plans, cash contributions are remitted to grantor trusts.

For the nine months ended September 30, 2015 , NiSource contributed $2.0 million to its pension plans and $18.3 million to its other postretirement benefit plans.

The following tables provide the components of the plans' net periodic benefits cost for the three and nine months ended September 30, 2015 and 2014 :

	Pension Benefits		Other Postretirement Benefits	
Three Months Ended September 30, *(in millions)*	**2015**	2014	**2015**	2014
Components of Net Periodic Benefit Cost				
Service cost	**$ 7.9**	$ 7.5	**$ 1.4**	$ 1.7
Interest cost	**22.8**	23.8	**6.2**	5.9
Expected return on assets	**(37.3)**	(39.3)	**(5.6)**	(5.1)
Amortization of prior service cost (credit)	**0.1**	0.3	**(1.1)**	(1.4)
Recognized actuarial loss	**13.8**	10.2	**0.7**	0.2
Total Net Periodic Benefit Cost	**$ 7.3**	$ 2.5	**$ 1.6**	$ 1.3

	Pension Benefits		Other Postretirement Benefits	
Nine Months Ended September 30, *(in millions)*	**2015**	2014	**2015**	2014
Components of Net Periodic Benefit Cost				
Service cost	**$ 24.3**	$ 22.5	**$ 4.5**	$ 5.7
Interest cost	**67.0**	71.4	**17.8**	19.5
Expected return on assets	**(117.7)**	(117.9)	**(15.6)**	(15.1)
Amortization of prior service cost (credit)	**0.3**	0.9	**(3.9)**	(2.9)
Recognized actuarial loss	**41.6**	30.6	**2.8**	0.2
Total Net Periodic Benefit Cost	**$ 15.5**	$ 7.5	**$ 5.6**	$ 7.4

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

As of July 1, 2015, certain NiSource pension and other postretirement benefit plans were remeasured to account for the Separation of CPG. The remeasurement resulted in an increase to the pension benefit obligation, net of plan assets, of $22.2 million , and net increases to regulatory assets and accumulated other comprehensive loss of $21.1 million and $1.1 million , respectively. Net periodic pension benefit cost for the remainder of 2015 increased by $6.4 million as a result of the remeasurement.

The other postretirement benefits obligation, net of plan assets, decreased by $43.6 million as a result of the remeasurement. Additionally, the remeasurement resulted in a decrease to regulatory assets of $34.8 million , an increase to regulatory liabilities of $8.1 million and a decrease to accumulated other comprehensive loss of $0.7 million . Net periodic other postretirement benefit cost for the remainder of 2015 decreased by $0.8 million as a result of the remeasurement.

The following table provides the key assumptions that were used to calculate the pension and other postretirement benefits obligation and the net periodic benefit cost at the measurement dates of July 1, 2015 and December 31, 2014.

	Pension Benefits		**Other Postretirement Benefits**	
	July 1, 2015	December 31, 2014	**July 1, 2015**	December 31, 2014
Actuarial Assumptions				
Discount Rate	**4.19%**	3.81%	**4.31%**	3.94%
Expected return on assets	**8.30%**	8.30%	**8.15%**	8.14%
Health Care Trend Rates				
Trend for 2015	—	—	**8.76%**	6.90%
Ultimate Trend	—	—	**4.50%**	4.50%
Year Ultimate Trend Reached	—	—	**2022**	2021

12. Variable Interests and Variable Interest Entities

In general, a VIE is an entity (1) that has an insufficient amount of at-risk equity to permit the entity to finance its activities without additional financial subordinated support provided by any parties, (2) whose at-risk equity owners, as a group, do not have power, through voting rights or similar rights, to direct activities of the entity that most significantly impact the entity's economic performance or (3) whose at-risk owners do not absorb the entity's losses or receive the entity's residual return. A VIE is required to be consolidated by a company if that company is determined to be the primary beneficiary of the VIE.

NiSource consolidates those VIEs for which it is the primary beneficiary. NiSource considers quantitative and qualitative elements in determining the primary beneficiary. Qualitative measures include the ability to control an entity and the obligation to absorb losses or the right to receive benefits from such entity.

NiSource's analysis includes an assessment of guarantees, operating leases, purchase agreements, and other contracts, as well as its investments and joint ventures. For items that have been identified as variable interests, or where there is involvement with an identified VIE, an in-depth review of the relationship between the relevant entities and NiSource is made to evaluate qualitative and quantitative factors to determine the primary beneficiary, if any, and whether additional disclosures would be required under the current standard.

NIPSCO has a service agreement with Pure Air, a general partnership between Air Products and Chemicals, Inc. and First Air Partners LP, under which Pure Air provides scrubber services to reduce sulfur dioxide emissions for Units 7 and 8 at the Bailly Generating Station. NiSource has made an exhaustive effort to obtain information needed from Pure Air to determine the status of Pure Air as a VIE. However, NIPSCO has not been able to obtain this information and, as a result, it is unclear whether Pure Air is a VIE and if NIPSCO is the primary beneficiary. NIPSCO will continue to request the information required to determine whether Pure Air is a VIE. NIPSCO has no exposure to loss related to the service agreement with Pure Air. Payments under this agreement were $16.5 million and $17.0 million for the nine months ended September 30, 2015 and 2014 , respectively.

13. Long-Term Debt

Prior to the Separation, CPG closed its placement of $2,750.0 million in aggregate principal amount of its senior notes. Using the proceeds from this offering, CPG made cash payments to NiSource representing the settlement of inter-company borrowings and the payment of a one-time special dividend.

In May 2015, using proceeds from the cash payments from CPG, NiSource Finance settled its two bank term loans in the amount of $1,075.0 million and executed a tender offer for $750.0 million consisting of a combination of its 5.25% notes due 2017 , 6.40% notes due 2018 and 4.45% notes due 2021 . In conjunction with the debt retired, NiSource Finance recorded a $97.2 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums.

14. Short-Term Borrowings

During the third quarter of 2015, NiSource Finance maintained a $1.5 billion revolving credit facility with a syndicate of banks led by Barclays Capital with a termination date of July 1, 2020 . The purpose of the facility is to fund ongoing working capital requirements including the provision of liquidity support for NiSource Finance's $1.5 billion commercial paper program, provide for issuance of letters of credit and also for general corporate purposes. At September 30, 2015 , NiSource had no outstanding borrowings under this facility.

NiSource Finance's commercial paper program has a program limit of up to $1.5 billion with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. At September 30, 2015 , NiSource had no commercial paper outstanding.

As of September 30, 2015 , NiSource had $14.7 million of stand-by letters of credit outstanding all of which were under the revolving credit facility. At December 31, 2014 , NiSource had $30.9 million of stand-by letters of credit outstanding of which $14.7 million were under the revolving credit facility.

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term borrowings on the Condensed Consolidated Balance Sheets (unaudited) in the amount of $107.2 million and $284.3 million as of September 30, 2015 and December 31, 2014 , respectively. Refer to Note 8, "Transfers of Financial Assets," for additional information.

(in millions)		**September 30, 2015**		December 31, 2014
Commercial Paper weighted average interest rate of 0.82% at December 31, 2014	$	—	$	792.6
Credit facilities borrowings weighted average interest rate of 1.44% at December 31, 2014		—		500.0
Accounts receivable securitization facility borrowings		**107.2**		284.3
Total Short-Term Borrowings	**$**	**107.2**	$	1,576.9

Given their turnover is less than 90 days, cash flows related to the borrowings and repayments of the items listed above are presented net in the Condensed Statements of Consolidated Cash Flows (unaudited).

15. Share-Based Compensation

The NiSource stockholders originally approved and adopted the NiSource Inc. 2010 Omnibus Incentive Plan ("Omnibus Plan") at the Annual Meeting of Stockholders held on May 11, 2010. Stockholders re-approved the Omnibus Plan as amended at the Annual Meeting of Stockholders held on May 12, 2015. The Omnibus Plan provides for awards to employees and non-employee directors of incentive and nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards and supersedes the long-term incentive plan approved by stockholders on April 13, 1994 ("1994 Plan") and the Director Stock Incentive Plan ("Director Plan"). The Omnibus Plan provides that the number of shares of common stock of NiSource available for awards is 8,000,000 plus the number of shares subject to outstanding awards that expire or terminate for any reason that were granted under either the 1994 Plan or the Director Plan, plus the number of shares that were awarded as a result of the Separation-related adjustments described below. At September 30, 2015 , there were 5,705,683 shares reserved for future awards under the Omnibus Plan.

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NiSource recognized stock-based employee compensation expense of $4.2 million and $14.2 million for the three months ended September 30, 2015 and 2014 , respectively, as well as related tax benefits of $1.5 million and $5.5 million , respectively. For the nine months ended September 30, 2015 and 2014 , stock-based employee compensation expense of $15.1 million and $24.1 million was recognized, respectively, as well as related tax benefits of $5.4 million and $9.3 million , respectively.

As of September 30, 2015 , the total remaining unrecognized compensation cost related to non-vested awards amounted to $15.8 million , which will be amortized over the weighted-average remaining requisite service period of 1.8 years .

Restricted Stock Units and Restricted Stock. During the nine months ended September 30, 2015 , NiSource granted 660,230 restricted stock units and shares of restricted stock, subject to service conditions. The total grant date fair value of restricted stock units and shares of restricted stock was $23.9 million , based on the average market price of NiSource's common stock at the date of each grant less the present value of any dividends not received during the vesting period, which will be expensed, net of forfeitures, over the vesting period which is generally three years. As of September 30, 2015 , 967,191 non-vested (all of which are expected to vest) restricted stock units and shares of restricted stock were granted and outstanding.

401(k) Match, Profit Sharing and Company Contribution. NiSource has a voluntary 401(k) savings plan covering eligible employees that allows for periodic discretionary matches as a percentage of each participant's contributions payable in shares of common stock. NiSource also has a retirement savings plan that provides for discretionary profit sharing contributions payable in shares of common stock to eligible employees based on earnings results; and eligible exempt employees hired after January 1, 2010, receive a non-elective company contribution of 3% of eligible pay payable in shares of NiSource common stock. For the quarters ended September 30, 2015 and 2014 , NiSource recognized 401(k) match, profit sharing and non-elective contribution expense of $4.8 million and $7.7 million , respectively. For the nine months ended September 30, 2015 and 2014, NiSource recognized 401(k) match, profit sharing and non-elective contribution expenses of $19.0 million and $20.3 million , respectively.

Separation-related Adjustments. Pursuant to the terms of the Employee Matters Agreement, effective July 1, 2015, between NiSource and CPG, the Compensation Committee of the Board of Directors of NiSource Inc. approved an adjustment to outstanding awards granted under the Omnibus Plan in order to preserve the intrinsic aggregate value of such awards immediately before the Separation. The Separation-related adjustments did not have a material impact on either compensation expense or the potentially dilutive securities to be considered in the calculation of diluted earnings per share of common stock.

16. Other Commitments and Contingencies

A. Guarantees and Indemnities. As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. The total guarantees and indemnities in existence at September 30, 2015 and the years in which they expire were:

(in millions)	Total	2015	2016	2017	2018	2019	After
Guarantees of subsidiaries debt	$ 6,135.5	$ 230.0	$ 291.5	$ 267.4	$ 476.0	$ 500.0	$ 4,370.6
Accounts receivable securitization	107.2	107.2	—	—	—	—	—
Letters of credit	14.7	—	14.7	—	—	—	—
Other guarantees	54.9	—	—	—	—	1.7	53.2
Total commercial commitments	$ 6,312.3	$ 337.2	$ 306.2	$ 267.4	$ 476.0	$ 501.7	$ 4,423.8

Guarantees of Subsidiaries Debt. NiSource has guaranteed the payment of $6,135.5 million of debt for various wholly-owned subsidiaries including NiSource Finance and Columbia of Massachusetts, and through a support agreement for Capital Markets, which is reflected on NiSource's Condensed Consolidated Balance Sheets (unaudited). The subsidiaries are required to comply with certain covenants under the debt indenture and in the event of default, NiSource would be obligated to pay the debt's principal and related interest. NiSource does not anticipate its subsidiaries will have any difficulty maintaining compliance. On October 3, 2011, NiSource executed a Second Supplemental Indenture to the original Columbia of Massachusetts Indenture dated April 1, 1991, for the specific purpose of guaranteeing Columbia of Massachusetts' outstanding unregistered medium-term notes.

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

Lines and Letters of Credit and Accounts Receivable Advances. During the third quarter of 2015, NiSource Finance maintained a $1.5 billion revolving credit facility with a syndicate of banks led by Barclays Capital with a termination date of July 1, 2020 . The purpose of the facility is to fund ongoing working capital requirements including the provision of liquidity support for NiSource's $1.5 billion commercial paper program, provide for issuance of letters of credit, and also for general corporate purposes.

At September 30, 2015 , NiSource had no borrowings under its five-year revolving credit facility, no commercial paper outstanding and $107.2 million outstanding under its accounts receivable securitization agreements. At September 30, 2015 , NiSource had issued stand-by letters of credit of approximately $14.7 million for the benefit of third parties. See Note 14, "Short-Term Borrowings," for additional information.

B. Legal Proceedings. The Company is party to certain claims and legal proceedings arising in the ordinary course of business, none of which is deemed to be individually material at this time. Due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's results of operations, financial position or liquidity. It is possible that if one or more of such matters were decided against the Company, the effects could be material to the Company's results of operations in the period in which the Company would be required to record or adjust the related liability and could also be material to the Company's cash flows in the periods the Company would be required to pay such liability.

C. Environmental Matters. NiSource operations are subject to environmental statutes and regulations related to air quality, water quality, hazardous waste and solid waste. NiSource believes that it is in substantial compliance with those environmental regulations currently applicable to its operations.

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

As of September 30, 2015 and December 31, 2014 , NiSource had recorded an accrual of approximately $125.4 million and $126.6 million , respectively, to cover environmental remediation at various sites. The current portion of this accrual is included in "Legal and environmental" in the Condensed Consolidated Balance Sheets (unaudited). The noncurrent portion is included in "Other noncurrent liabilities" in the Condensed Consolidated Balance Sheets (unaudited). NiSource accrues for costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated. The original estimates for cleanup may differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including currently enacted laws and regulations, the nature and extent of contamination, the method of cleanup and the availability of cost recovery from customers. These expenditures are not currently estimable at some sites. NiSource periodically adjusts its accrual as information is collected and estimates become more refined.

Air

The actions listed below could require further reductions in emissions from various emission sources. NiSource will continue to closely monitor developments in these matters.

Climate Change. Future legislative and regulatory programs could significantly restrict emissions of GHGs or could impose a cost or tax on GHG emissions.

National Ambient Air Quality Standards. The CAA requires the EPA to set NAAQS for particulate matter and five other pollutants considered harmful to public health and the environment. Periodically, the EPA imposes new or modifies existing NAAQS. States that contain areas that do not meet the new or revised standards must take steps to maintain or achieve compliance with the standards. These steps could include additional pollution controls on boilers, engines, turbines and other facilities owned by electric generation and gas distribution operations.

The following NAAQS were recently added or modified:

Ozone: On October 1, 2015, the EPA issued a pre-publication final rule to lower the 8-hour ozone standard from 75 ppb to 70 ppb. After the EPA proceeds with designations, areas where NiSource operates that are currently designated as attainment may be re-classified as non-attainment. NiSource will continue to monitor this matter and cannot estimate its impact at this time.

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

Waste
NiSource subsidiaries are potentially responsible parties at waste disposal sites under the CERCLA (commonly known as Superfund) and similar state laws. Additionally, NiSource affiliates have retained environmental liabilities, including cleanup liabilities, associated with certain former operations.

A program has been instituted to identify and investigate former MGP sites where Gas Distribution Operations subsidiaries or predecessors may have liability. The program has identified 64 such sites where liability is probable. Remedial actions at many of these sites are being overseen by state or federal environmental agencies through consent agreements or voluntary remediation agreements.

NiSource utilizes a probabilistic model to estimate its future remediation costs related to its MGP sites. The model was prepared with the assistance of a third-party and incorporates NiSource and general industry experience with remediating MGP sites. NiSource completes an annual refresh of the model in the second quarter of each fiscal year. No material changes to the estimated future remediation costs were noted as a result of the refresh completed as of June 30, 2015. The total estimated liability at NiSource related to the facilities subject to remediation was $112.6 million and $121.5 million at September 30, 2015 and December 31, 2014 , respectively. The liability represents NiSource's best estimate of the probable cost to remediate the facilities. NiSource believes that it is reasonably possible that remediation costs could vary by as much as $25 million in addition to the costs noted above. Remediation costs are estimated based on the best available information, applicable remediation standards at the balance sheet date, and experience with similar facilities.

Additional Issues Related to Individual Business Segments
The sections below describe various regulatory actions that affect individual business segments for which NiSource has retained a liability.

Electric Operations.

Air
NIPSCO is subject to a number of air-quality mandates in the next several years. The mandates, which include the NSR Consent Decree, the Utility Mercury and Air Toxics Standards Rule (MATS), and the Clean Power Plan (CPP), require or may require NIPSCO to make capital improvements to its electric generating stations. The cost of capital improvements associated with the NSR Consent Decree and MATS is estimated to be $860 million , of which approximately $41.8 million remains to be spent. The cost to comply with the CPP cannot be estimated at this time. NIPSCO believes that the capital costs are probable of recovery from customers.

Utility Mercury and Air Toxics Standards Rule: On December 16, 2011, the EPA finalized the MATS rule establishing new emissions limits for mercury and other air toxics. NIPSCO's affected units have completed projects to meet the April 2015 compliance deadline. For NIPSCO's remaining affected units, a one-year compliance extension granted by IDEM delays the compliance date until April 2016. NIPSCO continues to implement an IURC-approved plan for the installation of additional environmental controls needed to comply with the MATS extension. On June 29, 2015, the United States Supreme Court remanded the MATS rule back to the United States Court of Appeals for the District of Columbia Circuit for further proceedings. The MATS rule remains in effect until the Court of Appeals issues a ruling. The timing for resolving the process is unclear at this time. NIPSCO will continue to monitor developments in this matter.

Clean Power Plan : On October 23, 2015, the EPA issued a final rule to regulate CO_2 emissions from existing fossil-fuel EGUs under section 111(d) of the CAA. The final rule establishes national CO_2 emission rate standards that are applied to each state's mix of affected EGUs to establish a state-specific emission rate and mass emission limits. The final rule requires each state to submit a plan indicating how the state will meet the EPA's emission rate or mass emission limit, including possibly imposing reduction obligations on specific units. Initial state plans are required to be submitted to the EPA by September 6, 2016. As part of the initial submittal of state plans, states have the option to request extensions for the submittal of final state plans. If granted an extension by the EPA, a state's final plan must be submitted by September 6, 2018. If a state does not submit a satisfactory plan, the EPA will impose a FIP on that state. A proposed FIP was issued on August 3, 2015, concurrent with the pre-publication final rule. The cost to comply with this rule will depend on a number of factors, including the requirements of the state plan or final FIP and the level of NIPSCO's required CO_2 emission reductions. It is possible that this new rule, comprehensive federal or state GHG legislation, or other GHG regulation could result in additional expense or compliance costs that could materially impact NiSource's financial results. NIPSCO will continue to monitor this matter and cannot estimate its impact at this time.

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

Water
On August 15, 2014, the EPA published the final Phase II Rule of the Clean Water Act Section 316(b), which requires all large existing steam electric generating stations to meet certain performance standards to reduce the effects on aquatic organisms at their cooling water intake structures. Under this rule, stations will have to either demonstrate that the performance of their existing fish protection systems meet the new standards or develop new systems, such as a closed-cycle cooling tower. The cost to comply will depend on a number of factors, including evaluation of the various compliance options available under the regulation and permitting-related determinations by IDEM. NIPSCO estimates that the cost of compliance is between $4 million and $35 million , dependent upon study results, agency requirements and technology ultimately required to achieve compliance.

On September 30, 2015, the EPA issued a pre-publication final rule to amend the effluent limitations guidelines and standards for the Steam Electric Power Generating category. Once in effect, this rule will impose new water treatment requirements on NIPSCO's electric generating facilities. A final rule is expected in the fourth quarter of 2015. NIPSCO is currently reviewing the rule and cannot estimate the cost of compliance at this time.

Waste
On April 17, 2015, the EPA released a final rule for regulation of CCRs. The rule regulates CCRs under the Resource Conservation and Recovery Act Subtitle D, which determines them to be non-hazardous. The rule will require increased groundwater monitoring, reporting, recordkeeping and posting related information to the Internet. The rule also establishes requirements related to CCR management, impoundments, landfills and storage. The rule will allow NIPSCO to continue its byproduct beneficial use program.

The publication of the CCR rule resulted in revisions to previously recorded legal obligations associated with the retirement of certain NIPSCO facilities. The actual asset retirement costs related to the CCR rule may vary substantially from the estimates used to record the increased asset retirement obligation due to the uncertainty about the compliance strategies that will be used and the preliminary nature of available data used to estimate costs. Refer to Note 5, "Asset Retirement Obligations," for further information. In addition, in order to comply with the rule NIPSCO will be required to incur future capital expenditures to modify its infrastructure and manage CCRs. As allowed by the EPA, NIPSCO will continue to collect data over time to determine the nature, extent and cost of these future capital expenditures. Given the preliminary stage of this data collection, NIPSCO is unable to estimate a range for these future capital expenditures at this time.

D. Other Matters.

Transmission Upgrade Agreements. On February 11, 2014, NIPSCO entered into two TUAs with upgrade sponsors to complete upgrades on NIPSCO's transmission system on behalf of those sponsors. The upgrade sponsors agreed to reimburse NIPSCO for the total cost to construct transmission upgrades and place them into service, multiplied by a rate of 1.71 ("the multiplier").

On June 10, 2014, certain upgrade sponsors for both TUAs filed a complaint at the FERC against NIPSCO regarding the multiplier stated in the TUAs. On June 30, 2014, NIPSCO filed an answer defending the terms of the TUAs and the just and reasonable nature of the multiplier charged therein and moved for dismissal of the complaint. On December 8, 2014, the FERC issued an order in response to the complaint finding that it is appropriate for NIPSCO to recover, through the multiplier, substantiated costs of ownership related to the TUAs. The FERC set for hearing the issue of what constitutes the incremental costs NIPSCO will incur, but is holding that hearing in abeyance to allow for settlement. NIPSCO will continue to monitor developments in this matter and does not believe the impact is material to the Condensed Consolidated Financial Statements (unaudited).

Springfield, Massachusetts. On November 23, 2012, while Columbia of Massachusetts was investigating the source of an odor of gas at a service location in Springfield, Massachusetts, a gas service line was pierced and an explosion occurred. While this explosion impacted multiple buildings and resulted in several injuries, no life threatening injuries or fatalities have been reported. Columbia of Massachusetts fully cooperated with both the Massachusetts DPU and the Occupational Safety & Health Administration in their investigations of this incident, which have been concluded. Columbia of Massachusetts believes any costs associated with damages, injuries and other losses related to this incident are substantially covered by insurance. Any amounts not covered by insurance are not expected to have a material impact on NiSource's consolidated financial statements. In accordance with GAAP, NiSource recorded any accruals and the related insurance recoveries resulting from this incident on a gross basis within the Condensed Consolidated Balance Sheets (unaudited).

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

17. Accumulated Other Comprehensive Loss

The following tables display the components of Accumulated Other Comprehensive Loss for the three and nine months ended September 30, 2015 and 2014 :

Three Months Ended September 30, 2015 *(in millions)*	Gains and Losses on Securities [(1)]	Gains and Losses on Cash Flow Hedges [(1)]	Pension and OPEB Items [(1)]	Accumulated Other Comprehensive Loss [(1)]
Balance as of July 1, 2015	$ —	$ (20.0)	$ (24.4)	$ (44.4)
Other comprehensive income before reclassifications	0.5	(0.2)	(1.3)	(1.0)
Amounts reclassified from accumulated other comprehensive income	(0.2)	0.4	1.1	1.3
Net current-period other comprehensive income (loss)	0.3	0.2	(0.2)	0.3
Distribution of CPG to shareholders (Note 4)	—	13.9	10.6	24.5
Balance as of September 30, 2015	**$ 0.3**	**$ (5.9)**	**$ (14.0)**	**$ (19.6)**

Nine Months Ended September 30, 2015 *(in millions)*	Gains and Losses on Securities [(1)]	Gains and Losses on Cash Flow Hedges [(1)]	Pension and OPEB Items [(1)]	Accumulated Other Comprehensive Loss [(1)]
Balance as of January 1, 2015	$ 0.3	$ (23.6)	$ (27.3)	$ (50.6)
Other comprehensive income before reclassifications	0.3	(0.2)	1.2	1.3
Amounts reclassified from accumulated other comprehensive income	(0.3)	2.0	1.5	3.2
Net current-period other comprehensive income	—	1.8	2.7	4.5
Allocation of AOCI to noncontrolling interest	—	2.0	—	2.0
Distribution of CPG to shareholders (Note 4)	—	13.9	10.6	24.5
Balance as of September 30, 2015	**$ 0.3**	**$ (5.9)**	**$ (14.0)**	**$ (19.6)**

Three Months Ended September 30, 2014 *(in millions)*	Gains and Losses on Securities [(1)]	Gains and Losses on Cash Flow Hedges [(1)]	Pension and OPEB Items [(1)]	Accumulated Other Comprehensive Loss [(1)]
Balance as of July 1, 2014	$ 0.5	$ (24.5)	$ (17.4)	$ (41.4)
Other comprehensive income before reclassifications	(0.5)	—	(0.1)	(0.6)
Amounts reclassified from accumulated other comprehensive income	(0.1)	0.6	(0.1)	0.4
Net current-period other comprehensive (loss) income	(0.6)	0.6	(0.2)	(0.2)
Balance as of September 30, 2014	**$ (0.1)**	**$ (23.9)**	**$ (17.6)**	**$ (41.6)**

Nine Months Ended September 30, 2014 *(in millions)*	Gains and Losses on Securities [(1)]	Gains and Losses on Cash Flow Hedges [(1)]	Pension and OPEB Items [(1)]	Accumulated Other Comprehensive Loss [(1)]
Balance as of January 1, 2014	$ (0.3)	$ (25.8)	$ (17.5)	$ (43 6)
Other comprehensive income before reclassifications	0.5	0.1	(0.4)	0.2
Amounts reclassified from accumulated other comprehensive income	(0.3)	1.8	0.3	1 8
Net current-period other comprehensive income (loss)	0.2	1 9	(0.1)	2 0
Balance as of September 30, 2014	**$ (0.1)**	**$ (23.9)**	**$ (17.6)**	**$ (41.6)**

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

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

18. Business Segment Information

On July 1, 2015, NiSource completed the Separation. CPG's operations consisted of all of NiSource's Columbia Pipeline Group Operations segment prior to the Separation. Results of the Columbia Pipeline Group Operations segment are included in discontinued operations.

At September 30, 2015 , NiSource's operations are divided into two primary business segments. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	2014	**2015**	2014
Revenues				
Gas Distribution Operations				
Unaffiliated	$ **384.6**	$ 411.9	$ **2,349.3**	$ 2,593.9
Intersegment	**0.1**	—	**0.4**	0.2
Total	**384.7**	411.9	**2,349.7**	2,594.1
Electric Operations				
Unaffiliated	**428.4**	424.4	**1,199.5**	1,279.9
Intersegment	**0.2**	0.3	**0.6**	0.6
Total	**428.6**	424.7	**1,200.1**	1,280.5
Corporate and Other				
Unaffiliated	**4.2**	1.9	**5.2**	5.3
Intersegment	**94.1**	105.9	**288.1**	303.6
Total	**98.3**	107.8	**293.3**	308.9
Eliminations	**(94.4)**	(106.2)	**(289.1)**	(304.4)
Consolidated Gross Revenues	$ **817.2**	$ 838.2	$ **3,554.0**	$ 3,879.1
Operating Income (Loss)				
Gas Distribution Operations	$ **20.0**	$ 0.8	$ **394.9**	$ 362.4
Electric Operations	**98.5**	76.9	**214.2**	218.7
Corporate and Other	**(8.8)**	(6.6)	**(28.7)**	(18.9)
Consolidated Operating Income	$ **109.7**	$ 71.1	$ **580.4**	$ 562.2

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ITEM 1. FINANCIAL STATEMENTS (continued)

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

19. Supplemental Cash Flow Information

The following table provides additional information regarding NiSource's Condensed Statements of Consolidated Cash Flows (unaudited) for the nine months ended September 30, 2015 and 2014 :

	Nine Months Ended September 30,	
(in millions)	**2015**	2014
Supplemental Disclosures of Cash Flow Information		
Non-cash transactions:		
Capital expenditures included in current liabilities	**$ 130.7**	$ 117.6
Assets acquired under a capital lease	**5.5**	69.9
Schedule of interest and income taxes paid:		
Cash paid for interest, net of interest capitalized	**$ 354.1**	$ 375.0
Cash paid for income taxes	**20.2**	12.2

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

NiSource Inc.

Note regarding forward-looking statements

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, including statements regarding market risk sensitive instruments, contains "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning NiSource's plans, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, the Separation and any and all underlying assumptions and other statements that are other than statements of historical fact. From time to time, NiSource may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of NiSource, are also expressly qualified by these cautionary statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this Quarterly Report on Form 10-Q include, but are not limited to, NiSource's debt obligations and ability to comply with related covenants, changes in NiSource's credit rating; growth opportunities for NiSource's businesses; changes in general economic and market conditions; capital market performance and the impact on our benefit plan assets; regulatory rate reviews and proceedings; increased competition in deregulated energy markets; compliance with environmental laws; fluctuations in weather; climate change, natural disasters, acts of terrorism and other catastrophic events; economic conditions in certain industries; fluctuations in the price of energy commodities; counterparty credit risk; any impairment of goodwill and definite-lived intangible assets; changes in taxation or accounting principles; accidents and other operating risks; aging infrastructure, disruptions in information technology and cyber-attacks; construction risks and natural gas and supply risks; NiSource's ability to meet its debt obligations and pay dividends; NiSource's ability to achieve the intended benefits of the Separation; and other matters set forth in the "Risk Factors" section of this Form 10-Q, many of which are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. NiSource expressly disclaims any duty to update, supplement or amend any of its forward-looking statements, whether as a result of new information, subsequent events or otherwise.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2014

CONSOLIDATED REVIEW

Executive Summary

NiSource is an energy holding company under the Public Utility Holding Company Act of 2005 whose subsidiaries are fully regulated natural gas and electric utility companies serving customers in seven states. NiSource generates substantially all of its operating income through these rate-regulated businesses. A significant portion of NiSource's operations is subject to seasonal fluctuations in sales. During the heating season, which is primarily from November through March, net revenues from gas sales are more significant, and during the cooling season, which is primarily from June through September, net revenues from electric sales are more significant, than in other months.

For the nine months ended September 30, 2015 , income from continuing operations was $134.2 million , or $0.42 per basic share, compared to $176.7 million , or $0.56 per basic share reported for the same period in 2014.

The decrease in income from continuing operations was due primarily to the following:

- A loss on early extinguishment of long-term debt of $97.2 million. Refer to Note 13, "Long-Term Debt," for further information on long-term debt retired in May 2015.

This decrease in income from continuing operations was partially offset by the following:

- Regulatory and service programs at Gas Distribution Operations increased net revenues by $60.4 million primarily due to the impacts of the rate cases at Columbia of Pennsylvania and Columbia of Virginia, as well as the implementation of rates under Columbia of Ohio's approved infrastructure replacement program. Refer to Note 7, "Regulatory Matters," in the Notes to Consolidated Financial Statements included in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and Note 6, "Regulatory Matters," of this report for more information.

These factors and other impacts to the financial results are discussed in more detail within the following discussions of "Results of Operations" and "Results and Discussion of Segment Operations."

Platform for Growth
NiSource's business plan continues to center on regulatory and customer initiatives and financial management of the balance sheet.

Regulatory Initiatives
NiSource's utilities continue to move forward on core infrastructure and environmental investment programs supported by complementary regulatory and customer initiatives across all seven states. NiSource utilities remain on track to invest approximately $1.3 billion during 2015 as part of its $30.0 billion long-term regulated utility infrastructure investment opportunities across its natural gas and electric utilities. NiSource's goal is to develop strategies that benefit all stakeholders as it addresses changing customer conservation patterns, develops more contemporary pricing structures, and embarks on long-term investment programs. These strategies will help improve reliability and safety, enhance customer services and reduce emissions while generating sustainable returns.

Gas Distribution Operations

- On October 7, 2015, Columbia of Massachusetts received approval of its base rate case settlement by the Massachusetts DPU. The settlement with the Massachusetts Attorney General supports Columbia of Massachusetts' continued effort to modernize its pipeline infrastructure and transform its operations to continue to serve customers safely and reliably. The approved settlement provides for increased annual revenues of $32.8 million beginning November 1, 2015, with an additional $3.6 million annual increase starting November 1, 2016.

- Columbia of Pennsylvania has reached a settlement with parties to its base rate case pending before the Pennsylvania PUC. Under terms of the settlement, Columbia of Pennsylvania's annual revenues would increase by approximately $28.0 million, an outcome which supports continued infrastructure replacement, pipeline safety upgrades and enhanced employee training. The settlement also includes a tariff supporting the expansion of natural gas service into unserved areas. A decision on the settlement from the Pennsylvania PUC, with new rates in effect, is expected during the fourth quarter of 2015.

- On August 21, 2015, Columbia of Virginia received final VSCC approval of its 2014 base rate case. The VSCC reaffirmed the $25.2 million annual revenue increase. The case supports continued capital investments by Columbia of Virginia to improve its system and accommodate customer growth, as well as initiatives to enhance safety and reliability.

Electric Operations

- NIPSCO's first electric rate case in five years was filed with the IURC on October 1, 2015. The case seeks to update rates to reflect the current costs of generating and distributing power, plus ongoing investments which are delivering substantial benefits to customers, including programs that have reduced the duration of power outages by 40 percent. The request also seeks to create a bill payment assistance program for low-income electric customers during the summer cooling season. If approved as filed, the case would increase revenues by approximately $148.0 million per year, which includes the continued recovery of environmental trackers. A decision by the IURC is expected in the second half of 2016.

- NIPSCO's Michigan City Unit 12 FGD is set to be placed in service by the end of 2015. The approximately $255 million project, supported with cost recovery, improves air quality and helps ensure NIPSCO's generation fleet remains in compliance with current environmental regulations. The project also helps ensure that NIPSCO can continue offering low-cost, reliable and efficient generating capacity for its customers.

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NiSource Inc.

- Progress also continued on two major electric transmission projects designed to enhance region-wide system flexibility and reliability. Right-of-way acquisition and permitting are under way for both projects and substation construction has begun. These projects involve an investment of approximately $500 million for NIPSCO and are anticipated to be in service by the end of 2018.

Refer to Note 6, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for a complete discussion of regulatory matters.

Financial Management of the Balance Sheet
Prior to the Separation, CPG closed its placement of $2,750.0 million in aggregate principal amount of its senior notes. Using the proceeds from this offering, CPG made cash payments to NiSource representing the settlement of inter-company borrowings and the payment of a one-time special dividend.

In May 2015, using proceeds from the cash payments from CPG, NiSource Finance settled its two bank term loans in the amount of $1,075.0 million and executed a tender offer for $750.0 million consisting of a combination of its 5.25% notes due 2017 , 6.40% notes due 2018 and 4.45% notes due 2021 . In conjunction with the debt retired, NiSource Finance recorded a $97.2 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums.

On June 17, 2015, with consideration of the Separation, Moody's affirmed the NiSource senior unsecured rating of Baa2 and commercial paper rating of P-2, with a stable outlook. Additionally, Moody's affirmed NIPSCO's Baa1 rating and affirmed the Baa2 rating for Columbia of Massachusetts. On June 18, 2015, with consideration of the Separation, Standard & Poor's raised the senior unsecured ratings for NiSource and its subsidiaries to BBB+ and the commercial paper rating to A-2. Standard & Poor's outlook for NiSource and all of its subsidiaries is Stable. On October 27, 2015, Fitch affirmed the senior unsecured ratings for NiSource at BBB-, and the existing ratings of its other rated subsidiaries. Fitch's outlook for NiSource and its subsidiaries is Positive. Although all ratings continue to be investment grade, a downgrade by Fitch would result in a rating that is below investment grade. NiSource is committed to maintaining its investment grade credit ratings.

Ethics and Controls
NiSource is committed to providing accurate and complete financial reporting as well as high standards for ethical behavior by its employees. NiSource's senior management takes an active role in the development of this Form 10-Q and the monitoring of the company's internal control structure and performance. In addition, NiSource will continue its mandatory ethics training program for all employees.

For additional information refer to Item 4, "Controls and Procedures."

Results of Operations
Quarter Ended September 30, 2015

Income from Continuing Operations
Income from continuing operations was $14.8 million , or $0.05 per basic share, for the three months ended September 30, 2015 , compared to a loss from continuing operations of $17.2 million , or $0.05 per basic share, for the third quarter of 2014 . Operating income was $109.7 million , an increase of $38.6 million from the same period in 2014 . All per share amounts are basic earnings per share. Basic average shares of common stock outstanding at September 30, 2015 were 318.1 million compared to 315.4 million at September 30, 2014 .

Comparability of line item operating results between quarterly periods is impacted by regulatory and tax trackers that allow for the recovery in rates of certain costs such as bad debt expense. Therefore, increases in these tracked operating expenses are offset by increases in net revenues and have essentially no impact on income from continuing operations.

Net Revenues
Total consolidated net revenues (gross revenues less cost of sales) for the quarter ended September 30, 2015 , were $608.1 million , a $32.3 million increase from the same period last year. This increase in net revenues was primarily due to increased Electric Operations' net revenues of $16.2 million and increased Gas Distribution Operations' net revenues of $13.5 million.

- Electric Operations' net revenues increased due primarily to the effects of weather of $10.2 million, increased trackers, which are offset in expense, of $6.8 million and a higher return on the environmental capital investment recovery program of $4.1 million due to an increased plant balance eligible for recovery. These increases were partially offset by lower industrial usage of $5.1 million.
- Gas Distribution Operations' net revenues increased due primarily to an increase in regulatory and service programs of $11.6 million, including the implementation of rates under Columbia of Ohio's approved infrastructure replacement program, as well as the impact of new rates at Columbia of Virginia and Columbia of Pennsylvania.

Operating Expenses
Operating expenses for the third quarter of 2015 were $498.4 million , a decrease of $6.3 million from the 2014 period. This decrease was primarily due to lower operation and maintenance expenses of $16.3 million, partially offset by increased depreciation and amortization of $8.7 million. The decrease in operation and maintenance expenses was primarily due to decreased employee and administrative expenses of $12.0 million. The increase in depreciation and amortization is primarily due to higher capital expenditures placed in service since the prior year period.

Other Income (Deductions)
Other Income (Deductions) reduced income by $89.1 million in the third quarter of 2015 compared to a reduction in income of $89.0 million in the prior year.

Income Taxes
Income tax expense for the quarter ended September 30, 2015 was $5.8 million compared to a $0.7 million income tax benefit in the prior year. NiSource's interim effective tax rates reflect the estimated annual effective tax rates for 2015 and 2014, adjusted for tax expense associated with certain discrete items. The effective tax rates for the quarters ended September 30, 2015 and 2014 were 28.2% and 3.9% , respectively. These effective tax rates differ from the Federal tax rate of 35% primarily due to the effects of tax credits, state income taxes, utility ratemaking, and other permanent book-to-tax differences. The increase in the three month effective tax rate of 24.3% in 2015 versus 2014 is primarily due to the cumulative effect of an estimated annual effective tax rate adjustment resulting from estimated state apportionment changes and other permanent items. The tax rate adjustment in 2015 resulted in a $1.9 million reduction of income tax expense while the 2014 tax rate adjustment resulted in an increase of $4.5 million of income tax expense.

Refer to Note 10, "Income Taxes," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further discussion of income taxes.

Results of Operations
Nine Months Ended September 30, 2015

Income from Continuing Operations
Income from continuing operations was $134.2 million , or $0.42 per basic share, for the nine months ended September 30, 2015 , compared to income from continuing operations of $176.7 million , or $0.56 per basic share, for the nine months ended 2014 . Operating income was $580.4 million , an increase of $18.2 million from the same period in 2014 . All per share amounts are basic earnings per share. Basic average shares of common stock outstanding at September 30, 2015 were 317.4 million compared to 314.9 million at September 30, 2014 .

Comparability of line item operating results between quarterly periods is impacted by regulatory and tax trackers that allow for the recovery in rates of certain costs such as bad debt expense. Therefore, increases in these tracked operating expenses are offset by increases in net revenues and have essentially no impact on income from continuing operations.

Net Revenues
Total consolidated net revenues (gross revenues less cost of sales) for the nine months ended September 30, 2015 , were $2,246.7 million , a $137.2 million increase from the same period last year. This increase in net revenues was primarily due to increased Gas Distribution Operations' net revenues of $120.5 million and increased Electric Operations' net revenues of $16.3 million.

- Gas Distribution Operations' net revenues increased due primarily to an increase in regulatory and service programs of $60.4 million, including the impact of new rates at Columbia of Pennsylvania and Columbia of Virginia and the implementation of rates under Columbia of Ohio's approved infrastructure replacement program. Additionally, there was increased net revenue from higher regulatory and tax trackers, which are offset in expense, of $47.8 million.

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NiSource Inc.

- Electric Operations' net revenues increased due primarily to increased trackers, which are offset in expense, of $14.7 million and a higher return on the environmental capital investment recovery program of $7.8 million due to an increased plant balance eligible for recovery. Additionally, there was increased net revenue of $7.2 million as a result of two electric transmission projects authorized by the MISO and the effects of weather of $4.4 million. These increases were partially offset by lower industrial usage of $12.3 million due to reduced steel production and decreased net revenues of $8.9 million as a result of lower off-system sales opportunities in 2015.

Operating Expenses
Operating expenses for the nine months ended 2015 were $1,666.3 million , an increase of $119.0 million from the same 2014 period. This increase was primarily due to higher operation and maintenance expenses of $86.4 million and increased depreciation and amortization of $27.9 million. The increase in operation and maintenance expenses was primarily due to increased regulatory trackers, which are offset in net revenues, of $53.2 million, increased employee and administrative expenses of $15.1 million and increased environmental costs of $9.2 million. The increase in depreciation and amortization is primarily due to higher capital expenditures placed in service.

Other Income (Deductions)
Other Income (Deductions) reduced income by $371.5 million for the nine months ended 2015 compared to a reduction in income of $274.0 million in the prior year. This increase in deductions is primarily attributable to a loss on early extinguishment of long-term debt of $97.2 million in 2015.

Income Taxes
Income tax expense for the nine months ended September 30, 2015 was $74.7 million compared to $111.5 million in the prior year. NiSource's interim effective tax rates reflect the estimated annual effective tax rates for 2015 and 2014, adjusted for tax expense associated with certain discrete items. The effective tax rates for the nine months ended September 30, 2015 and 2014 were 35.8% and 38.7% , respectively. These effective tax rates differ from the Federal tax rate of 35% primarily due to the effects of tax credits, state income taxes, utility ratemaking, and other permanent book-to-tax differences. The decrease in the year-to-date effective tax rate of 2.9% is primarily due to the impact of the Indiana tax rate change recorded in 2014.

Refer to Note 10, "Income Taxes," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further discussion of income taxes.

Liquidity and Capital Resources

A significant portion of NiSource's operations are subject to seasonal fluctuations in cash flow. During the heating season, which is primarily from November through March, cash receipts from gas sales and transportation services typically exceed cash requirements. During the summer months, cash on hand, together with the seasonal increase in cash flows from the electric business during the summer cooling season and external short-term and long-term financing, is used to purchase gas to place in storage for heating season deliveries and perform necessary maintenance of facilities. NiSource believes that through income generated from operating activities, amounts available under its short-term revolving credit facility, commercial paper program, long-term debt agreements and NiSource's ability to access the capital markets, there is adequate capital available to fund its operating activities and capital expenditures in 2015 .

Operating Activities
Net cash from operating activities from continuing operations for the nine months ended September 30, 2015 was $906.3 million , an increase of $487.5 million compared to the nine months ended September 30, 2014 . The increase in net cash from operating activities from continuing operations was primarily due to the change in inventories and overrecovered gas and fuel costs working capital accounts as a result of lower gas prices and warmer weather in 2015 compared to 2014.

Pension and Other Postretirement Plan Funding. NiSource expects to make contributions of approximately $2.7 million to its pension plans and approximately $24.1 million to its other postretirement benefit plans in 2015 , which could change depending on market conditions. For the nine months ended September 30, 2015 , NiSource has contributed $2.0 million to its pension plans and $18.3 million to its other postretirement benefit plans.

Investing Activities
Cash contributions from CPG of $3,798.2 million were received in conjunction with the Separation, primarily from the settlement of inter-company borrowings and the payment of a one-time special dividend.

NiSource's capital expenditures for the nine months ended September 30, 2015 were $923.4 million , compared to $914.3 million for the comparable period in 2014 . NiSource projects 2015 capital expenditures to be approximately $1.3 billion .

Financing Activities

Long-term Debt. Refer to Note 13, "Long-term Debt," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on long-term debt.

Credit Facilities. During the third quarter of 2015, NiSource Finance maintained a $1.5 billion revolving credit facility with a syndicate of banks led by Barclays Capital with a termination date of July 1, 2020 . The purpose of the facility is to fund ongoing working capital requirements including the provision of liquidity support for NiSource Finance's $1.5 billion commercial paper program, provide for issuance of letters of credit and also for general corporate purposes. At September 30, 2015 , NiSource had no outstanding borrowings under this facility.

NiSource Finance's commercial paper program has a program limit of up to $1.5 billion with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. At September 30, 2015 , NiSource had no commercial paper outstanding.

NiSource Finance had no borrowings outstanding under its revolving credit facility at September 30, 2015 and $500.0 million at December 31, 2014 at a weighted average interest rate of 1.44%. In addition, NiSource Finance had no commercial paper outstanding at September 30, 2015 and $792.6 million in commercial paper outstanding at December 31, 2014 , at a weighted average interest rate of 0.82% .

As of September 30, 2015 and December 31, 2014 , NiSource had $107.2 million and $284.3 million , respectively, of short-term borrowings recorded on the Condensed Consolidated Balance Sheets (unaudited) relating to its accounts receivable securitization facilities. See Note 8, "Transfers of Financial Assets," in the Notes to Condensed Consolidated Financial Statements (unaudited).

As of September 30, 2015 , NiSource had $14.7 million of stand-by letters of credit outstanding all of which were under the revolving credit facility. At December 31, 2014 , NiSource had $30.9 million of stand-by letters of credit outstanding of which $14.7 million were under the revolving credit facility.

As of September 30, 2015 , an aggregate of $1,584.9 million of credit was available under the credit facility and accounts receivable securitization programs.

Debt Covenants . NiSource is subject to a financial covenant under its revolving credit facility, which requires NiSource to maintain a debt to capitalization ratio that does not exceed 70%. A similar covenant in a 2005 private placement note purchase agreement requires NiSource to maintain a debt to capitalization ratio that does not exceed 75%. As of September 30, 2015 , the ratio was 63.7% .

NiSource is also subject to certain other non-financial covenants under the revolving credit facility. Such covenants include a limitation on the creation or existence of new liens on NiSource's assets, generally exempting liens on utility assets, purchase money security interests, preexisting security interests and an additional subset of assets equal to $150 million. An asset sale covenant generally restricts the sale, lease and/or transfer of NiSource's assets to no more than 10% of its consolidated total assets and dispositions for a price not materially less than the fair market value of the assets disposed of that do not impair the ability of NiSource and NiSource Finance to perform obligations under the revolving credit facility, and that, together with all other such dispositions, would not have a material adverse effect. The revolving credit facility also includes a cross-default provision, which triggers an event of default under the credit facility in the event of an uncured payment default relating to any indebtedness of NiSource or any of its subsidiaries in a principal amount of $50 million or more.

NiSource's indentures generally do not contain any financial maintenance covenants. However, NiSource's indentures are generally subject to cross-default provisions ranging from uncured payment defaults of $5 million to $50 million, and limitations on the incurrence of liens on NiSource's assets, generally exempting liens on utility assets, purchase money security interests, preexisting security interests and an additional subset of assets capped at 10% of NiSource's consolidated net tangible assets.

Sale of Trade Accounts Receivables. Refer to Note 8, "Transfers of Financial Assets," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on the sale of trade accounts receivable.

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

Credit Ratings. On June 17, 2015, with consideration of the Separation, Moody's affirmed the NiSource senior unsecured rating of Baa2 and commercial paper rating of P-2, with a stable outlook. Additionally, Moody's affirmed NIPSCO's Baa1 rating and affirmed the Baa2 rating for Columbia of Massachusetts. On June 18, 2015, with consideration of the Separation, Standard & Poor's raised the senior unsecured ratings for NiSource and its subsidiaries to BBB+ and the commercial paper rating of A-2. Standard & Poor's outlook for NiSource and all of its subsidiaries is Stable. On October 27, 2015, Fitch affirmed the senior unsecured ratings for NiSource at BBB-, and the existing ratings of its other rated subsidiaries. Fitch's outlook for NiSource and its subsidiaries is Positive. Although all ratings continue to be investment grade, a downgrade by Fitch would result in a rating that is below investment grade. NiSource is committed to maintaining its investment grade credit ratings.

Certain NiSource affiliates have agreements that contain "ratings triggers" that require increased collateral if the credit ratings of NiSource or certain of its subsidiaries are rated below BBB- by Standard & Poor's or Baa3 by Moody's. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. The collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately $26.8 million as of September 30, 2015. In addition to agreements with ratings triggers, there are other agreements that contain "adequate assurance" or "material adverse change" provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business.

Contractual Obligations. There were no material changes recorded during the nine months ended September 30, 2015 to NiSource's contractual obligations as of December 31, 2014 .

Market Risk Disclosures

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

Commodity Price Risk
NiSource is exposed to commodity price risk as a result of its subsidiaries' operations involving natural gas and power. To manage this market risk, NiSource's subsidiaries use derivatives, including commodity futures contracts, swaps and options. NiSource is not involved in speculative energy trading activity.

Commodity price risk resulting from derivative activities at NiSource's rate-regulated subsidiaries is limited, since regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the ratemaking process, including gains or losses on these derivative instruments. If states should explore additional regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional ratemaking process and may be more exposed to commodity price risk. Some of NiSource's rate-regulated utility subsidiaries offer commodity price risk products to its customers for which derivatives are used to hedge forecasted customer usage under such products. These subsidiaries do not have regulatory recovery orders for these products and are subject to gains and losses recognized in earnings due to hedge ineffectiveness

There are no material commodity price risk assets or liabilities as of September 30, 2015 and December 31, 2014 .

Interest Rate Risk
NiSource is exposed to interest rate risk as a result of changes in interest rates on borrowings under its revolving credit facility, commercial paper program and accounts receivable programs, which have interest rates that are indexed to short-term market

interest rates. Based upon average borrowings and debt obligations subject to fluctuations in short-term market interest rates, an increase (or decrease) in short-term interest rates of 100 basis points (1%) would have increased (or decreased) interest expense by $0.3 million and $7.5 million for the three and nine months ended September 30, 2015 , respectively, and $5.6 million and $13.6 million for the three and nine months ended September 30, 2014 , respectively.

Credit Risk

Due to the nature of the industry, credit risk is embedded in many of NiSource's business activities. NiSource's extension of credit is governed by a Corporate Credit Risk Policy. In addition, Risk Management Committee guidelines are in place which document management approval levels for credit limits, evaluation of creditworthiness, and credit risk mitigation efforts. Exposures to credit risks are monitored by the Risk Management function which is independent of commercial operations. Credit risk arises due to the possibility that a customer, supplier or counterparty will not be able or willing to fulfill its obligations on a transaction on or before the settlement date. For derivative related contracts, credit risk arises when counterparties are obligated to deliver or purchase defined commodity units of gas or power to NiSource at a future date per execution of contractual terms and conditions. Exposure to credit risk is measured in terms of both current obligations and the market value of forward positions net of any posted collateral such as cash and letters of credit.

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

Fair Value Measurement

NiSource measures certain financial assets and liabilities at fair value. The level of the fair value hierarchy disclosed is based on the lowest level of input that is significant to the fair value measurement. NiSource's financial assets and liabilities include price risk assets and liabilities, available-for-sale securities and a deferred compensation plan obligation.

Exchange-traded derivative contracts are generally based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore nonperformance risk has not been incorporated into these valuations. Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards and options. In certain instances, NiSource may utilize models to measure fair value. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability and market-corroborated inputs, i.e., inputs derived principally from or corroborated by observable market data by correlation or other means. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3. Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements which reduce exposures.

Refer to Note 7, "Fair Value," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for additional information on NiSource's fair value measurements.

Off Balance Sheet Arrangements

As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit.

Refer to Note 16, "Other Commitments and Contingencies," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about NiSource's off balance sheet arrangements.

Other Information

Critical Accounting Policies
There were no significant changes to critical accounting policies for the period ended September 30, 2015 .

Recently Issued Accounting Pronouncements
Refer to Note 2, "Recent Accounting Pronouncements."

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information
NiSource's operations are divided into two primary business segments: Gas Distribution Operations and Electric Operations.

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NiSource Inc.
Gas Distribution Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	2014	**2015**	2014
Net Revenues				
Sales revenues	**$ 384.7**	$ 411.9	**$ 2,349.7**	$ 2,594.1
Less: Cost of gas sold (excluding depreciation and amortization)	**73.9**	114.6	**929.9**	1,294.8
Net Revenues	**310.8**	297.3	**1,419.8**	1,299.3
Operating Expenses				
Operation and maintenance	**196.4**	208.8	**714.2**	644.4
Depreciation and amortization	**58.5**	55.4	**172.8**	161.7
Loss (Gain) on sale of assets	**0.8**	—	**0.8**	(0.2)
Other taxes	**35.1**	32.3	**137.1**	131.0
Total Operating Expenses	**290.8**	296.5	**1,024.9**	936.9
Operating Income	**$ 20.0**	$ 0.8	**$ 394.9**	$ 362.4
Revenues ($ in millions)				
Residential	**$ 246.0**	$ 249.1	**$ 1,606.0**	$ 1,646.0
Commercial	**72.1**	77.0	**549.0**	572.7
Industrial	**36.8**	36.9	**171.0**	169.3
Off System	**14.0**	28.5	**71.3**	166.3
Other	**15.8**	20.4	**(47.6)**	39.8
Total	**$ 384.7**	$ 411.9	**$ 2,349.7**	$ 2,594.1
Sales and Transportation (MMDth)				
Residential	**14.5**	15.4	**198.0**	206.9
Commercial	**16.4**	17.5	**130.2**	135.0
Industrial	**127.4**	126.2	**397.8**	384.7
Off System	**5.2**	7.1	**24.7**	35.6
Other	**0.1**	—	**(0.2)**	(0.1)
Total	**163.6**	166.2	**750.5**	762.1
Heating Degree Days	**43**	100	**3,936**	4,092
Normal Heating Degree Days	**85**	85	**3,576**	3,576
% (Warmer) Colder than Normal	**(49)%**	18%	**10%**	14%
Customers				
Residential			**3,058,415**	3,035,401
Commercial			**277,525**	276,923
Industrial			**7,233**	7,512
Other			**14**	15
Total			**3,343,187**	3,319,851

NiSource's Gas Distribution Operations serve approximately 3.3 million customers in seven states: Ohio, Indiana, Pennsylvania, Massachusetts, Virginia, Kentucky and Maryland. The regulated subsidiaries offer both traditional bundled services as well as transportation only for customers that purchase gas from alternative suppliers. The operating results reflect the temperature-sensitive nature of customer demand with 73% of annual residential and commercial throughput affected by seasonality. As a result, segment operating income is higher in the first and fourth quarters reflecting the heating demand during the winter season.

Regulatory Matters

Refer to Note 6, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on significant rate developments and cost recovery and trackers for the Gas Distribution Operations segment.

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NiSource Inc.
Gas Distribution Operations

Customer Usage. Increased efficiency of natural gas appliances and improvements in home building codes and standards has contributed to a long-term trend of declining average use per customer. Residential and commercial usage for the nine months ended September 30, 2015 decreased from the same period last year primarily due to warmer weather compared to the prior year. While historically, rate design at the distribution level has been structured such that a large portion of cost recovery is based upon throughput, rather than in a fixed charge, operating costs are largely incurred on a fixed basis, and do not fluctuate due to changes in customer usage. As a result, the NiSource LDCs have pursued changes in rate design to more effectively match recoveries with costs incurred. Each of the states in which the NiSource LDCs operate have different requirements regarding the procedure for establishing changes to rate design. Columbia of Ohio restructured its rate design through a base rate proceeding and has adopted a "de-coupled" rate design which more closely links the recovery of fixed costs with fixed charges. Columbia of Massachusetts and Columbia of Virginia received regulatory approval of decoupling mechanisms which adjust revenues to an approved benchmark level through a volumetric adjustment factor. Columbia of Maryland has received regulatory approval to implement a residential class revenue normalization adjustment, a decoupling mechanism whereby monthly revenues that exceed or fall short of approved levels are reconciled in subsequent months. In a prior base rate proceeding, Columbia of Pennsylvania implemented a residential weather normalization adjustment charge. In a prior base rate proceeding, NIPSCO implemented a higher fixed customer charge for residential and small customer classes moving toward full straight fixed variable rate design.

Environmental Matters
Currently, various environmental matters impact the Gas Distribution Operations segment. As of September 30, 2015 , reserves have been recorded to cover probable environmental response actions. Refer to Note 16, "Other Commitments and Contingencies," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information regarding environmental matters for the Gas Distribution Operations segment.

Weather
In general, NiSource calculates the weather related revenue variance based on changing customer demand driven by weather variance from normal heating degree-days. Normal is evaluated using heating degree days across the NiSource distribution region. While the temperature base for measuring heating degree days (i.e. the estimated average daily temperature at which heating load begins) varies slightly across the region, the NiSource composite measurement is based on 65 degrees. NiSource composite heating degree days reported do not directly correlate to the weather related dollar impact on the results of Gas Distribution Operations. Heating degree days experienced during different times of the year or in different operating locations may have more or less impact on volume and dollars depending on when and where they occur. When the detailed results are combined for reporting, there may be weather related dollar impacts on operations when there is not an apparent or significant change in the aggregated NiSource composite heating degree-day comparison.

Weather in the Gas Distribution Operations' territories for the third quarter of 2015 was 49% warmer than normal and 57% warmer than the third quarter in 2014 .

Weather in the Gas Distribution Operations' territories for the nine months ended September 30, 2015 was 10% colder than normal and 4% warmer than the same period in 2014 .

Throughput
Total volumes sold and transported of 163.6 MMDth for the third quarter of 2015 decreased by 2.6 MMDth from the same period last year. This 2% decrease in volumes was primarily attributable to warmer weather and lower off-system sales opportunities.

Total volumes sold and transported of 750.5 MMDth for the nine months ended September 30, 2015 decreased by 11.6 MMDth from the same period last year. This 2% decrease in volume was primarily attributable to warmer weather and lower off-system sales opportunities.

Net Revenues
Net revenues for the third quarter of 2015 were $310.8 million, an increase of $13.5 million from the same period in 2014. The increase in net revenues is due primarily to an increase in regulatory and service programs of $11.6 million, including the implementation of rates under Columbia of Ohio's approved infrastructure replacement program, as well as the impact of new rates at Columbia of Virginia and Columbia of Pennsylvania.

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

NiSource Inc.
Gas Distribution Operations

Net revenues for the nine months ended September 30, 2015 were $1,419.8 million, an increase of $120.5 million from the same period in 2014. The increase in net revenues is due primarily to an increase in regulatory and service programs of $60.4 million, including the impact of new rates at Columbia of Pennsylvania and Columbia of Virginia and the implementation of rates under Columbia of Ohio's approved infrastructure replacement program. Additionally, there was increased net revenue from higher regulatory and tax trackers, which are offset in expense, of $47.8 million.

At NIPSCO, sales revenues and customer billings are adjusted for amounts related to under and over-recovered purchased gas costs from prior periods per regulatory order. These amounts are primarily reflected in the "Other" gross revenues statistic provided at the beginning of this segment discussion. The adjustment to Other gross revenues for the three and nine months ended September 30, 2015 was a revenue increase of $0.5 million and a revenue decrease of $92.3 million, respectively, compared to a revenue increase of $10.0 million and $9.7 million for the three and nine months ended September 30, 2014 , respectively.

Operating Income
For the third quarter of 2015, Gas Distribution Operations reported operating income of $20.0 million, an increase of $19.2 million from the comparable 2014 period. Operating income increased as a result of higher net revenues, as described above, and decreased operating expenses. Operating expenses were $5.7 million lower than the comparable period primarily due to decreased regulatory and tax trackers, which are offset in net revenues, of $4.4 million and lower employee and administrative expenses of $4.1 million partially offset by increased depreciation of $3.1 million.

For the nine months ended September 30, 2015, Gas Distribution Operations reported operating income of $394.9 million, an increase of $32.5 million from the comparable 2014 period. Operating income increased as a result of higher net revenues, as described above, partially offset by increased operating expenses. Operating expenses were $88.0 million higher than the comparable period reflecting increased regulatory and tax trackers, which are offset in net revenues, of $47.8 million, higher employee and administrative expenses of $13.3 million, increased depreciation of $11.1 million and higher property taxes of $6.9 million.

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

NiSource Inc.
Electric Operations

(in millions)	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Net Revenues				
Sales revenues	$ **428.6**	$ 424.7	$ **1,200.1**	$ 1,280.5
Less: Cost of sales (excluding depreciation and amortization)	**135.2**	147.5	**377.5**	474.2
Net Revenues	**293.4**	277.2	**822.6**	806.3
Operating Expenses				
Operation and maintenance	**110.2**	120.5	**359.7**	355.2
Depreciation and amortization	**68.6**	62.4	**199.3**	182.9
Gain on sale of assets	**—**	—	**—**	(0.1)
Other taxes	**16.1**	17.4	**49.4**	49.6
Total Operating Expenses	**194.9**	200.3	**608.4**	587.6
Operating Income	$ **98.5**	$ 76.9	$ **214.2**	$ 218.7
Revenues ($ in millions)				
Residential	$ **125.3**	$ 122.3	$ **333.2**	$ 335.7
Commercial	**120.6**	122.4	**338.6**	337.3
Industrial	**153.4**	185.3	**489.3**	537.0
Wholesale	**5.0**	4.9	**13.8**	26.6
Other	**24.3**	(10.2)	**25.2**	43.9
Total	$ **428.6**	$ 424.7	$ **1,200.1**	$ 1,280.5
Sales (Gigawatt Hours)				
Residential	**1,001.9**	915.2	**2,584.6**	2,604.6
Commercial	**1,066.7**	1,031.6	**2,935.8**	2,932.0
Industrial	**2,270.3**	2,504.7	**6,990.7**	7,567.6
Wholesale	**76.9**	161.4	**194.8**	485.3
Other	**36.1**	36.4	**105.2**	104.7
Total	**4,451.9**	4,649.3	**12,811.1**	13,694.2
Cooling Degree Days	**529**	381	**758**	657
Normal Cooling Degree Days	**570**	570	**799**	799
% Colder than Normal	**(7)%**	(33)%	**(5)%**	(18)%
Electric Customers				
Residential			**403,468**	401,683
Commercial			**54,841**	54,383
Industrial			**2,351**	2,364
Wholesale			**746**	751
Other			**3**	4
Total			**461,409**	459,185

NiSource generates and distributes electricity, through its subsidiary NIPSCO, to approximately 461 thousand customers in 20 counties in the northern part of Indiana. The operating results reflect the temperature-sensitive nature of customer demand with annual sales affected by temperatures in the northern part of Indiana. As a result, segment operating income is generally higher in the second and third quarters, reflecting cooling demand during the summer season.

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NiSource Inc.
Electric Operations

Electric Supply
On October 31, 2014, NIPSCO submitted its 2014 Integrated Resource Plan with the IURC. The plan evaluates demand-side and supply-side resource alternatives to reliably and cost-effectively meet NIPSCO customers' future energy requirements over the next twenty years. Existing resources are expected to be sufficient, assuming favorable outcomes for environmental upgrades, to meet customers' needs into the next decade. NIPSCO continues to monitor and assess economic, regulatory and legislative activity, and will update its resource plan as appropriate.

Regulatory Matters
Refer to Note 6, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on significant rate developments and cost recovery and trackers for the Electric Operations segment.

Environmental Matters
Currently, various environmental matters impact the Electric Operations segment. As of September 30, 2015 , a reserve has been recorded to cover probable and estimable environmental response actions. Refer to Note 16, "Other Commitments and Contingencies," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information regarding environmental matters for the Electric Operations segment.

Transmission Upgrade Agreements
On February 11, 2014, NIPSCO entered into TUAs with upgrade sponsors to complete upgrades on NIPSCO's transmission system on behalf of those sponsors. The upgrade sponsors have agreed to reimburse NIPSCO for the total cost to construct transmission upgrades and place them into service, which is estimated at $50.3 million, multiplied by a rate of 1.71 ("the multiplier").

On June 10, 2014, certain upgrade sponsors for both TUAs filed a complaint at the FERC against NIPSCO regarding the multiplier stated in the TUAs. On June 30, 2014, NIPSCO filed an answer defending the terms of the TUAs and the just and reasonable nature of the multiplier charged therein and moved for dismissal of the complaint. On December 8, 2014, the FERC issued an order in response to the complaint finding that it is appropriate for NIPSCO to recover, through the multiplier, substantiated costs of ownership related to the TUAs. The FERC set for hearing the issue of what constitutes the incremental costs NIPSCO will incur, but is holding that hearing in abeyance to allow for settlement. NIPSCO will continue to monitor developments in this matter and does not believe the impact is material to the Condensed Consolidated Financial Statements (unaudited).

Sales
Electric Operations sales quantities for the third quarter of 2015 were 4,451.9 gwh, a decrease of 197.4 gwh compared to the third quarter of 2014 . The 4% decrease is primarily attributable to decreases in industrial usage, which was caused by a reduction in steel production due to the high levels of imports that have impacted the steel market since the beginning of 2015.

Electric Operations sales quantities for the nine months ended September 30, 2015 were 12,811.1 gwh, a decrease of 883.1 gwh compared to the same period in 2014. The 6% decrease is primarily attributable to decreases in sales for resale and industrial usage. The decreases in sales for resale relate to fewer opportunities for off-system sales during the first quarter of 2015 due to the milder weather that occurred during that period. The decrease in industrial usage was primarily attributable to a reduction in steel production due to the high level of imports that have impacted the steel market since the beginning of 2015.

Net Revenues
Net revenues were $293.4 million for the third quarter of 2015, an increase of $16.2 million from the same period in 2014. The increase in net revenues is due primarily to the effects of weather of $10.2 million, increased trackers, which are offset in expense, of $6.8 million and a higher return on the environmental capital investment recovery program of $4.1 million due to an increased plant balance eligible for recovery. These increases were partially offset by lower industrial usage of $5.1 million.

Net revenues were $822.6 million for the nine months ended September 30, 2015, an increase of $16.3 million from the same period in 2014. The increase in net revenues is due primarily to increased trackers, which are offset in expense, of $14.7 million and a higher return on the environmental capital investment recovery program of $7.8 million due to an increased plant balance eligible for recovery. Additionally, there was increased net revenue of $7.2 million as a result of two electric transmission projects authorized by the MISO and the effects of weather of $4.4 million. These increases were partially offset by lower industrial usage of $12.3 million due to reduced steel production and decreased net revenues of $8.9 million as a result of fewer off-system sales opportunities in 2015.

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

NiSource Inc.
Electric Operations

At NIPSCO, sales revenues and customer billings are adjusted for amounts related to under and over-recovered purchased fuel costs from prior periods per regulatory order. These amounts are primarily reflected in the "Other" gross revenues statistic provided at the beginning of this segment discussion. The adjustment to "Other" gross revenues for the three and nine months ended September 30, 2015 was a revenue increase of $11.3 million and a decrease of $13.4 million, respectively, compared to a revenue decrease of $22.2 million and an increase of $8.6 million for the three and nine months ended September 30, 2014 , respectively.

Operating Income
For the third quarter of 2015, Electric Operations reported operating income of $98.5 million, an increase of $21.6 million from the comparable 2014 period. Operating income increased as a result of higher net revenues, as described above, and lower operating expenses of $5.4 million. Operating expense decreased primarily as a result of lower employee and administrative expenses of $7.2 million.

For the nine months ended September 30, 2015, Electric Operations reported operating income of $214.2 million, a decrease of $4.5 million from the comparable 2014 period. Operating income decreased as a result of higher operating expenses partially offset by increased net revenues, as described above. Operating expenses increased $20.8 million primarily as a result of an increase in trackers, which are offset in net revenues, of $14.7 million and higher environmental costs of $9.6 million.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NiSource Inc.

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

ITEM 4. CONTROLS AND PROCEDURES

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

Changes in Internal Controls
There have been no changes in NiSource's internal control over financial reporting during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, NiSource's internal control over financial reporting.

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PART II

ITEM 1. LEGAL PROCEEDINGS

NiSource Inc.

The Company is party to certain claims and legal proceedings arising in the ordinary course of business, none of which is deemed to be individually material at this time. Due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's results of operations, financial position or liquidity. It is possible that if one or more of such matters were decided against the Company, the effects could be material to the Company's results of operations in the period in which the Company would be required to record or adjust the related liability and could also be material to the Company's cash flows in the periods the Company would be required to pay such liability.

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ITEM 1A. RISK FACTORS

NiSource Inc.

NiSource's operations and financial results are subject to various risks and uncertainties, including those disclosed in NiSource's most recent Annual Report on Form 10-K for the year ended December 31, 2014 and restated in NiSource's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015. There have been no material changes to such risk factors as most recently restated.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

NiSource Inc.

(10.1) Form of Amended and Restated 2013 Performance Share Agreement effective on implementation of the spin-off on July 1, 2015, (under the 2010 Omnibus Incentive Plan). **

(10.2) Form of Amended and Restated 2014 Performance Share Agreement effective on the implementation of the spin-off on July 1, 2015, (under the 2010 Omnibus Incentive Plan).**

(10.3) Form of Amendment to Restricted Stock Unit Award ("RSU") Agreement related to Vested but Unpaid NiSource RSUs for Nonemployee Directors of NiSource entered into as of July 13, 2015.**

(10.4) Form of Restricted Stock Unit Award ("RSU") Agreement under the Columbia Pipeline Group, Inc. ("CPG") 2015 Omnibus Incentive Plan relating to Vested but Unpaid NiSource RSUs for Nonemployee Directors of CPG entered into as of July 13, 2015.**

(10.5) Revised Change in Control and Termination Agreement (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Form 8-K filed on October 23, 2015.)

(10.6) Second Amendment to the NiSource Inc. 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the NiSource Inc. Form 8-K filed October 23, 2015.)

(31.1) Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **

(31.2) Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **

(32.1) Certification of Chief Executive Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). **

(32.2) Certification of Chief Financial Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). **

(101.INS) XBRL Instance Document

(101.SCH) XBRL Schema Document

(101.CAL) XBRL Calculation Linkbase Document

(101.LAB) XBRL Labels Linkbase Document

(101.PRE) XBRL Presentation Linkbase Document

(101.DEF) XBRL Definition Linkbase Document

* Management contract or compensatory plan or arrangement of NiSource Inc.

** Exhibit filed herewith.

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SIGNATURE

NiSource Inc.

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

NiSource Inc.
(Registrant)

Date: November 3, 2015

By: /s/ Joseph W. Mulpas
Joseph W. Mulpas
Vice President and Chief Accounting Officer
(Principal Accounting Officer
and Duly Authorized Officer)

Exhibit 10.1

NiSource Inc.
2010 Omnibus Incentive Plan

Restricted Stock Unit Agreement
Amending and Restating the
2013 Performance Share Agreement

This Restricted Stock Unit Agreement (the "Agreement") amends and restates the performance share agreement entered into between NiSource Inc., a Delaware corporation (the "Company"), and [Name of Employee], an Employee of the Company (the "Grantee"), on [date of grant of original performance share Award, 2013] (the "2013 Performance Share Agreement").

Section 1. Amendment and Restatement of Performance Share Award into a Restricted Stock Unit Award. The Company and the Grantee previously entered into the 2013 Performance Share Agreement on [date of grant of original performance share Award, 2013] (the "Date of Grant"). On July 1, 2015, the Company implemented the spin-off of its pipeline and transmission business, comprised of Columbia Pipeline Group, Inc., a Delaware corporation ("CPG") and its affiliates, which made CPG and its affiliates independent and no longer part of the controlled group of corporations of the Company. Based on

(i) the performance of the Company and satisfaction of the applicable performance metrics under the 2013 Performance Share Agreement from the date of grant of the 2013 Performance Share Agreement until the date immediately before the spin-off of CPG, and

(ii) the Company's determination to preserve the value of the performance share units granted under the 2013 Performance Share Agreement and in accordance with the adjustment provisions of the NiSource Inc. 2010 Omnibus Incentive Plan and the 2013 Performance Share Agreement,

the Company hereby amends and restates the 2013 Performance Share Agreement with the Grantee and grants to the Grantee in its entirety, on the terms and conditions hereinafter set forth, to provide a new total Award of __________ Restricted Stock Units. The Restricted Stock Units will be represented by a bookkeeping entry (the "RSU Account") of the Company, and each Restricted Stock Unit shall be equivalent to one share of the Company's common stock.

Section 2. Grantee Accounts. The number of Restricted Stock Units granted pursuant to this Agreement shall be credited to the Grantee's RSU Account. Each RSU Account shall be maintained on the books of the Company until full payment of the balance thereof has been made to the Grantee (or the Grantee's beneficiaries or estate if the Grantee is deceased) in accordance with Section 1 above. No funds shall be set aside or earmarked for any RSU Account, which shall be purely a bookkeeping device.

Section 3. Vesting and Lapse of Restrictions.

(a) Vesting. Subject to the forfeiture conditions described later in this Agreement, the Restricted Stock Units shall vest on February 29, 2016 (the "Vesting Date").

(b) Effect of Termination of Service. Except as set forth below, if Grantee's Service is terminated for any reason prior to the Vesting Date or the occurrence of any event provided in this Section, the Grantee shall forfeit any Restricted Stock Units that have not yet become vested.

(i) Termination Due to Retirement, Death, or Disability. If, before the Vesting Date, the Grantee terminates Service due to the Grantee's Retirement, death, or Disability, the restrictions set forth in part (a) above shall lapse with respect to a *pro rata* portion of such Restricted Stock Units on the date of such termination of Service. Such *pro rata* lapse of the restrictions shall be determined using a fraction, where the numerator shall be the number of full or partial calendar months elapsed between the Date of Grant and the date the Grantee terminates Service, and the denominator shall be the number of full or partial calendar months between the Date of Grant and the Vesting Date that immediately follows the Grantee's termination date. For purposes of this Agreement, "Retirement" means the Grantee's attainment of age 55 and 10 years of Service.

(ii) Termination After a Change in Control. If, before the Vesting Date and within 24 months after a Change in Control of the Company occurs, the Grantee's Service is terminated by the Company other than for Cause, or Grantee terminates Service for Good Reason, all the Restricted Stock Units shall become fully and immediately vested, and all restrictions shall lapse, upon the date of such Termination of Service.

(iii) Termination in Anticipation of a Change in Control. If, before the Vesting Date, (1) a Change in Control has occurred, (2) the Company has terminated the Grantee's Service without Cause during the year before the Change in Control was consummated but after a third party and/or the Company had taken steps reasonably calculated to effect a Change in Control, and (3) it is reasonably demonstrated by the Grantee that such termination of Service was in connection with or in anticipation of a Change in Control, all the Restricted Stock Units shall become fully and immediately vested, and all restrictions shall lapse, on the fifth business day before the date of consummation of a Change in Control of the Company.

(iv) Cause and Good Reason. For purposes of this Agreement, "Cause" shall be deemed to exist if, and only if, the Company notifies the Grantee, in writing, within 60 days of its knowledge that one of the following events have occurred: (1) the Grantee engages in acts or omissions constituting dishonesty, intentional breach of fiduciary obligation or intentional wrongdoing or malfeasance, in each case that results in substantial harm to the Company; or (2) the Grantee is convicted of a criminal violation involving fraud or dishonesty. For purpsoes of this Agreement, "Good Reason" shall be deemed to exist if, and only if, the Company has failed to cure any of the following conditions within 30 days after receipt of advanced written notice of such conditions by the Grantee: (1) a significant diminution in the nature or the scope of the Grantee's authorities or duties; (2) there is a signficant reduction in the Grantee's monthly rate of base salary and opportunity to earn a bonus under an incentive bonus compensation plan maintained by the Company; (3) the Company changes by 50 miles or more the principal location at which the Grantee is required to perform services as of the date of a Change in Control; or (4) the Company or any successor materially breaches this Agreement.

(c) Limitation on Restricted Stock Units. Notwithstanding the previous provisions of this Section, during any calendar year with respect to which the Grantee is a Covered Officer (for purpose of Internal Revenue Code ("Code") Section 162(m)), if the Grantee otherwise would vest in a number of Restricted Stock Units under this Section, the Grantee instead may vest only with respect to a sufficient number of Restricted Stock Units whose aggregate Fair Market Value on the date such restrictions would, when added to the Grantee's "applicable employee remuneration" (as defined in Code Section 162(m)) for the applicable calendar year that does not constitute "qualified performance-based compensation" (as defined in Code Section 162(m)), not exceed the aggregate amount of $999,999.00 for the applicable calendar year (the "Limitation").

To the extent the restrictions on any Restricted Stock Units do not lapse due to the application of this Section, the restrictions on such Restricted Stock Units shall lapse on the first to occur of:

(i) the last business day of any subsequent calendar year or years to the extent that the Limitation is not exceeded for such year or years;

(ii) the date next following the Grantee's termination of Service for any reason other than for Cause; or

(iii) the first business day of the year next following the year with respect to which the Grantee ceases to be a Covered Officer.

The Company will make all determinations as to whether the lapse of restrictions on any Restricted Stock Units is delayed in accordance with this Section. Such determinations will be made on a uniform and non-discriminatory basis consistent with the requirements under Code Section 409A.

Section 4. Delivery of Shares. Once Restricted Stock Units have vested under this Agreement, the Company will determine the number of Shares represented by the Restricted Stock Units in the Grantee's RSU Account and deliver the total number of Shares due to the Grantee as soon as administratively possible after such date. Notwithstanding any provision to the contrary, if, in the reasonable determination of the Company, a Grantee is a "specified employee" for purposes of Code Section 409A, then, if necessary to avoid the imposition of additional taxes or interest under Code Section 409A, the Company shall not deliver the Shares otherwise payable upon the Grantee's termination and separation of Service until the date that is at least 6 months following the Grantee's termination and separation of Service. The delivery of the Shares shall be subject to payment of the applicable withholding tax liability and the forfeiture provisions of this Agreement. If the Grantee dies before the Company has distributed any portion of the vested Restricted Stock Units, the Company will transfer any Shares payable with respect to the vested Restricted Stock Units in accordance with the Grantee's written beneficiary designation or to the Grantee's estate if no written beneficiary designation is provided.

Section 5. Withholding of Taxes . The Company shall have the power and the right to deduct or withhold, or require the Grantee to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Agreement.

Section 6. Securities Law Compliance . The delivery of all or any Shares that relate to the Restricted Stock Units shall only be effective at such time that the issuance of such Shares will not violate any state or federal securities or other laws. The Company is under no obligation to effect any registration of Shares under the Securities Act of 1933 or to effect any state registration or qualification of the Shares that may be issued under this Agreement. The Company may, in its sole discretion, delay the delivery of Shares or place restrictive legends on Shares in order to ensure that the issuance of any Shares will be in compliance with federal or state securities laws and the rules of any exchange upon which the Company's Shares are traded. If the Company delays the delivery of Shares in order to ensure compliance with any state or federal securities or other laws, the Company shall deliver the Shares at the earliest date at which the Company reasonably believes that such delivery will not cause such violation, or at such later date that may be permitted under Code Section 409A.

Section 7. Restriction on Transferability . Except as otherwise provided under the Plan, until the Restricted Stock Units have vested under this Agreement, the Restricted Stock Units granted herein and the rights and privileges conferred hereby may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated (by operation of law or otherwise), other than by will or the laws of descent and distribution. Any attempted transfer in violation of the provisions of this paragraph shall be void, and the purported transferee shall obtain no rights with respect to such Restricted Stock Units.

Section 8. Grantee's Rights Unsecured . The right of the Grantee or his or her beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Grantee nor his or her beneficiary shall have any rights in or against any amounts credited to the Grantee's RSU Account or any other specific assets of the Company. All amounts credited to the Grantee's RSU Account shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes, as it may deem appropriate.

Section 9. No Rights as Stockholder or Employee .

(a) Unless and until Shares have been issued to the Grantee, the Grantee shall not have any privileges of a stockholder of the Company with respect to any Restricted Stock Units subject to this Agreement, nor shall the Company have any obligation to issue any dividends or otherwise afford any rights to which Shares are entitled with respect to any such Restricted Stock Units.

(b) Nothing in this Agreement or the Award shall confer upon the Grantee any right to continue as an Employee of the Company or any Affiliate or to interfere in any way with the right of the Company or any Affiliate to terminate the Grantee's Service at any time.

Section 10. Adjustments . If at any time while the Award is outstanding, the number of outstanding Restricted Stock Units is changed by reason of a reorganization, recapitalization, stock split or any of the other events described in the Plan, the number and kind of Restricted Stock Units shall be adjusted in accordance with the provisions of the Plan. In the event of certain corporate events specified in Article XVI of the Plan, the Committee shall take action in accordance with the procedures and provisions of Article XVI of the Plan; provided that the Grantee shall receive value for each Share subject to this Agreement equal to the value received by each stockholder of the Company as a result of the Change in Control.

Section 11. Notices . Any notice hereunder by the Grantee shall be given to the Company in writing and such notice shall be deemed duly given only upon receipt thereof at the following address: Corporate Secretary, NiSource Inc., 801 East 86 th Avenue, Merrillville, IN 46410-6271, or at such other address as the Company may designate by notice to the Grantee. Any notice hereunder by the Company shall be given to the Grantee in writing and such notice shall be deemed duly given only upon receipt thereof at such address as the Grantee may have on file with the Company.

Section 12. Administration . The administration of this Agreement, including the interpretation and amendment or termination of this Agreement, will be performed in accordance with the Plan. All determinations and decisions made by the Committee, the Board, or any delegate of the Committee as to the provisions of this Agreement shall be conclusive, final, and binding on all persons. This Agreement at all times shall be governed by the Plan and in no way alter or modify the Plan. To the extent a conflict exists between this Agreement and the Plan, the provisions of the Plan shall govern. Notwithstanding the foregoing, if subsequent guidance is issued under Code Section 409A that would impose additional taxes, penalties, or interest to either the Company or the grantee, the Company may administer this Agreement in accordance with such guidance and amend this Agreement without the Consent of the Grantee to the extent such actions, in the reasonable judgment of the Company, are considered necessary to avoid the imposition of such additional taxes, penalties, or interest.

Section 13. Governing Law . This Agreement shall be construed and enforced in accordance with the laws of the State of Indiana, without giving effect to the choice of law principles thereof.

Section 14. Government Regulations . Notwithstanding anything contained herein to the contrary, the Company's obligation to issue or deliver certificates evidencing the Restricted Stock Units shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Section 15. Entire Agreement; Code Section 409A Compliance . This Agreement and the Plan contain the terms and conditions with respect to the subject matter hereof and supersede any previous agreements, written or oral, relating to the subject matter hereof, including the 2013 Performance Share Agreement. This Agreement is pursuant to the terms of the Company's 2010 Omnibus Incentive Plan (the "Plan"). The Grantee acknowledges that the Restricted Stock Units awarded under this Agreement satisfies any obligation of the Company to provide any additional Restricted Stock Units or other Awards under the Plan and the 2013 Performance Share Agreement as a result of the previously described spin-off of CPG. The applicable terms of the Plan are incorporated herein by reference, including the definition of capitalized terms contained in the Plan, and including the Code Section 409A provisions of Section XIX of the Plan. This Agreement shall be interpreted in accordance with Code Section 409A. This Agreement shall be deemed to be modified to the maximum extent necessary to be in compliance with Code Section 409A's rules. If the Grantee is unexpectedly required to include in the Grantee's current year's income any amount of compensation relating to the Restricted Stock Units because of a failure to meet the requirements of Code Section 409A, then to the extent permitted by Code Section 409A, the Grantee may receive a distribution of cash or Shares in an amount not to exceed the amount required to be included in income as a result of the failure to comply with Code Section 409A.

Section 16. Successors . All obligations of the Company under this Agreement shall be binding on any successor to the Company.

IN WITNESS WHEREOF , the Company has caused this Award to be granted, and the Grantee has accepted this Award, as of the date first above written.

NiSource Inc.

By: ____________________

Its: ____________________

Grantee

By: ____________________

Exhibit 10.2

NiSource Inc.
2010 Omnibus Incentive Plan

Restricted Stock Unit Agreement
Amending and Restating the
2014 Performance Share Agreement

This Restricted Stock Unit Agreement (the "Agreement") amends and restates the performance share agreement entered into between NiSource Inc., a Delaware corporation (the "Company"), and [Name of Employee], an Employee of the Company (the "Grantee"), on [date of grant of original performance share Award, 2014] (the "2014 Performance Share Agreement").

Section 1. Amendment and Restatement of Performance Share Award into a Restricted Stock Unit Award . The Company and the Grantee previously entered into the 2014 Performance Share Agreement on [date of grant of original performance share Award, 2014] (the "Date of Grant"). On July 1, 2015, the Company implemented the spin-off of its pipeline and transmission business, comprised of Columbia Pipeline Group, Inc., a Delaware corporation ("CPG") and its affiliates, which made CPG and its affiliates independent and no longer part of the controlled group of corporations of the Company. Based on

(i) the performance of the Company and satisfaction of the applicable performance metrics under the 2014 Performance Share Agreement from the date of grant of the 2014 Performance Share Agreement until the date immediately before the spin-off of CPG, and

(ii) the Company's determination to preserve the value of the performance share units granted under the 2014 Performance Share Agreement and in accordance with the adjustment provisions of the NiSource Inc. 2010 Omnibus Incentive Plan and the 2014 Performance Share Agreement,

the Company hereby amends and restates the 2014 Performance Share Agreement with the Grantee and grants to the Grantee in its entirety, on the terms and conditions hereinafter set forth, to provide a new total Award of __________ Restricted Stock Units. The Restricted Stock Units will be represented by a bookkeeping entry (the "RSU Account") of the Company, and each Restricted Stock Unit shall be equivalent to one share of the Company's common stock.

Section 2. Grantee Accounts . The number of Restricted Stock Units granted pursuant to this Agreement shall be credited to the Grantee's RSU Account. Each RSU Account shall be maintained on the books of the Company until full payment of the balance thereof has been made to the Grantee (or the Grantee's beneficiaries or estate if the Grantee is deceased) in accordance with Section 1 above. No funds shall be set aside or earmarked for any RSU Account, which shall be purely a bookkeeping device.

Section 3. Vesting and Lapse of Restrictions .

(a) Vesting . Subject to the forfeiture conditions described later in this Agreement, the Restricted Stock Units shall vest on February 28, 2017 (the "Vesting Date").

(b) Effect of Termination of Service . Except as set forth below, if Grantee's Service is terminated for any reason prior to the Vesting Date or the occurrence of any event provided in this Section, the Grantee shall forfeit any Restricted Stock Units that have not yet become vested.

(i) Termination Due to Retirement, Death, or Disability . If, before the Vesting Date, the Grantee terminates Service due to the Grantee's Retirement, death, or Disability, the restrictions set forth in part (a) above shall lapse with respect to a *pro rata* portion of such Restricted Stock Units on the date of such termination of Service. Such *pro rata* lapse of the restrictions shall be determined using a fraction, where the numerator shall be the number of full or partial calendar months elapsed between the Date of Grant and the date the Grantee terminates Service, and the denominator shall be the number of full or partial calendar months between the Date of Grant and the Vesting Date that immediately follows the Grantee's termination date. For purposes of this Agreement, "Retirement" means the Grantee's attainment of age 55 and 10 years of Service.

(ii) Termination After a Change in Control . If, before the Vesting Date and within 24 months after a Change in Control of the Company occurs, the Grantee's Service is terminated by the Company other than for Cause, or Grantee terminates Service for Good Reason, all the Restricted Stock Units shall become fully and immediately vested, and all restrictions shall lapse, upon the date of such Termination of Service.

(iii) Termination in Anticipation of a Change in Control . If, before the Vesting Date, (1) a Change in Control has occurred, (2) the Company has terminated the Grantee's Service without Cause during the year before the Change in Control was consummated but after a third party and/or the Company had taken steps reasonably calculated to effect a Change in Control, and (3) it is reasonably demonstrated by the Grantee that such termination of Service was in connection with or in anticipation of a Change in Control, all the Restricted Stock Units shall become fully and immediately vested, and all restrictions shall lapse, on the fifth business day before the date of consummation of a Change in Control of the Company.

(iv) Cause and Good Reason . For purposes of this Agreement, "Cause" shall be deemed to exist if, and only if, the Company notifies the Grantee, in writing, within 60 days of its knowledge that one of the following events have occurred: (1) the Grantee engages in acts or omissions constituting dishonesty, intentional breach of fiduciary obligation or intentional wrongdoing or malfeasance, in each case that results in substantial harm to the Company; or (2) the Grantee is convicted of a criminal violation involving fraud or dishonesty. For purpsoes of this Agreement, "Good Reason" shall be deemed to exist if, and only if, the Company has failed to cure any of the following conditions within 30 days after receipt of advanced written notice of such conditions by the Grantee: (1) a significant diminution in the nature or the scope of the Grantee's authorities or duties; (2) there is a signficant reduction in the Grantee's monthly rate of base salary and opportunity to earn a bonus under an incentive bonus compensation plan maintained by the Company; (3) the Company changes by 50 miles or more the principal location at which the Grantee is required to perform services as of the date of a Change in Control; or (4) the Company or any successor materially breaches this Agreement.

(c) Limitation on Restricted Stock Units . Notwithstanding the previous provisions of this Section, during any calendar year with respect to which the Grantee is a Covered Officer (for purpose of Internal Revenue Code ("Code") Section 162(m)), if the Grantee otherwise would vest in a number of Restricted Stock Units under this Section, the Grantee instead may vest only with respect to a sufficient number of Restricted Stock Units whose aggregate Fair Market Value on the date such restrictions would, when added to the Grantee's "applicable employee remuneration" (as defined in Code Section 162(m)) for the applicable calendar year that does not constitute "qualified performance-based compensation" (as defined in Code Section 162(m)), not exceed the aggregate amount of $999,999.00 for the applicable calendar year (the "Limitation").

To the extent the restrictions on any Restricted Stock Units do not lapse due to the application of this Section, the restrictions on such Restricted Stock Units shall lapse on the first to occur of:

(i) the last business day of any subsequent calendar year or years to the extent that the Limitation is not exceeded for such year or years;

(ii) the date next following the Grantee's termination of Service for any reason other than for Cause, or

(iii) the first business day of the year next following the year with respect to which the Grantee ceases to be a Covered Officer.

The Company will make all determinations as to whether the lapse of restrictions on any Restricted Stock Units is delayed in accordance with this Section. Such determinations will be made on a uniform and non-discriminatory basis consistent with the requirements under Code Section 409A.

Section 4. Delivery of Shares . Once Restricted Stock Units have vested under this Agreement, the Company will determine the number of Shares represented by the Restricted Stock Units in the Grantee's RSU Account and deliver the total number of Shares due to the Grantee as soon as administratively possible after such date. Notwithstanding any provision to the contrary, if, in the reasonable determination of the Company, a Grantee is a "specified employee" for purposes of Code Section 409A, then, if necessary to avoid the imposition of additional taxes or interest under Code Section 409A, the Company shall not deliver the Shares otherwise payable upon the Grantee's termination and separation of Service until the date that is at least 6 months following the Grantee's termination and separation of Service. The delivery of the Shares shall be subject to payment of the applicable withholding tax liability and the forfeiture provisions of this Agreement. If the Grantee dies before the Company has distributed any portion of the vested Restricted Stock Units, the Company will transfer any Shares payable with respect to the vested Restricted Stock Units in accordance with the Grantee's written beneficiary designation or to the Grantee's estate if no written beneficiary designation is provided.

Section 5. Withholding of Taxes . The Company shall have the power and the right to deduct or withhold, or require the Grantee to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Agreement.

Section 6. Securities Law Compliance . The delivery of all or any Shares that relate to the Restricted Stock Units shall only be effective at such time that the issuance of such Shares will not violate any state or federal securities or other laws. The Company is under no obligation to effect any registration of Shares under the Securities Act of 1933 or to effect any state registration or qualification of the Shares that may be issued under this Agreement. The Company may, in its sole discretion, delay the delivery of Shares or place restrictive legends on Shares in order to ensure that the issuance of any Shares will be in compliance with federal or state securities laws and the rules of any exchange upon which the Company's Shares are traded. If the Company delays the delivery of Shares in order to ensure compliance with any state or federal securities or other laws, the Company shall deliver the Shares at the earliest date at which the Company reasonably believes that such delivery will not cause such violation, or at such later date that may be permitted under Code Section 409A.

Section 7. Restriction on Transferability . Except as otherwise provided under the Plan, until the Restricted Stock Units have vested under this Agreement, the Restricted Stock Units granted herein and the rights and privileges conferred hereby may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated (by operation of law or otherwise), other than by will or the laws of descent and distribution. Any attempted transfer in violation of the provisions of this paragraph shall be void, and the purported transferee shall obtain no rights with respect to such Restricted Stock Units.

Section 8. Grantee's Rights Unsecured . The right of the Grantee or his or her beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Grantee nor his or her beneficiary shall have any rights in or against any amounts credited to the Grantee's RSU Account or any other specific assets of the Company. All amounts credited to the Grantee's RSU Account shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes, as it may deem appropriate.

Section 9. No Rights as Stockholder or Employee .

(a) Unless and until Shares have been issued to the Grantee, the Grantee shall not have any privileges of a stockholder of the Company with respect to any Restricted Stock Units subject to this Agreement, nor shall the Company have any obligation to issue any dividends or otherwise afford any rights to which Shares are entitled with respect to any such Restricted Stock Units.

(b) Nothing in this Agreement or the Award shall confer upon the Grantee any right to continue as an Employee of the Company or any Affiliate or to interfere in any way with the right of the Company or any Affiliate to terminate the Grantee's Service at any time.

Section 10. Adjustments . If at any time while the Award is outstanding, the number of outstanding Restricted Stock Units is changed by reason of a reorganization, recapitalization, stock split or any of the other events described in the Plan, the number and kind of Restricted Stock Units shall be adjusted in accordance with the provisions of the Plan. In the event of certain corporate events specified in Article XVI of the Plan, the Committee shall take action in accordance with the procedures and provisions of Article XVI of the Plan; provided that the Grantee shall receive value for each Share subject to this Agreement equal to the value received by each stockholder of the Company as a result of the Change in Control.

Section 11. Notices . Any notice hereunder by the Grantee shall be given to the Company in writing and such notice shall be deemed duly given only upon receipt thereof at the following address: Corporate Secretary, NiSource Inc., 801 East 86 th Avenue, Merrillville, IN 46410-6271, or at such other address as the Company may designate by notice to the Grantee. Any notice hereunder by the Company shall be given to the Grantee in writing and such notice shall be deemed duly given only upon receipt thereof at such address as the Grantee may have on file with the Company.

Section 12. Administration . The administration of this Agreement, including the interpretation and amendment or termination of this Agreement, will be performed in accordance with the Plan. All determinations and decisions made by the

Committee, the Board, or any delegate of the Committee as to the provisions of this Agreement shall be conclusive, final, and binding on all persons. This Agreement at all times shall be governed by the Plan and in no way alter or modify the Plan. To the extent a conflict exists between this Agreement and the Plan, the provisions of the Plan shall govern. Notwithstanding the foregoing, if subsequent guidance is issued under Code Section 409A that would impose additional taxes, penalties, or interest to either the Company or the grantee, the Company may administer this Agreement in accordance with such guidance and amend this Agreement without the Consent of the Grantee to the extent such actions, in the reasonable judgment of the Company, are considered necessary to avoid the imposition of such additional taxes, penalties, or interest.

Section 13. Governing Law . This Agreement shall be construed and enforced in accordance with the laws of the State of Indiana, without giving effect to the choice of law principles thereof.

Section 14. Government Regulations . Notwithstanding anything contained herein to the contrary, the Company's obligation to issue or deliver certificates evidencing the Restricted Stock Units shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Section 15. Entire Agreement; Code Section 409A Compliance . This Agreement and the Plan contain the terms and conditions with respect to the subject matter hereof and supersede any previous agreements, written or oral, relating to the subject matter hereof, including the 2014 Performance Share Agreement. This Agreement is pursuant to the terms of the Company's 2010 Omnibus Incentive Plan (the "Plan"). The Grantee acknowledges that the Restricted Stock Units awarded under this Agreement satisfies any obligation of the Company to provide any additional Restricted Stock Units or other Awards under the Plan and the 2014 Performance Share Agreement as a result of the previously described spin-off of CPG. The applicable terms of the Plan are incorporated herein by reference, including the definition of capitalized terms contained in the Plan, and including the Code Section 409A provisions of Section XIX of the Plan. This Agreement shall be interpreted in accordance with Code Section 409A. This Agreement shall be deemed to be modified to the maximum extent necessary to be in compliance with Code Section 409A's rules. If the Grantee is unexpectedly required to include in the Grantee's current year's income any amount of compensation relating to the Restricted Stock Units because of a failure to meet the requirements of Code Section 409A, then to the extent permitted by Code Section 409A, the Grantee may receive a distribution of cash or Shares in an amount not to exceed the amount required to be included in income as a result of the failure to comply with Code Section 409A.

Section 16. Successors . All obligations of the Company under this Agreement shall be binding on any successor to the Company.

IN WITNESS WHEREOF , the Company has caused this Award to be granted, and the Grantee has accepted this Award, as of the date first above written.

NiSource Inc.

By: ____________________

Its: ____________________

Grantee

By: ____________________

Exhibit 10.3

NiSource Inc.
2010 Omnibus Incentive Plan

Restricted Stock Unit Award Agreement Amendment
Relating to Vested but Unpaid NiSource Restricted Stock Units
for Nonemployee Directors of NiSource Inc.

This Restricted Stock Unit Award Agreement Amendment (the "Agreement") is made and entered into as of July 13, 2015, by and between NiSource Inc., a Delaware corporation (the "Company"), and ____________________, a Nonemployee Director of the Company (the "Grantee").

Background

A. The Company previously granted to the Grantee Awards of Restricted Stock Units ("RSUs") in accordance with the terms and conditions of restricted stock unit agreements under the NiSource Nonemployee Director Stock Incentive Plan and the NiSource Inc. 2010 Omnibus Incentive Plan (the "Prior NiSource RSU Agreements").

B. Under the Prior NiSource RSU Agreements, many of the RSUs are fully vested but will not become payable until a future date (the "Vested NiSource RSUs").

C. On July 1, 2015, NiSource implemented the spin-off of its pipeline and transmission business, comprised of Columbia Pipeline Group, Inc. ("CPG") and its affiliates, which made CPG and its affiliates independent and no longer part of the controlled group of corporations of the Company.

D. In connection with the spin-off of CPG and its affiliates, the Company desires to amend the Prior NiSource RSU Agreements to provide the Grantee with a one-time opportunity to elect to invest all or a portion of the Vested NiSource RSUs in alternative investment options and to have such amounts settled in cash at the same time as the Vested NiSource RSUs are settled under the Prior NiSource RSU Agreements.

Agreement

The Company and the Grantee hereby agree to amend each of the Prior NiSource RSU Agreements in the manner described below.

1. The following is added at the end of each of the Prior NiSource RSU Agreements:

   Director Investment Election Arrangement. The Grantee may make a one-time election to change the underlying investment of the Grantee's RSU Account under each Prior NiSource RSU Agreement by executing the Director Investment Election Arrangement form on or after July 13, 2015 and before September 17, 2015. If the Grantee does not complete the Election Form by such date, the Director Investment Election Arrangement as described in this Section will not apply to any Vested NiSource RSUs.

   If the Grantee participates in the Director Investment Election Arrangement, the Grantee may elect to invest all or a portion of the Vested NiSource RSUs among the investment options provided to the Grantee and as determined by the Company from time to time in its sole and absolute discretion. The Company may, in its sole discretion, discontinue, substitute, or add investment options after the Grantee makes a one-time election to participate in the Director Investment Election Arrangement. Notwithstanding the foregoing, the investment options under the Director Investment Election Arrangement are to be used for measurement purposes only, and the Grantee's election of any such investment option, the allocation of any of the Grantee's Vested NiSource RSUs thereto, the calculation of additional amounts and the crediting or debiting of such amounts to each of the Grantee's RSU Account under the Prior NiSource RSU Agreements shall not be considered in any manner as an actual investment in any such investment option. The Grantee's RSU Account under each Prior NiSource RSU Agreement shall continue to be a bookkeeping entry only, and the Grantee shall not have any rights in or to such investments themselves. In addition, if the Grantee elects to participate in the Director Investment

Election Arrangement, each of the Grantee's RSU Accounts shall be distributed in cash at the time of settlement, as provided under the Prior NiSource RSU Agreements.

2. In all other respects, each of the Prior NiSource RSU Agreements shall remain unchanged.

IN WITNESS WHEREOF, the Company has caused this Award to be granted, and the Grantee has accepted this Award, as of the date first above written.

NISOURCE Inc.

By: ____________________

Its: ____________________

GRANTEE

By: ____________________

Exhibit 10.4

Columbia Pipeline Group, Inc.
2015 Omnibus Incentive Plan

Restricted Stock Unit Award Agreement
Relating to Vested but Unpaid NiSource Restricted Stock Units
for Nonemployee Directors of Columbia Pipeline Group, Inc.

This Restricted Stock Unit Award Agreement (the "Agreement"), is made and entered into as of July 13, 2015, by and between Columbia Pipeline Group, Inc., a Delaware corporation (the "Company"), and ____________________, a Nonemployee Director of the Company (the "Grantee").

Section 1. **Restricted Stock Unit Award.** NiSource Inc. ("NiSource") previously granted to the Grantee Awards of Restricted Stock Units ("RSUs") in accordance with the terms and conditions of restricted stock unit agreements under the NiSource Nonemployee Director Stock Incentive Plan and the NiSource Inc. 2010 Omnibus Incentive Plan (the "Prior NiSource RSU Agreements"). Under the Prior NiSource RSU Agreements, many of the RSUs are fully vested but will not become payable until a future date (the "Vested NiSource RSUs"). On July 1, 2015, NiSource implemented the spin-off of its pipeline and transmission business, comprised of the Company and its affiliates, which made the Company and its affiliates independent and no longer part of the controlled group of corporations of NiSource. To preserve the value of the Vested NiSource RSUs, the Company hereby grants to the Grantee, on the terms and conditions hereinafter set forth, an Award of __________ Restricted Stock Units. The Restricted Stock Units will be represented by a bookkeeping entry (the "RSU Account") of the Company, and each Restricted Stock Unit shall be equivalent to one share of the Company's common stock.

Section 2. **Grantee Accounts.** The number of whole and fractional RSUs granted pursuant to this Agreement shall be credited to the Grantee's RSU Account. The Grantee shall be credited with additional RSUs pursuant to Article XIV of the Plan to reflect dividend equivalents with respect to the period of time between the Date of Grant and the receipt of payment under the Plan. Such dividend equivalent credits will be equal to the dividends or other distributions declared on any Shares underlying the RSUs. Dividend equivalents will be aggregated and credited to the Grantee's RSU Account in the form of additional RSUs based on the Fair Market Value on the dividend payment date. Each RSU Account shall be maintained on the books of the Company until full payment of the balance thereof has been made to the Grantee (or the Grantee's beneficiaries or estate if the Grantee is deceased) in accordance with Sections 4 and 5 herein. No funds shall be set aside or earmarked for any RSU Account, which shall be purely a bookkeeping device.

Section 3. **Vesting and Lapse of Restrictions.** The RSUs awarded under this Agreement shall be fully and immediately vested as of July 13, 2015.

Section 4. **Payment of RSUs.** The Company shall distribute the RSUs to the Grantee under each Award as soon as practicable (but in no event later than 60 days) after the date of the Grantee's termination of Service or such other specified date elected by the Grantee under an applicable Prior NiSource RSU Agreement. The Grantee shall be entitled to receive from the Company a number of Shares with an aggregate Fair Market Value on the date of payment equal to the aggregate Fair Market Value of such vested Restricted Stock Units, including the Restricted Stock Units credited to the Participant's RSU Account as dividend equivalents. Payment to the Grantee shall be made in the form of Columbia Pipeline Group, Inc. common stock for all whole and fractional RSUs.

Section 5. **Delivery of Shares.** If the Grantee dies before the Company has distributed any portion of the vested Restricted Stock Units, the Company will transfer any Shares payable with respect to the vested Restricted Stock Units in accordance with the Grantee's written beneficiary designation or to the Grantee's estate if no written beneficiary designation is provided.

Section 6. **Director Investment Election Arrangement.** Notwithstanding anything in this Agreement to the contrary, the Grantee may make a one-time election to change the underlying investment of the Grantee's RSU Account by executing the Director Investment Election Arrangement form on or after July 13, 2015 and before September 17, 2015. If the Grantee does not complete the Election Form by such date, the Director Investment Election Arrangement as described in this Section will not apply to any RSUs.

If the Grantee participates in the Director Investment Election Arrangement, the Grantee may elect to invest the amount credited to the Grantee's RSU Account among the investment options provided to the Grantee and as determined by the Company from time to time in its sole and absolute discretion. The Company may, in its sole discretion, discontinue, substitute, or add investment options after the Grantee makes a one-time election to participate in the Director Investment Election Arrangement. Notwithstanding the foregoing, the investment options under the Director Investment Election Arrangement are to be used for measurement purposes only, and the Grantee's election of any such investment option, the allocation of the Grantee's RSU Account thereto, the calculation of additional amounts and the crediting or debiting of such amounts to the Grantee's RSU Account shall not be considered in any manner as an actual investment of the Grantee's RSU Account in any such investment option. The Grantee's RSU Account shall continue to be a bookkeeping entry only, and the Grantee shall not have any rights in or to such investments themselves. In addition, if the Grantee elects to participate in the Director Investment Election Arrangement, the Grantee's RSU Account shall be distributed in cash at the time of settlement.

Section 7. **Securities Law Compliance.** The delivery of all or any Shares that relate to the Restricted Stock Units shall only be effective at such time that the issuance of such Shares will not violate any state or federal securities or other laws. The Company is under no obligation to effect any registration of Shares under the Securities Act of 1933 or to effect any state registration or qualification of the Shares that may be issued under this Agreement. The Company may, in its sole discretion, delay the delivery of Shares or place restrictive legends on Shares in order to ensure that the issuance of any Shares will be in compliance with federal or state securities laws and the rules of any exchange upon which the Company's Shares are traded. If the Company delays the delivery of Shares in order to ensure compliance with any state or federal securities or other laws, the Company shall deliver the Shares at the earliest date at which the Company reasonably believes that such delivery will not cause such violation, or at such later date that may be permitted under Code Section 409A.

Section 8. **Restriction on Transferability.** Except as otherwise provided in the Plan, the Restricted Stock Units granted herein and the rights and privileges conferred hereby may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated (by operation of law or otherwise), other than by will or the laws of descent and distribution. Any attempted transfer in violation of the provisions of this paragraph shall be void, and the purported transferee shall obtain no rights with respect to such Restricted Stock Units.

Section 9. **Grantee's Rights Unsecured.** The right of the Grantee or his or her beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Grantee nor his or her beneficiary shall have any rights in or against any amounts credited to the Grantee's RSU Account or any other specific assets of the Company. All amounts credited to the Grantee's RSU Account shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes, as it may deem appropriate.

Section 10. **No Rights as Stockholder or Nonemployee Director.**

(a) Unless and until Shares have been issued to the Grantee, the Grantee shall not have any privileges of a stockholder of the Company with respect to any Restricted Stock Units subject to this Agreement; provided, however, that the Grantee shall be entitled to receive dividend equivalent credits equal to the dividends or other distributions declared on any Shares underlying the RSUs in accordance with Section 2.

(b) Nothing in this Agreement or the Award shall confer upon the Grantee any right to continue as a Nonemployee Director of the Company or any Affiliate or to interfere in any way with the right of the Company or any Affiliate to terminate the Grantee's service at any time.

Section 11. **Adjustments.** If at any time while the Award is outstanding, the number of outstanding Restricted Stock Units is changed by reason of a reorganization, recapitalization, stock split or any of the other events described in the Plan, the number and kind of Restricted Stock Units shall be adjusted in accordance with the provisions of the Plan. In the event of certain corporate events specified in Article XVI of the Plan, any unvested or undistributed Restricted Stock Units may be replaced by substituted Awards or forfeited in exchange for payment of cash in accordance with the procedures and provisions of Article XVI of the Plan.

Section 12. **Notices.** Any notice hereunder by the Grantee shall be given to the Company in writing and such notice shall be deemed duly given only upon receipt thereof at the following address: Corporate Secretary, Columbia Pipeline Group, Inc., 5151 San Felipe Street, Suite 2500, Houston, TX 77056, or at such other address as the Company may designate by notice to the Grantee. Any notice hereunder by the Company shall be given to the Grantee in writing and such notice shall be deemed duly given only upon receipt thereof at such address as the Grantee may have on file with the Company.

Section 13. **Administration.** The administration of this Agreement, including the interpretation and amendment or termination of this Agreement, will be performed in accordance with the Plan. All determinations and decisions made by the Committee, the Board, or any delegate of the Committee as to the provisions of this Agreement shall be conclusive, final, and binding on all persons. This Agreement at all times shall be governed by the Plan and in no way alter or modify the Plan. To the extent a conflict exists between this Agreement and the Plan, the provisions of the Plan shall govern. Notwithstanding the foregoing, if subsequent guidance is issued under Code Section 409A that would impose additional taxes, penalties, or interest to either the Company may administer this Agreement in accordance with such guidance and amend this Agreement without the Consent of the Grantee to the extent such actions, in the reasonable judgment of the Company, are considered necessary to avoid the imposition of such additional taxes, penalties, or interest.

Section 14. **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of Texas, without giving effect to the choice of law principles thereof.

Section 15. **Government Regulations.** Notwithstanding anything contained herein to the contrary, the Company's obligation to issue or deliver certificates evidencing the Restricted Stock Units shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Section 16. **Entire Agreement; Code Section 409A Compliance.** This Agreement and the Plan contain the terms and conditions with respect to the subject matter hereof and supersede any previous agreements, written or oral, relating to the subject matter hereof, except that the Prior NiSource RSU Agreements that were previously granted by NiSource to the Grantee with respect to only the vested NiSource RSUs shall continue to remain in full force and effect. This Agreement is pursuant to the terms of the Company's 2015 Omnibus Incentive Plan (the "Plan") and in the event of conflicts between this Agreement and the Plan, the Plan shall govern. The Grantee acknowledges that the Restricted Stock Units awarded under this Agreement satisfies any obligation of the Company or NiSource to provide any additional Restricted Stock Units under the Plan and the Prior NiSource Director Plan RSU Agreement as a result of the previously described spin-off of the Company. The applicable terms of the Plan are incorporated herein by reference, including the definition of capitalized terms contained in the Plan, and including the Code Section 409A provisions of Section XIX of the Plan. This Agreement shall be interpreted in accordance with Code Section 409A. This Agreement shall be deemed to be modified to the maximum extent necessary to be in compliance with Code Section 409A's rules.

If the Grantee is unexpectedly required to include in the Grantee's current year's income any amount of compensation relating to the Restricted Stock Units because of a failure to meet the requirements of Code Section 409A, then to the extent permitted by Code Section 409A, the Grantee may receive a distribution of cash or Shares in an amount not to exceed the amount required to be included in income as a result of the failure to comply with Code Section 409A.

IN WITNESS WHEREOF, the Company has caused this Award to be granted, and the Grantee has accepted this Award, as of the date first above written.

Columbia Pipeline Group, Inc.

By: ____________________

Its: ____________________

GRANTEE

By: ____________________

Exhibit 31.1

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

I, Joseph Hamrock, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended September 30, 2015 ;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2015

By: /s/ Joseph Hamrock

Joseph Hamrock
President and Chief Executive Officer

Exhibit 31.2

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

I, Donald E. Brown, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended September 30, 2015 ;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2015 By: /s/ Donald E. Brown

Donald E. Brown
Executive Vice President and Chief
Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Hamrock, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Joseph Hamrock

Joseph Hamrock
President and Chief Executive Officer

Date: November 3, 2015

Exhibit 32.2

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

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald E. Brown, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Donald E. Brown

Donald E. Brown
Executive Vice President and Chief Financial Officer

Date: November 3, 2015

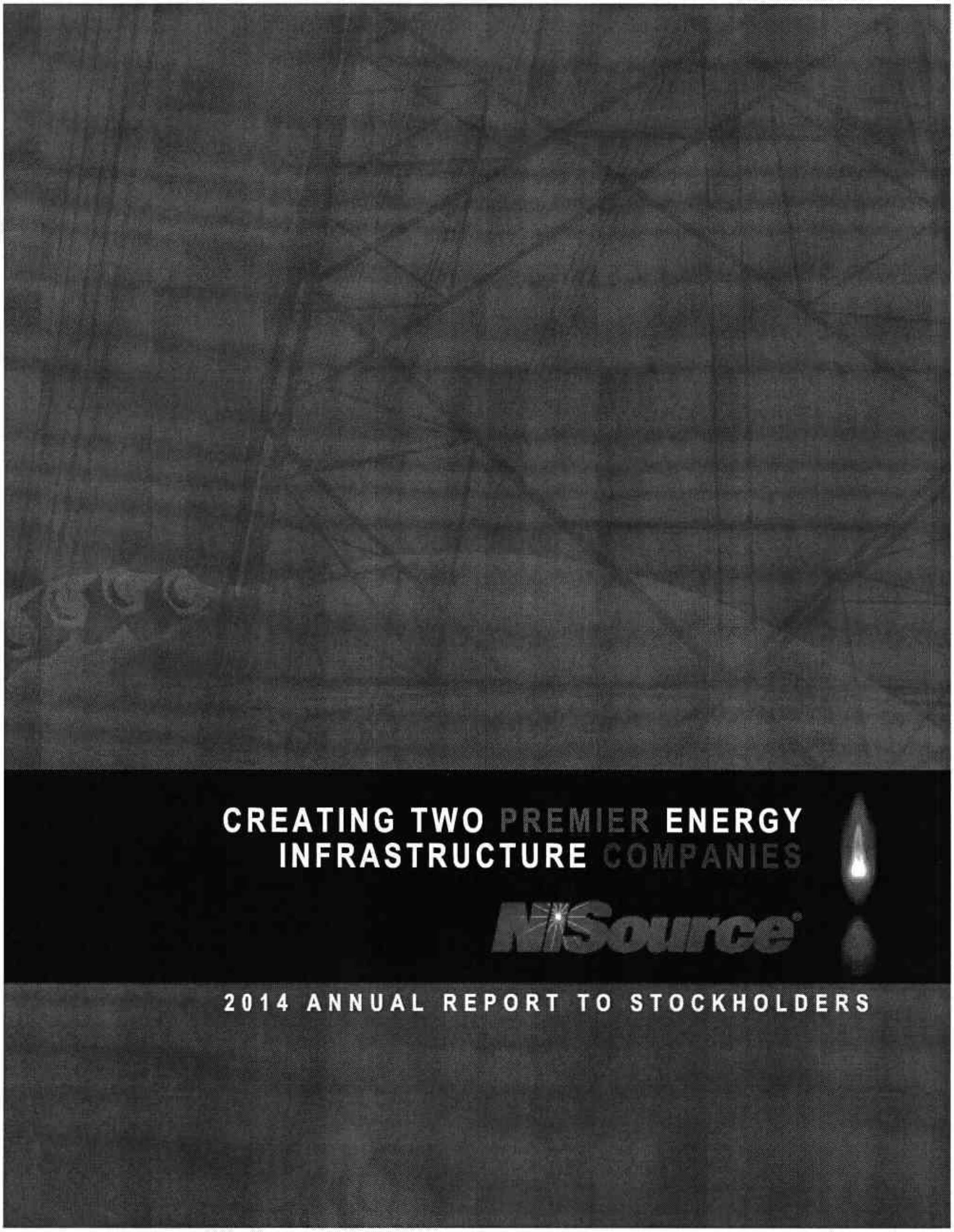
Exhibit No. 403
Page 1 of 1
Witness: P.R. Moul

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

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

Response: Columbia Gas of Pennsylvania, Inc. does not publish a Stockholders Report.

Attachment A to this Exhibit is NiSource Inc.'s 2014 Annual Message to Stockholders and Attachment B is NiSource Inc.'s Form 10K for the fiscal year ended December 31, 2015.



CREATING TWO PREMIER ENERGY INFRASTRUCTURE COMPANIES

NiSource

2014 ANNUAL REPORT TO STOCKHOLDERS

2014: A Watershed Year

Continued Strong Execution of Core Infrastructure and Customer Programs

Transformational Growth Projects and Strategic Initiatives

~32% Total Shareholder Return*

~$3 Billion Market Cap Increase

~29% Share Price Increase

~4% Dividend Increase

~$12-$15 Billion Gas Pipeline Infrastructure Investment Opportunities Over 10 Years

~$30 Billion Utility Infrastructure Investment Opportunities Over 20-Plus Years

~207% Cumulative Total Shareholder Return* Over Past Five Years

Earned the Edison Electric Institute's Index Award for Five-Year Shareholder Returns

Named to Dow Jones Sustainability Index - North America

Designated a World's Most Ethical Company by The Ethisphere Institute

* Represents share price appreciation plus dividends.

A Message from Bob Skaggs, NiSource President and CEO

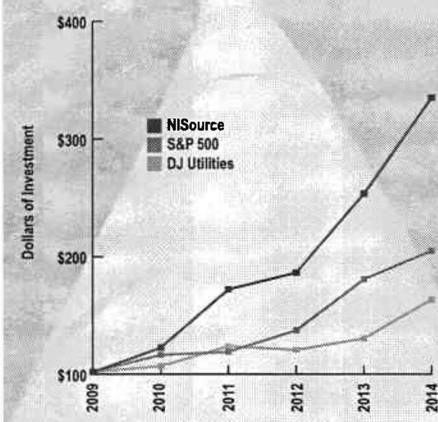
Fellow Stockholder:

By almost any measure, 2014 was a watershed year for NiSource. Our Team again delivered strong financial, operational and customer service results, while executing on a record capital investment program. It was a year in which we originated and advanced transformational growth projects, executed on a growing array of long-term system enhancement programs and announced a fundamental repositioning of NiSource and Columbia Pipeline Group as **independent premier energy companies.**

You will see details of these achievements throughout this year's annual report, but here are just a few of the Team's notable achievements during 2014:

- We successfully executed on a record $2.2 billion capital investment program, delivering a broad array of customer-focused infrastructure enhancements, system expansions and environmental upgrades.
- We added more than 1.1 billion cubic feet of new gas transmission capacity to our pipeline system, while originating major new projects that we anticipate will drive the expected tripling of our pipeline business net asset base by 2020. In fact, across all three NiSource business units, our Teams identified enhanced infrastructure investment opportunities of nearly $50 billion over the next 20-plus years.
- We continued to systematically enhance our core natural gas distribution and transmission assets, and starting in 2014, our NIPSCO electric system, as part of well-defined – and stakeholder-aligned – long-term modernization programs.
- We successfully completed regulatory proceedings – virtually all via collaborative settlement – resulting in recovery of more than $70 million in increased annual revenues, while continuing to advance key energy efficiency, conservation and customer assistance programs.
- We delivered earnings that exceeded our guidance range, increased NiSource's common stock dividend and generated a total shareholder return that once again exceeded the major utility indices. And we did so while maintaining our core commitment to investment grade credit – and in fact received a ratings upgrade from Moody's Investor Services.

INVESTMENT-DRIVEN GROWTH



	NI	S&P 500	DJ Utilities
2014	$336.92	$205.11	$162.90
2013	$254.18	$180.41	$129.29
2012	$186.21	$136.26	$119.39
2011	$171.58	$117.49	$122.43
2010	$121.29	$115.06	$105.22
2009	$100.00	$100.00	$100.00

STOCK PRICE PERFORMANCE

Underpinning these accomplishments is NiSource's **well-established business strategy** and **industry-leading platforms for growth**. That strong foundation positions our Team to deliver strong, sustainable performance and significant value for: **Our Customers** through modern, efficient energy services and infrastructure; **the Communities We Serve** through job creation, community involvement and economic development; and **Our Shareholders** through consistent investment returns and value creation.

On behalf of our Team, I'm proud to provide this "look back" at a remarkable 12 months, and to share a "look ahead" at what promises to be a historic year for NiSource and Columbia Pipeline Group.

Creating Two Premier Energy Companies

During the third quarter of 2014, we announced a major strategic initiative designed to better position NiSource's core gas and electric utility businesses, as well as our rapidly growing natural gas pipeline, storage and midstream unit, for even stronger performance and ongoing success.

In September, we launched a plan, approved in principle by NiSource's Board of Directors, to **separate Columbia Pipeline Group (CPG) from NiSource's natural gas and electric utilities**. In sync with that announcement, we initiated the creation of a new master limited partnership (MLP), Columbia Pipeline Partners LP, to provide equity funding for CPG's robust growth plan.

The decision to separate CPG and NiSource into stand-alone public companies is clearly a significant development in NiSource's history and a logical step in the evolution of our proven, long-term growth strategy. Following the separation – on track to be completed in mid-2015 – both NiSource and CPG are expected to move forward as independent, investment-grade, pure-play entities with experienced Teams **focused on executing – and elevating – our well-established platforms for growth.**

- **Columbia Pipeline Group** will be a growth-oriented natural gas pipeline, midstream and storage company. As an independent company, CPG will be financially strong and strategically positioned to execute on a growing inventory of transformational growth and modernization investments.

- **NiSource** will continue to include the Columbia Gas distribution companies and the NIPSCO natural gas and electric business. The company will remain one of America's largest fully regulated utilities, with a large customer base, strong and respected stakeholder relationships, and approximately $30 billion of identified long-term investment opportunities.

Separating CPG from NiSource is relatively straightforward and has proceeded according to plan. We have announced experienced management Teams for both companies – virtually all drawn from NiSource's current leadership ranks – and initiated necessary financing to **establish strong financial foundations for both companies**. We also are on track for the recapitalization of both companies, which is on schedule for the second quarter of 2015. Notably, one of the key tenets of this transaction is that both companies are

NYSE: NI
NISOURCE
Pure-Play Natural Gas & Electric Utility

BENEFITS OF THE NISOURCE-CPG SEPARATION
- Creates Two Pure-Play Entities
- Distinct Business Strategies, Investment Opportunities and Customers
- Experienced Leadership for Both Companies
- Each Company Uniquely Positioned to Realize Growth Opportunities
- Premier Projected Growth Rates
- Aligned with Investor and Stakeholder Interests
- Expected Tax-Free Transaction

NYSE: CPGX
COLUMBIA PIPELINE GROUP
Pure-Play Pipeline, Midstream & Storage Company

OPPORTUNITY TO UNLOCK THE FULL POTENTIAL OF BOTH COMPANIES

expected to **maintain investment-grade credit ratings following the separation.**

As NiSource shareholders, at the time of separation, you will retain your current shares of NiSource stock and receive a pro-rata dividend of shares of CPG stock in a transaction that is expected to be tax-free to NiSource and shareholders. The actual number of CPG shares to be distributed to shareholders will be determined closer to the separation date.

Columbia Pipeline Partners

NYSE: CPPL

As noted above, a separate but closely related part of CPG's future growth was the creation of Columbia Pipeline Partners LP, an MLP that owns approximately 15.7 percent of Columbia OpCo's assets. Columbia OpCo owns essentially all of the assets of CPG, including Columbia Gas Transmission, Columbia Gulf Transmission and Columbia Midstream Group.

On February 11, 2015, Columbia Pipeline Partners successfully completed its **$1.2 billion initial public offering**, the largest-ever MLP IPO to date. The MLP will act as the primary equity funding source for CPG's growth projects, which are highlighted throughout this report. Additional information about Columbia Pipeline Partners can be found at www.columbiapipelinepartners.com.

Transformational Pipeline, Storage & Midstream Progress

Our CPG Team delivered on a truly unprecedented agenda in 2014 by placing more than $300 million in system expansion projects in service during the year, which added about 1.1 billion cubic feet of new capacity to CPG's interstate pipeline system. Meanwhile, our Columbia Midstream Team placed an additional $200 million in new projects in service, providing new gathering and processing services for Marcellus and Utica Shale gas producers. Concurrent with these investments, the CPG Team delivered on the second year of the comprehensive Columbia Transmission system modernization program, representing an investment of about $320 million. In total for 2014, we added more than $800 million in new revenue-generating assets in service – all on time and on budget.

The largest CPG growth project placed in service during the year was the approximately $200 million **West Side Expansion** project. That project involved making a portion of the approximately 3,400-mile Columbia Gulf system bi-directional and capable of transporting 540 million cubic feet per day of Marcellus Shale production to Gulf Coast and southeast markets. When this important project is paired with subsequent projects under development, we expect that **by the end of 2017, the entire Columbia Gulf system will be fully bi-directional**, providing a major and much-needed market outlet for Appalachian shale gas.

Another growth project benefiting from CPG's strategic asset location is the **Hickory Bend gathering and processing facility** in eastern Ohio and western Pennsylvania. That project, which was placed in service in the first half of 2014, involved construction of about 45 miles of gathering pipeline and related facilities. The facility now provides about **500 million cubic feet per day of gathering pipeline capacity and about 200 million cubic feet per day of processing capacity**, with ready capability for future expansion. Our Team also completed a **natural gas liquids pipeline** that connects the Hickory Bend facility to the UEO Kensington facility in Columbiana County, Ohio. This new line is capable of delivering 45,000 barrels of liquids per day with expansion potential up to 90,000 barrels per day. Both projects are part of our Pennant Midstream, LLC partnership, a joint venture with units of Hilcorp Energy Company. NiSource owns a 50 percent interest and is the operator of the facilities.

Looking ahead, **the CPG Team is in full execution mode on several transformational growth projects** supporting

Continues on Page 6

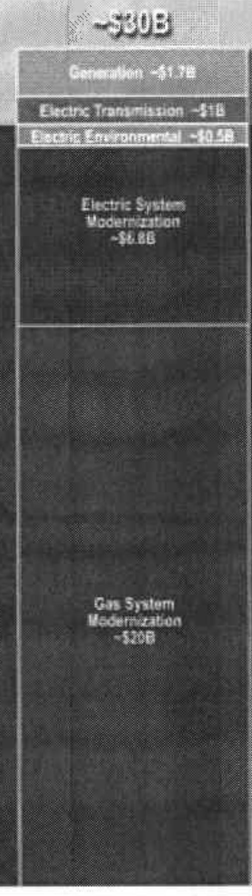
ONE PREMIER COMPANY TO BECOME TWO

In September 2014, NiSource announced plans to separate Columbia Pipeline Group (CPG) into a stand-alone, publicly traded company in mid-2015. With the benefit of strategic clarity and focus, NiSource and CPG will be better able to realize growth opportunities and execute on their robust, long-term investment plans. Both companies are expected to be well capitalized and maintain investment-grade credit ratings.

NiSource®

NYSE: NI BY THE NUMBERS

- ~4 Million Electric & Natural Gas Customers Across Seven States
- ~58,000 Miles of Distribution Pipeline
- 3,300 Megawatts of Generation
- ~2,800 Circuit Miles of Electric Transmission
- 100% Regulated Business Model
- ~$7.4 Billion Rate Base
- >80% Non-Volumetric Revenue Streams
- ~75% of Investments Are Expected to Be Revenue Producing
- ~$30 Billion of Long-Term Infrastructure Investment Opportunities



20+ Year Expected Infrastructure Investments

After the planned separation, **NiSource will remain one of the largest natural gas utility companies in the United States**, serving more than 3.4 million customers in seven states under the Columbia Gas and NIPSCO brands. The company also will continue to provide electric distribution, generation and transmission services for approximately 460,000 NIPSCO electric customers in northern Indiana. The company will continue to be listed on the New York Stock Exchange under the symbol "NI."

NiSource's growth strategy focuses on the systematic modernization and replacement of its utility infrastructure, paired with complementary system expansions, customer programs and regulatory initiatives. Under this strategy, the company is investing in **electric system environmental upgrades and transmission expansions; natural gas system replacements and expansions; and enhancement of customer services.**

NiSource's core business strategy is expected to drive stable long-term earnings and dividend growth, **supported by stable revenue streams, contemporary rate designs and approximately $30 billion in infrastructure investment opportunities spanning the next 20-plus years.**

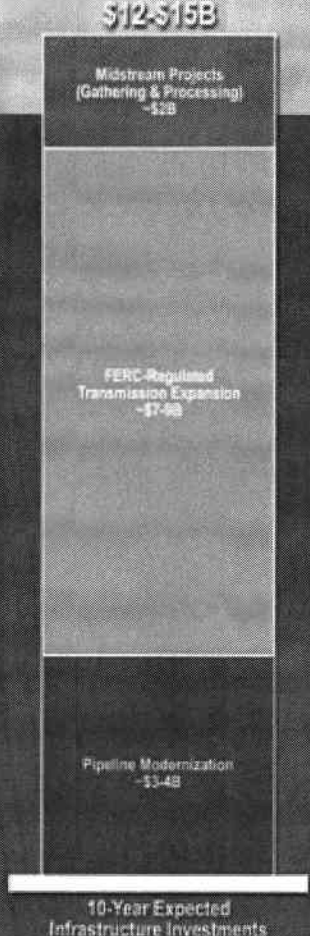
"As a pure-play utilities company, we expect NiSource will continue to be well capitalized, with significant customer and rate base scale, and a deep inventory of infrastructure investment opportunities. The company's strong foundation, supported by a proven track record of execution on core system enhancement, regulatory and legislative programs, should enable NiSource to continue delivering safe, reliable and efficient service to its customers, as well as sustainable growing value to shareholders."

Joe Hamrock will serve as NiSource's president and CEO following the planned separation. He currently serves as group CEO of NiSource's Gas Distribution business unit.

Columbia
Pipeline Group

NEW LOOK, CLASSIC TWIST

As part of the separation process, Columbia Pipeline Group unveiled a new logo that draws from the organization's rich history. The navy blue and three-star design comes from a previous version of the Columbia logo, dating back nearly a century.



BY THE NUMBERS

NYSE: CPGX

- **15,000 Miles of Transmission Pipeline**
- **1.3 Trillion Cubic Feet of Throughput per Year**
- **35 Storage Fields with 300 Billion Cubic Feet of Working Capacity**
- **>90 Percent of Revenues Generated Under Long-Term, Fixed-Fee Agreements**
- **~$4 Billion Net Investment as of 2013, Expected to Triple by 2020**
- **$12-$15 Billion of Long-Term Infrastructure Investment Opportunities**

CPG, which is expected to be listed on the New York Stock Exchange under the symbol "CPGX," will include Columbia Pipeline Partners, Columbia Gas Transmission, Columbia Gulf Transmission, Columbia Midstream Group, and other current NiSource natural gas pipeline, storage and midstream holdings. In total, the **new independent CPG will operate more than 15,000 miles of natural gas transmission pipelines, nearly 300 billion cubic feet of underground natural gas storage working capacity and a growing portfolio of midstream and related facilities.**

The CPG system provides access to U.S. energy markets stretching from the Southeast through the Northeast, as well as strategic asset positions throughout the Marcellus and Utica Shale production regions. The CPG Team continues to leverage these assets to develop a deep inventory of supply- and market-driven growth projects, many of which are in advanced stages of development.

These projects, when paired with the company's long-term system modernization program, represent a **potential capital investment opportunity of $12-$15 billion over the next 10 years, positioning the company to provide enhanced long-term growth.**

More than 90 percent of CPG's annual revenues are generated under long-term, fixed-fee agreements, and the company has developed a strong track record for disciplined project and capital program management execution.

"As an independent company, CPG will be well positioned to execute on a significant number of value-creating growth opportunities resulting from the expansion of natural gas drilling in its geographic territories, its landmark system modernization program, as well as increased demand associated with liquefied natural gas exports and gas-fired electric generation – all of which is expected to benefit our customers, investors and other key stakeholders. We are committed to unlocking significant value and enabling even greater investment to fuel growth in the CPG business that would not have been possible without the CPG separation and associated MLP."

Bob Skaggs will serve as CPG's chairman and CEO following the planned separation.

Continued from Page 3

LNG export, gas-fired generation, Marcellus and Utica production and our core gas utility customers. Highlights of those efforts include:

- In December, the Federal Energy Regulatory Commission approved the construction of CPG's **East Side Expansion** project, which will provide approximately 315 million cubic feet per day of additional capacity for Marcellus supplies to reach growing northeastern and Mid-Atlantic markets. This $275 million project is expected to be placed in service in the third quarter of 2015.

- CPG's **Rayne XPress and Leach XPress** projects, which collectively involve about $1.8 billion in system expansion, will create major new pathways for transporting shale production to attractive markets and liquid trading points. With a capacity of approximately 1.5 billion cubic feet per day on the Columbia Transmission system and 1 billion cubic feet per day on Columbia Gulf, the projects involve construction of approximately 160 miles of new transmission pipeline and 165,000 horsepower of additional compression, with an expected in-service date of year-end 2017.

- The **Cameron Access Project**, a roughly $310 million investment, involves the construction of new pipeline facilities to connect the CPG system with the Cameron LNG terminal in southern Louisiana. The project will offer an initial capacity of up to 800 million cubic feet per day and is expected to be in service in early 2018.

- The **WB XPress Project** is an approximately $870 million project to transport about 1.3 billion cubic feet per day of shale gas to East Coast markets and various pipeline interconnects, including access to the Cove Point LNG terminal. This project is expected to be in service by the fourth quarter of 2018.

- Columbia Midstream's $120 million **Washington County Gathering** project, anchored by a long-term agreement with a subsidiary of Range Resources Corp., will transport production into the Columbia Transmission system starting in the second half of 2015, while its **Big Pine Gathering System Expansion** will add another 175 million cubic feet of capacity to the existing, fully subscribed system in the third quarter of 2015.

In addition to these ongoing initiatives, CPG also is in advanced discussions with customers regarding the potential **Mountaineer XPress** – and complementary **Gulf XPress** – projects. Capacity levels for these major projects are still being refined, but they could provide upwards of 2.5 billion cubic feet of additional transportation capacity for Marcellus and Utica Shale producers, underpinned with long-term firm transportation agreements.

This impressive agenda is a testament to our Team's ability to originate high-value projects for customers and the strategic nature of the CPG asset footprint. In fact, given the extent of CPG investment programs and projects in various stages of development, **we now expect CPG's growth investment opportunities to reach $12-$15 billion over the next 10 years, with approximately $1.1 billion planned for 2015.** With this level of investment, we expect to triple CPG's net asset base by 2020.

Premier Utility Performance

In 2014, NiSource's utilities continued to set the standard for disciplined project execution, paired with **foundational commitments to safety, customer value and stakeholder engagement.** In nearly every state where we operate, NiSource Teams made significant progress in advancing core priorities – safety, system reliability, modernization and expansion – while delivering complementary customer programs. In the process, NiSource's natural gas and electric utilities successfully deployed nearly $1.3 billion of capital during 2014. Below are a few of our execution highlights from across our seven utilities.

At NIPSCO, our Indiana electric and natural gas utility, the Team delivered on the first year of its **seven-year natural gas and electric infrastructure modernization programs**, which are expected to reach an investment level of nearly $2 billion. During the year, the Team completed about $120 million of projects that are helping ensure **long-term system reliability, flexibility and safety**, as well as providing improved rural access to natural gas service. Another NIPSCO milestone in 2014 was the completion of the second and remaining **flue gas desulfurization (FGD) unit** at the company's R. M. Schahfer electric generation facility. This unit, like a parallel unit placed in service during the fourth quarter of 2013, was delivered on time and on budget. A third FGD unit, at NIPSCO's Michigan City generation facility, is on schedule to be placed in service by the end of 2015.

Following the completion of the Michigan City unit, all of NIPSCO's coal-burning facilities will be fully scrubbed – which will reduce the company's sulfur dioxide emissions from those units by about 90 percent. The Michigan City project also includes the installation of technology that will reduce particulates, acid gases and mercury emissions from the flue gas. These investments are part of **more than $850 million in environmental enhancements,** including water quality and other emission-control projects, recently completed and planned at NIPSCO's electric generating facilities.

Progress also continued on **two major NIPSCO electric transmission projects** that will further enhance the region's electric grid reliability, flexibility and supply options. The projects in process include a 100-mile, 345-kilovolt transmission line, and a 66-mile, 765-kilovolt line. Right-of-way acquisition and permitting are under way for both projects, with preliminary construction scheduled to begin on the 345-kilovolt line in the first half of this year. These projects represent an investment of about $500 million for NIPSCO.

MANAGEMENT TEAM

Robert C. Skaggs, Jr.
President & CEO

Stephen P. Smith
Executive Vice President & CFO

Carrie J. Hightman
Executive Vice President & CLO

Joseph Hamrock
Executive Vice President & Group CEO, Gas Distribution

Glen L. Kettering
Executive Vice President & Group CEO, Columbia Pipeline Group

Jim L. Stanley
Executive Vice President & Group CEO, NIPSCO

Karl Brack
Senior Vice President, Corporate Affairs

Robert D. Campbell
Senior Vice President, Human Resources

Violet G. Sistovaris
Senior Vice President & CIO

Larry J. Francisco
Vice President, Audit

NIPSCO also received approval for the extension of programs that support conservation and renewable energy options. These include the continuation of NIPSCO's **electric energy efficiency programs and the Green Power Rate program.** The Green Power Rate program, introduced in early 2013, allows customers to designate a portion or all of their monthly electric usage to be attributable to power generated by renewable energy sources. NIPSCO also is in the process of extending its Feed-in Tariff (FIT) program. Originally introducted in 2012, the FIT program allows customers to generate their own electricity via small-scale renewable resources and sell it back to the company.

NiSource's Columbia Gas utilities also achieved significant operational, customer and regulatory progress during 2014, punctuated with successful completion of a record **capital investment level.** The largest portion of that investment was committed to infrastructure modernization programs, under which our gas distribution Teams replaced more than 330 miles of priority pipelines and related facilities last year.

In tandem with these investments, our Columbia Gas distribution Teams delivered on a broad range of complementary regulatory and legislative initiatives.

In November, the Pennsylvania Public Utility Commission approved a settlement in Columbia Gas of Pennsylvania's (CPA) base rate case. The case provides for recovery of CPA's investments in its well-established infrastructure modernization program and will **increase annual revenues by approximately $33 million.** New rates went into effect in December.

Also in December, Columbia Gas of Virginia (CGV) reached a settlement with customers for its base rate, which is pending final approval by the Virginia State Corporation Commission. The case would increase base rates by approximately $25 million and **provide for recovery of costs related to CGV's significant capital investments to improve its system and accommodate growth,** as well as costs incurred related to a number of initiatives designed to improve system safety and reliability.

Earlier in the year, the Team also completed a rate case in Massachusetts that will increase annual revenues by approximately $19 million and provide for **continued recovery of investments related to our ongoing infrastructure programs,** which are designed to maintain and improve the safety and reliability of our systems.

Our Columbia Gas of Massachusetts (CMA) Team also played a key role in advancing state legislation, enacted during 2014, **authorizing accelerated recovery of gas infrastructure modernization investments.** Under the legislation, utilities can file an annual Gas System Enhancement Plan with the Department of Public Utilities, and seek simultaneous recovery in rates. CMA's 2015 enhancement plan is expected to increase annual revenues by approximately $2.6 million.

In Ohio, our Columbia Gas of Ohio (COH) Team helped advance two important **new laws designed to ensure customer safety and enhance economic development in the state.** The Damage Prevention Enforcement Mechanism is the most significant update to Ohio's underground protection statutes in more than 20 years. It grants the Public Utilities

Commission of Ohio the authority to enforce Ohio's underground utility protection laws. A separate new law, the Enhanced Economic Development Opportunities Act, gives local gas distribution companies the ability to apply for a rider to recover the costs of infrastructure investments associated with economic development projects. This law supports COH's economic development efforts and will assist the state in attracting companies and jobs to Ohio.

With a clearly defined strategy in place, NiSource's utilities are on track to complete **approximately $1.3 billion in capital investments during 2015 as part of identified infrastructure investment opportunities of approximately $30 billion** over the next 20-plus years.

Our Focus in 2015

Without question, our fundamental focus in 2015 continues to be safely and reliably operating our core utility and pipeline systems and delivering for our customers each and every day. At the same time we will continue to prepare for the separation of NiSource and CPG – positioning both companies with a strong financial foundation and the resources and systems to operate independently and successfully.

As I reflect on my last shareholder letter as the CEO of the combined NiSource entity, I can say without a doubt that the Team we've assembled is best-in-class. As we execute the separation in the coming months, **I'm certain that both companies will be positioned with the right leadership, the right focus and the right attitude to unlock their full potential and deliver enduring value for their stakeholders.**

Thank you for your support of our plans and your continued investment in NiSource and CPG.

Bob

Bob Skaggs
President & CEO
NiSource Inc.

BOARD OF DIRECTORS

Richard L. Thompson
Chairman of the Board, NiSource Inc.

Richard A. Abdoo
President, R.A. Abdoo & Co. LLC

Aristides S. Candris
Retired President & CEO, Westinghouse

Sigmund L. Cornelius
President and COO, Freeport LNG, LLC

Michael E. Jesanis
Principal, Serrafix

Marty R. Kittrell
Retired Executive Vice President & CFO, Dresser, Inc.

W. Lee Nutter
Retired Chairman, President & CEO, Rayonier, Inc.

Deborah S. Parker
Retired Senior Vice President, Quality & Environmental, Health & Safety, Alstom Power

Robert C. Skaggs, Jr.
President & CEO, NiSource Inc.

Teresa A. Taylor
CEO, Blue Valley Advisors, LLC

Carolyn Y. Woo
President & CEO, Catholic Relief Services

Letter from the Chairman

As Bob describes in his letter, 2014 was truly a landmark year for NiSource. With the oversight and endorsement of the entire Board, the NiSource Team delivered a series of transformational initiatives designed to benefit customers and shareholders now and for the foreseeable future.

In addition to NiSource's significant operational, financial and commercial successes, the company initiated a plan to separate Columbia Pipeline Group (CPG) into a stand-alone company. This separation announcement comes from a position of strength and is fully aligned with our goal of delivering increased long-term shareholder value. Developed and executed in close coordination with the full Board of Directors, this plan is expected to create two premier, pure-play companies and unlock the full potential of both entities.

With proven, experienced leaders in place, NiSource and CPG will be well positioned to thrive and grow as independent entities. As evidenced by their strong leadership track records, Bob Skaggs, Joe Hamrock and their respective Teams are ideally suited to provide the clarity of vision, depth of experience and strength of character needed to execute on the distinct and well-established growth strategies of both NiSource and CPG.

We also are privileged to have highly experienced and respected individuals prepared to serve on the respective Boards of both NiSource and CPG. These Boards will each bring a depth of experience, a range of perspectives and a continuity of focus vital to managing the distinct opportunities and challenges of each company. I am confident these Boards will provide sound independent judgment and guidance to each company's management Team as they work to expand and grow these companies.

After more than a decade of service on this Board, I can say that I have never been more confident in management's plan for the future and the Team's ability to deliver on that strategy.

As always, the Board will continue to represent the interests of shareholders through a high level of engagement with Bob, Joe and their respective Teams. We also will test and validate the company's core strategies and plans – including the company's planned $2.4 billion in infrastructure investments in 2015 – on an ongoing basis.

Thank you for your continued investment and support.

Rich Thompson

Rich Thompson
Chairman of the Board
NiSource Inc.

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2013 WORLD'S MOST ETHICAL COMPANIES WWW.ETHISPHERE.COM
2014 WORLD'S MOST ETHICAL COMPANIES WWW.ETHISPHERE.COM
2015 WORLD'S MOST ETHICAL COMPANIES WWW.ETHISPHERE.COM

NiSource earned, for the fourth consecutive year, the designation as one of the World's Most Ethical Companies by Ethisphere Institute

STOCKHOLDER INFORMATION

This document contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are subject to various risks and uncertainties. Examples of forward-looking statements in this document include statements and expectations regarding the timing of the separation, as well as NiSource's business following the separation and the leadership of NiSource and Columbia Pipeline Group following the separation. The potential distribution of CPG shares is subject to the satisfaction of a number of conditions, including the final approval of NiSource's Board of Directors. There is no assurance that such distribution will in fact occur. Future earnings and other financial projections are illustrative only and do not constitute guidance by the Company.

For a discussion of factors that could cause actual results to differ materially from those contained in such statements, please see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the NiSource Inc. Annual Report on Form 10-K included herein.

NiSource Inc. common stock is listed and traded on the New York Stock Exchange ("NYSE") under the symbol NI. The shares are listed in financial stock quotations as NISOURCE. As of December 31, 2014, NiSource had 25,233 registered common stockholders.

Anticipated Dividend Record & Payment Dates – NI Common Stock*

Record Date	Payment Date
04/30/15	05/20/15
07/31/15	08/20/15
10/30/15	11/20/15
02/08/16	02/19/16

*While the post-separation dividends for NI and CPG have not yet been determined, it is expected that the initial combined dividend will be at least equal to the current NI dividend.

Common Stock Dividend Declared

On February 20, 2015, the Company paid a quarterly dividend of $0.26 per share, equivalent to $1.04 per share on an annual basis.

Investor & Financial Information

Financial analysts and investment professionals should direct written and telephone inquiries to NiSource Investor Relations at 801 East 86th Avenue, Merrillville, IN 46410 or (219) 647-6209.

Copies of NiSource's financial reports are available by writing or calling the Investor Relations department at the address or phone number listed above. The materials are also available at www.nisource.com.

Stockholder Services

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

Computershare
P.O. Box 30170
College Station, Texas 77842-3170
or
211 Quality Circle, Suite 210
College Station, Texas 77845

(888) 884-7790

TDD for Hearing Impaired
(800) 231-5469

Foreign Stockholders
(201) 680-6578

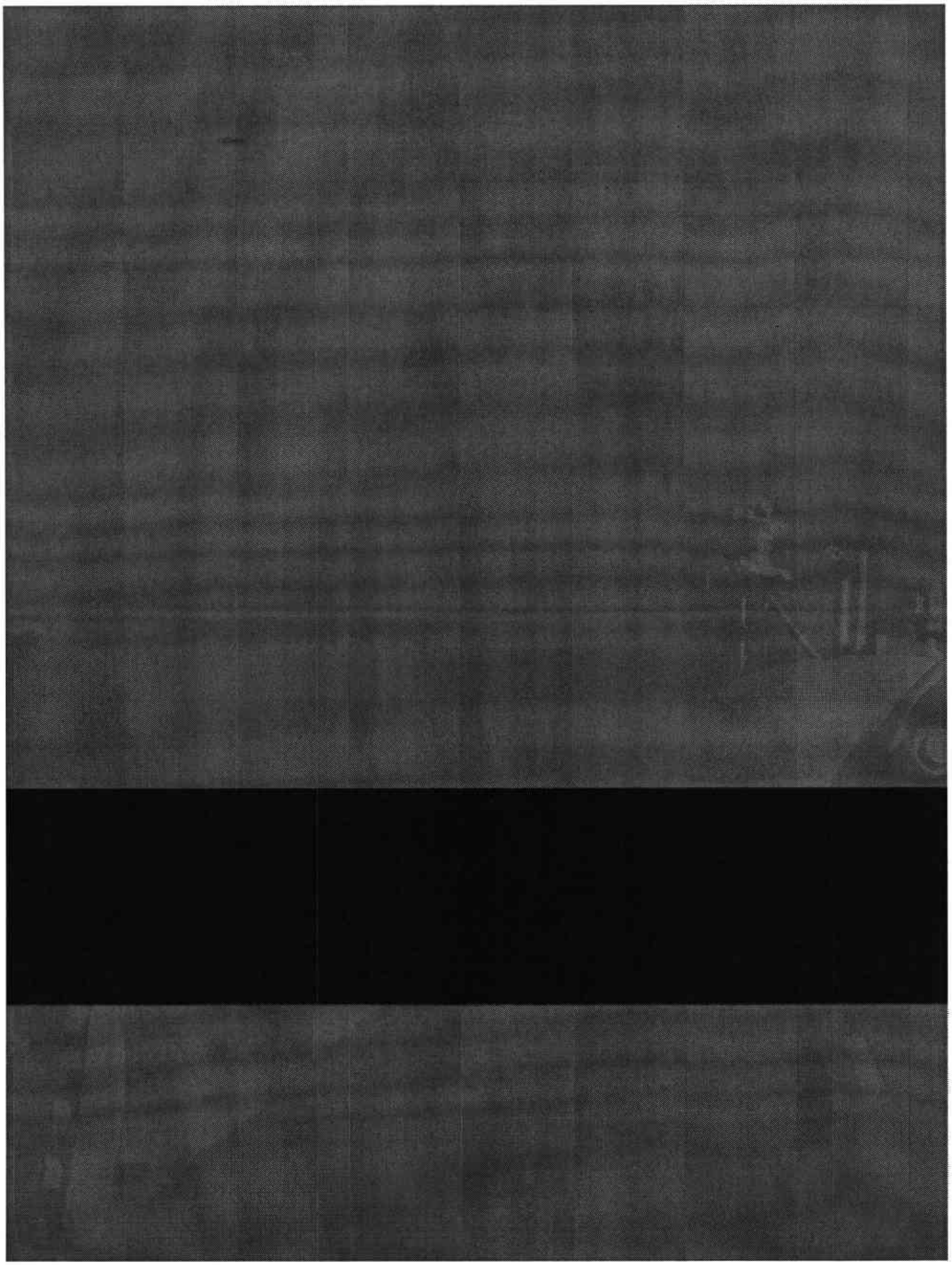
TDD Foreign Stockholders
(201) 680-6610

www.computershare.com/investor

Stockholder Inquiries
Computershare
Shareowner Services
(888) 884-7790

Analyst Inquiries
Investor
Relations
(219) 647-4586

Media Inquiries
Corporate
Communications
(219) 647-5581



NISOURCE INC/DE

FORM 10-K
(Annual Report)

Filed 02/18/16 for the Period Ending 12/31/15

Address	801 EAST 86TH AVE MERRILLVILLE, IN 46410-6272
Telephone	2196475200
CIK	0001111711
Symbol	NI
Fiscal Year	12/31

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

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______to ______

Commission file number 001-16189

NiSource Inc.
(Exact name of registrant as specified in its charter)

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock	New York

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

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

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

The aggregate market value of the registrant's common stock, par value $0.01 per share (the "Common Stock") held by non-affiliates was approximately $14,408,583,291 based upon the June 30, 2015 , closing price of $45.59 on the New York Stock Exchange.

There were 319,741,768 shares of Common Stock outstanding as of February 10, 2016 .

Documents Incorporated by Reference

Part III of this report incorporates by reference specific portions of the Registrant's Notice of Annual Meeting and Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 11, 2016 .

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DEFINED TERMS

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

NiSource Subsidiaries, Affiliates and Former Subsidiaries	
Capital Markets	NiSource Capital Markets, Inc.
CGORC	Columbia Gas of Ohio Receivables Corporation
Columbia	Columbia Energy Group
Columbia of Kentucky	Columbia Gas of Kentucky, Inc.
Columbia of Maryland	Columbia Gas of Maryland, Inc.
Columbia of Massachusetts	Bay State Gas Company
Columbia of Ohio	Columbia Gas of Ohio, Inc.
Columbia of Pennsylvania	Columbia Gas of Pennsylvania, Inc.
Columbia of Virginia	Columbia Gas of Virginia, Inc.
CPG	Columbia Pipeline Group, Inc.
CPPL	Columbia Pipeline Partners LP
CPRC	Columbia Gas of Pennsylvania Receivables Corporation
Crossroads Pipeline	Crossroads Pipeline Company
NARC	NIPSCO Accounts Receivable Corporation
NDC Douglas Properties	NDC Douglas Properties, Inc.
NIPSCO	Northern Indiana Public Service Company
NiSource	NiSource Inc.
NiSource Corporate Services	NiSource Corporate Services Company
NiSource Development Company	NiSource Development Company, Inc.
NiSource Finance	NiSource Finance Corporation
Abbreviations	
AFUDC	Allowance for funds used during construction
AOCI	Accumulated Other Comprehensive Income
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BBA	British Banker Association
Bcf	Billion cubic feet
BNS	Bank of Nova Scotia
Board	Board of Directors
BTMU	The Bank of Tokyo-Mitsubishi UFJ, LTD.
CAA	Clean Air Act
CAP	Compliance Assurance Program
CCGT	Combined Cycle Gas Turbine
CCRs	Coal Combustion Residuals
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
CO_2	Carbon Dioxide
Columbia OpCo	CPG OpCo LP
CPP	Clean Power Plan
DPU	Department of Public Utilities
DSM	Demand Side Management

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DEFINED TERMS

Dth	Dekatherm
ECR	Environmental Cost Recovery
ECRM	Environmental Cost Recovery Mechanism
ECT	Environmental Cost Tracker
EERM	Environmental Expense Recovery Mechanism
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
FTRs	Financial Transmission Rights
GAAP	Generally Accepted Accounting Principles
GCR	Gas cost recovery
GHG	Greenhouse gases
gwh	Gigawatt hours
hp	Horsepower
IBM	International Business Machines Corp.
IDEM	Indiana Department of Environmental Management
IPO	Initial Public Offering
IRP	Infrastructure Replacement Program
IRS	Internal Revenue Service
IURC	Indiana Utility Regulatory Commission
kV	Kilovolt
LDAF	Local Distribution Adjustment Factor
LDCs	Local distribution companies
LIBOR	London InterBank Offered Rate
LIFO	Last-in, first-out
LNG	Liquefied Natural Gas
MATS	Mercury and Air Toxics Standards
Mcf	Thousand cubic feet
MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator
Mizuho	Mizuho Corporate Bank Ltd.
MMDth	Million dekatherms
mw	Megawatts
mwh	Megawatt hours
NAAQS	National Ambient Air Quality Standards
NAV	Net Asset Value per Share
NOx	Nitrogen oxides
NYMEX	The New York Mercantile Exchange
OPEB	Other Postretirement and Postemployment Benefits
OUCC	Indiana Office of Utility Consumer Counselor
PCB	Polychlorinated biphenyls
PEF	Pension Expense Factor

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DEFINED TERMS

PNC	PNC Bank N.A.
ppb	Parts per billion
PSC	Public Service Commission
PUC	Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RDAF	Revenue decoupling adjustment factor
ROE	Return on Equity
RTO	Regional Transmission Organization
Separation	The separation of NiSource's natural gas pipeline, midstream and storage business from NiSource's natural gas and electric utility business accomplished through the pro rata distribution by NiSource to holders of its outstanding common stock of all the outstanding shares of common stock of CPG. The separation was completed on July 1, 2015.
SEC	Securities and Exchange Commission
SO_2	Sulfur dioxide
Sugar Creek	Sugar Creek electric generating plant
TDSIC	Transmission, Distribution and Storage System Improvement Charge
TUAs	Transmission Upgrade Agreements
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission

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ITEM 1. BUSINESS

NiSource Inc.

NiSource Inc. (the "Company") is an energy holding company under the Public Utility Holding Company Act of 2005 whose subsidiaries are fully regulated natural gas and electric utility companies serving approximately 3.9 million customers in seven states. NiSource is the successor to an Indiana corporation organized in 1987 under the name of NIPSCO Industries, Inc., which changed its name to NiSource on April 14, 1999.

NiSource is one of the nation's largest natural gas distribution companies, as measured by number of customers. NiSource's principal subsidiaries include NiSource Gas Distribution Group, Inc., a natural gas distribution holding company, and NIPSCO, a gas and electric company. NiSource derives substantially all of its revenues and earnings from the operating results of these rate-regulated businesses.

On July 1, 2015, NiSource completed the Separation of CPG from NiSource. CPG's operations consisted of all of NiSource's Columbia Pipeline Group Operations segment prior to the Separation. Following the Separation, NiSource retained no ownership interest in CPG.

The results of operations and cash flows for the former Columbia Pipeline Group Operations segment have been reported as discontinued operations for all periods presented. Additionally, the assets and liabilities of the former Columbia Pipeline Group Operations segment were reclassified as assets and liabilities of discontinued operations for all prior periods. See Note 3, "Discontinued Operations," in the Notes to Consolidated Financial Statements for additional information.

NiSource's reportable segments are: Gas Distribution Operations and Electric Operations. The following is a summary of the business for each reporting segment. Refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 22, "Segments of Business," in the Notes to Consolidated Financial Statements for additional information for each segment.

Gas Distribution Operations

NiSource's natural gas distribution operations serve approximately 3.4 million customers in seven states and operate approximately 59,000 miles of pipeline. Through its wholly-owned subsidiary NiSource Gas Distribution Group, Inc., NiSource owns six distribution subsidiaries that provide natural gas to approximately 2.6 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland and Massachusetts. Additionally, NiSource also distributes natural gas to approximately 812,000 customers in northern Indiana through its wholly-owned subsidiary NIPSCO.

Electric Operations

NiSource generates, transmits and distributes electricity through its subsidiary NIPSCO to approximately 463,000 customers in 20 counties in the northern part of Indiana and engages in wholesale and transmission transactions. NIPSCO owns and operates three coal-fired electric generating stations. The three operating facilities have a net capability of 2,540 mw. NIPSCO also owns and operates Sugar Creek, a CCGT plant with net capability of 535 mw, three gas-fired generating units located at NIPSCO's coal-fired electric generating stations with a net capability of 196 mw and two hydroelectric generating plants with a net capability of 10 mw. These facilities provide for a total system operating net capability of 3,281 mw. NIPSCO's transmission system, with voltages from 69,000 to 345,000 volts, consists of 2,805 circuit miles. NIPSCO is interconnected with five neighboring electric utilities. During the year ended December 31, 2015, NIPSCO generated 67.4% and purchased 32.6% of its electric requirements.

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

Divestiture of Non-Core Assets

In recent years, NiSource sold certain businesses judged to be non-core to NiSource's strategy. Lake Erie Land Company, a wholly-owned subsidiary of NiSource, is pursuing the sale of the real estate assets it owns. NDC Douglas Properties, a subsidiary of NiSource Development Company, is in the process of exiting its low-income housing investments. NiSource sold the service plan and leasing business lines of its retail services business in January 2013. NiSource also sold the commercial and industrial natural gas portfolio of its unregulated natural gas marketing business in September 2013.

Business Strategy

NiSource focuses its business strategy on its core, rate-regulated asset-based businesses with most of its operating income generated from the rate-regulated businesses. NiSource's utilities continue to move forward on core infrastructure and environmental investment programs supported by complementary regulatory and customer initiatives across all seven states in which it operates.

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ITEM 1. BUSINESS

NISOURCE INC.

NiSource's goal is to develop strategies that benefit all stakeholders as it addresses changing customer conservation patterns, develops more contemporary pricing structures, and embarks on long-term investment programs. These strategies will help improve reliability and safety, enhance customer services and reduce emissions while generating sustainable returns.

Competition and Changes in the Regulatory Environment
The regulatory frameworks applicable to NiSource's operations, at both the state and federal levels, continue to evolve. These changes have had and will continue to have an impact on NiSource's operations, structure and profitability. Management continually seeks new ways to be more competitive and profitable in this environment, including providing gas customers with increased choices for products and services.

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

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

Financing Subsidiary
NiSource Finance is a 100% owned, consolidated finance subsidiary of NiSource that engages in financing activities to raise funds for the business operations of NiSource and its subsidiaries. NiSource Finance was incorporated in March 2000 under the laws of the state of Indiana. Prior to 2000, the function of NiSource Finance was performed by Capital Markets. NiSource Finance obligations are fully and unconditionally guaranteed by NiSource.

Seasonality
A significant portion of NiSource's operations is subject to seasonal fluctuations in sales. During the heating season, which is primarily from November through March, net revenues from gas sales are more significant, and during the cooling season, which is primarily June through September, net revenues from electric sales are more significant, than in other months.

Other Relevant Business Information
NiSource's customer base is broadly diversified, with no single customer accounting for a significant portion of revenues.

As of December 31, 2015, NiSource had 7,596 employees of whom 3,157 were subject to collective bargaining agreements.

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

NiSource electronically files various reports with the Securities and Exchange Commission (SEC), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports, as well as our proxy statements for our annual meetings of stockholders. The public may read and copy any materials that NiSource files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports and information statements, and other information regarding issuers that file electronically with the SEC at *http://www.sec.gov* . NiSource makes all SEC filings available without charge to the public on its web site at *http://www.nisource.com* .

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ITEM 1A. RISK FACTORS

NISOURCE INC.

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

NiSource has substantial indebtedness which could adversely affect its financial condition.

NiSource had total consolidated indebtedness of $6,949.6 million outstanding as of December 31, 2015. The Company's substantial indebtedness could have important consequences. For example, it could:

- limit the Company's ability to borrow additional funds or increase the cost of borrowing additional funds;
- reduce the availability of cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- limit the Company's flexibility in planning for, or reacting to, changes in the business and the industries in which it operates;
- lead parties with whom NiSource does business to require additional credit support, such as letters of credit, in order for NiSource to transact such business;
- place NiSource at a competitive disadvantage compared to competitors that are less leveraged;
- increase vulnerability to general adverse economic and industry conditions; and
- limit the ability of the Company to execute on its growth strategy, which is dependent upon access to capital to fund its substantial investment program.

Some of NiSource's debt obligations contain financial covenants related to debt-to-capital ratios and cross-default provisions. NiSource's failure to comply with any of these covenants could result in an event of default, which, if not cured or waived, could result in the acceleration of outstanding debt obligations.

A drop in NiSource's credit rating could adversely impact NiSource's liquidity.

The credit rating agencies periodically review the Company's ratings, taking into account factors such as our capital structure and earnings profile. In 2015, Moody's affirmed the NiSource senior unsecured rating of Baa2 and its commercial paper rating of P-2, with stable outlooks. Moody's also affirmed NIPSCO's Baa1 rating and Columbia Gas of Massachusetts's Baa2 rating, with stable outlooks. In 2015, Standard & Poor's raised the senior unsecured ratings of NiSource and its subsidiaries to BBB+ and NiSource's commercial paper rating to A-2, with stable outlooks. In 2015, Fitch affirmed the NiSource senior unsecured rating of BBB-, commercial paper rating of F3 and the existing ratings of its other rated subsidiaries. Fitch revised its outlook to positive.

The Company is committed to maintaining investment grade credit ratings, however, there is no assurance we will be able to do so in the future. The Company's credit ratings could be lowered or withdrawn entirely by a rating agency if, in its judgment, the circumstances warrant. Any negative rating action could adversely affect our ability to access capital at rates and on terms that are attractive. A negative rating action could also adversely impact our business relationships with suppliers and operating partners.

Certain NiSource subsidiaries have agreements that contain "ratings triggers" that require increased collateral if the credit ratings of NiSource or certain of its subsidiaries are below investment grade. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. As of December 31, 2015 the collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately $26.9 million . In addition to agreements with ratings triggers, there are other agreements that contain "adequate assurance" or "material adverse change" provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business.

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

Business or regulatory conditions may result in NiSource not being able to execute its business plan or growth strategy, including identified, planned and other utility infrastructure investments. NiSource's customer and regulatory initiatives may not achieve planned results. Utility infrastructure investments may not materialize, may cease to be achievable or economically viable and may not be successfully completed. Natural gas may cease to be viewed as an economically and ecologically attractive fuel. Any of these developments could adversely affect our results of operations and growth prospects.

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ITEM 1A. RISK FACTORS

NISOURCE INC.

Adverse economic and market conditions or increases in interest rates could reduce net revenue growth, increase costs, decrease future net income and cash flows and impact capital resources and liquidity needs.

While the national economy is experiencing modest growth, NiSource cannot predict how robust future growth will be or whether or not it will be sustained. Deteriorating or sluggish economic conditions in NiSource's operating jurisdictions could adversely impact NiSource's ability to grow its customer base and collect revenues from customers, which could reduce net revenue growth and increase operating costs.

The Company relies on access to the capital markets to finance our liquidity and long-term capital requirements. Market turmoil could adversely affect our ability to raise additional capital or refinance debt at reasonable borrowing costs and terms. Reduced access to capital markets and/or increased borrowing costs could reduce future net income and cash flows. Refer to Note 14, "Long-Term Debt," in the Notes to Consolidated Financial Statements for information related to outstanding long-term debt and maturities of that debt.

Capital market performance and other factors may decrease the value of benefit plan assets, which then could require significant additional funding and impact earnings.

The performance of the capital markets affects the value of the assets that are held in trust to satisfy future obligations under defined benefit pension and other postretirement benefit plans. NiSource has significant obligations in these areas and holds significant assets in these trusts. These assets are subject to market fluctuations and may yield uncertain returns, which fall below NiSource's projected rates of return. A decline in the market value of assets may increase the funding requirements of the obligations under the defined benefit pension and other postretirement benefit plans. Additionally, changes in interest rates affect the liabilities under these benefit plans; as interest rates decrease, the liabilities increase, which could potentially increase funding requirements. Further, the funding requirements of the obligations related to these benefits plans may increase due to changes in governmental regulations and participant demographics, including increased numbers of retirements or changes in life expectancy assumptions. Ultimately, significant funding requirements and increased pension or other postretirement benefit plan expense could negatively impact NiSource's results of operations and financial position.

The majority of NiSource's net revenues are subject to economic regulation and are exposed to the impact of regulatory rate reviews and proceedings.

Most of NiSource's net revenues are subject to economic regulation at either the federal or state level. As such, the net revenues generated by those regulated companies are subject to regulatory review by the applicable federal or state authority. These rate reviews determine the rates charged to customers and directly impact revenues. NiSource's financial results are dependent on frequent regulatory proceedings in order to ensure timely recovery of costs. Additionally, the costs of complying with future changes in environmental laws and regulations are expected to be significant, and their recovery through rates will be contingent on regulatory approval.

As a result of efforts to introduce market-based competition in certain markets where the regulated businesses conduct operations, NiSource may compete with independent marketers for customers. This competition exposes NiSource to the risk that certain stranded costs may not be recoverable and may affect results of NiSource's growth strategy and financial position.

NiSource's costs of compliance with environmental laws are significant. The costs of compliance with future environmental laws and the costs associated with environmental liabilities could impact cash flow and profitability.

NiSource is subject to extensive federal, state and local environmental requirements that, among other things, regulate air emissions, water usage and discharges, remediation and the management of chemicals, hazardous waste, solid waste, and coal combustion residuals. Compliance with these legal obligations requires NiSource to make expenditures for installation of pollution control equipment, remediation, environmental monitoring, emissions fees and permits at many of NiSource's facilities. These expenditures are significant, and NiSource expects that they will continue to be significant in the future. Furthermore, if NiSource fails to comply with environmental laws and regulations or is found to have caused damage to the environment or persons, even if caused by factors beyond NiSource's control, that failure or harm may result in the assessment of civil or criminal penalties and damages against NiSource.

Existing environmental laws and regulations may be revised and new laws and regulations seeking to increase environmental regulation of the energy industry may be adopted or become applicable to NiSource. Revised or additional laws and regulations could result in significant additional expense and operating restrictions on NiSource's facilities or increased compliance costs,

ITEM 1A. RISK FACTORS

NISOURCE INC.

which may not be fully recoverable from customers and would, therefore, reduce net income. Moreover, such costs could materially affect the continued economic viability of one or more of NiSource's facilities.

Even in instances where legal and regulatory requirements are already known or anticipated, the original cost estimates for cleanup and environmental capital projects can differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including the nature and extent of impact, the method of cleanup, the cost of raw materials, contractor costs, and the availability of cost recovery. Changes in costs and the ability to recover under regulatory mechanisms could affect NiSource's financial position, operating results and cash flows. Because NiSource operates fossil fuel facilities, emissions of GHGs are an expected aspect of the business. While NiSource continues to reduce GHG emissions through efficiency programs, leak detection, and other programs, GHG emissions cannot be eliminated. The EPA has made clear that it is focused on reducing GHG emissions from the energy industry. On October 18, 2015, the EPA finalized its CPP, which regulates greenhouse gas emissions from coal and natural gas electric generating units. The CPP is subject to various legal challenges, but, if the CPP survives these challenges, the compliance costs associated with CPP requirements could impact cash flow. In addition, the CPP could increase NiSource's cost of producing energy, which may impact customer demand and/or NiSource's profitability. The CPP requires states (or in some cases the EPA) to develop individualized plans to meet the CPP emission reduction requirements. Depending on the array of programs chosen by the State of Indiana or EPA, NiSource's CPP compliance costs could be substantial. It is also possible that additional future GHG legislation and/or regulation could materially impact NiSource. The cost impact of any new and/or amended GHG legislation or regulations would depend upon the specific requirements enacted and cannot be determined at this time.

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

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

NiSource's business operations are subject to economic conditions in certain industries.

Business operations throughout NiSource's service territories have been and may continue to be adversely affected by economic events at the national and local level where it operates. In particular, sales to large industrial customers, such as those in the steel, oil refining, industrial gas and related industries, may be impacted by economic downturns. The U.S. manufacturing industry continues to adjust to changing market conditions including international competition, increasing costs, and fluctuating demand for its products.

Fluctuations in the price of energy commodities or their related transportation costs may have a negative impact on NiSource's financial results.

NiSource's electric generating fleet is dependent on coal and natural gas for fuel, and its gas distribution operations purchase and resell much of the natural gas they deliver. These energy commodities are vulnerable to price fluctuations and fluctuations in associated transportation costs. From time to time, NiSource has used hedging in order to offset fluctuations in commodity supply prices. NiSource relies on regulatory recovery mechanisms in the various jurisdictions in order to fully recover the commodity costs incurred in operations. However, while NiSource has historically been successful in recovery of costs related to such commodity prices, there can be no assurance that such costs will be fully recovered through rates in a timely manner.

NiSource is exposed to risk that customers will not remit payment for delivered energy or services, and that suppliers or counterparties will not perform under various financial or operating agreements.

NiSource's extension of credit is governed by a Corporate Credit Risk Policy, involves considerable judgment and is based on an evaluation of a customer or counterparty's financial condition, credit history and other factors. NiSource monitors its credit risk exposure by obtaining credit reports and updated financial information for customers and suppliers, and by evaluating the financial status of its banking partners and other counterparties by reference to market-based metrics such as credit default swap pricing levels, and to traditional credit ratings provided by the major credit rating agencies. Adverse economic conditions could result in an increase in defaults by customers, suppliers and counterparties.

NiSource has significant goodwill and definite-lived intangible assets. An impairment of goodwill or definite-lived intangible assets could result in a significant charge to earnings and negatively impact NiSource's compliance with certain covenants under financing agreements.

In accordance with GAAP, NiSource tests goodwill for impairment at least annually and reviews its definite-lived intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill also is tested for impairment when factors, examples of which include reduced cash flow estimates, a sustained decline in stock price or market capitalization below book value, indicate that the carrying value may not be recoverable. NiSource would be required to record a charge in its financial statements for the period in which any impairment of the goodwill or definite-lived intangible assets is determined, negatively impacting the results of operations. A significant charge could impact the capitalization ratio covenant under certain financing agreements. NiSource is subject to a financial covenant under its five-year revolving credit facility, which requires NiSource to maintain a debt to capitalization ratio that does not exceed 70%. A similar covenant in a 2005 private placement note purchase agreement requires NiSource to maintain a debt to capitalization ratio that does not exceed 75%. As of December 31, 2015, the ratio was 64% .

Changes in taxation and the ability to quantify such changes could adversely affect NiSource's financial results.

NiSource is subject to taxation by the various taxing authorities at the federal, state and local levels where it does business. Legislation or regulation which could affect NiSource's tax burden could be enacted by any of these governmental authorities. NiSource cannot predict the timing or extent of such tax-related developments which could have a negative impact on the financial results. Additionally, NiSource uses its best judgment in attempting to quantify and reserve for these tax obligations. However, a challenge by a taxing authority, NiSource's ability to utilize tax benefits such as carryforwards or tax credits, or a deviation from other tax-related assumptions may cause actual financial results to deviate from previous estimates.

Changes in accounting principles may adversely affect NiSource's financial results.

Future changes in accounting rules and associated changes in regulatory accounting may negatively impact the way NiSource records revenues, expenses, assets and liabilities. These changes in accounting standards may adversely affect its financial condition and results of operations.

Distribution of natural gas, and the generation, transmission and distribution of electricity involve numerous risks that may result in incidents and other operating risks and costs.

NiSource's gas distribution and transmission activities, as well as generation, transmission, and distribution of electricity, involve a variety of inherent hazards and operating risks, such as gas leaks, downed power lines, incidents, including third-party damages, large scale outages, and mechanical problems, which could cause substantial financial losses. In addition, these risks could result in serious injury or loss of life to employees and the general public, significant damage to property, environmental pollution, impairment of its operations, adverse regulatory rulings and reputational harm, which in turn could lead to substantial losses to NiSource. The location of pipeline facilities, or generation, transmission, substation and distribution facilities near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from such events. The occurrence of such events could adversely affect NiSource's financial position and results of operations. In accordance with customary industry practice, NiSource maintains insurance against some, but not all, of these risks and losses.

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

NiSource has risks associated with aging infrastructure assets. The age of these assets may result in a need for replacement, a higher level of maintenance costs and unscheduled outages despite efforts by NiSource to properly maintain these assets through inspection, scheduled maintenance and capital investment. The failure to operate these assets as desired could result in incidents and in NiSource's inability to meet firm service obligations, adversely impacting revenues, and could also result in increased capital expenditures and maintenance costs, which, if not fully recovered from customers, could negatively impact NiSource's financial results.

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ITEM 1A. RISK FACTORS

NISOURCE INC.

The impacts of climate change, natural disasters, acts of terrorism or other catastrophic events may disrupt operations and reduce the ability to service customers.

A disruption or failure of natural gas distribution systems, or within electric generation, transmission or distribution systems, in the event of a major hurricane, tornado, terrorist attack or other catastrophic event could cause delays in completing sales, providing services, or performing other critical functions. NiSource has experienced disruptions in the past from hurricanes and tornadoes and other events of this nature. The occurrence of such events could adversely affect NiSource's financial position and results of operations. In accordance with customary industry practice, NiSource maintains insurance against some, but not all, of these risks and losses. There is also a concern that climate change may exacerbate the risks to physical infrastructure. Such risks include heat stresses to power lines, storms that damage infrastructure, lake and sea level changes that damage the manner in which services are currently provided, droughts or other stresses on water used to supply services, and other extreme weather conditions. Climate change and the costs that may be associated with its impacts have the potential to affect NiSource's business in many ways, including increasing the cost NiSource incurs in providing its products and services, impacting the demand for and consumption of its products and services (due to change in both costs and weather patterns), and affecting the economic health of the regions in which NiSource operates.

A cyber-attack on any of NiSource's or certain third-party computer systems upon which NiSource relies may adversely affect its ability to operate.

NiSource is reliant on technology to run its businesses, which are dependent upon financial and operational computer systems to process critical information necessary to conduct various elements of its business, including the generation, transmission and distribution of electricity, operation of its gas pipeline facilities and the recording and reporting of commercial and financial transactions to regulators, investors and other stakeholders. Any failure of NiSource's computer systems, or those of its customers, suppliers or others with whom it does business, could materially disrupt NiSource's ability to operate its business and could result in a financial loss and possibly do harm to NiSource's reputation.

Additionally, NiSource's information systems experience ongoing, often sophisticated, cyber-attacks by a variety of sources with the apparent aim to breach NiSource's cyber-defenses. Although NiSource attempts to maintain adequate defenses to these attacks and works through industry groups and trade associations to identify common threats and assess NiSource's countermeasures, a security breach of NiSource's information systems could (i) impact the reliability of NiSource's generation, transmission and distribution systems and potentially negatively impact NiSource's compliance with certain mandatory reliability standards, (ii) subject NiSource to harm associated with theft or inappropriate release of certain types of information such as system operating information or information, personal or otherwise, relating to NiSource's customers or employees, and/or (iii) impact NiSource's ability to manage NiSource's businesses.

NiSource's capital projects and programs subject the Company to construction risks and natural gas costs and supply risks.

NiSource is engaged in an intrastate natural gas pipeline modernization program to maintain system integrity and enhance service reliability and flexibility. NIPSCO also is currently engaged in a number of capital projects, including environmental improvements to its electric generating stations, as well as the construction of new transmission facilities. As NiSource undertakes these projects and programs, it may not be able to complete them on schedule or at the anticipated costs. Additionally, NiSource may construct or purchase some of these projects and programs to capture anticipated future growth in natural gas production, which may not materialize, and may cause the construction to occur over an extended period of time. NiSource also may not receive material increases in revenue and cash flows until after the completion of the projects and programs.

Sustained extreme weather conditions may negatively impact NiSource's operations.

NiSource conducts its operations across a wide geographic area subject to varied and potentially extreme weather conditions, which may from time to time persist for sustained periods of time. Despite preventative maintenance efforts, persistent weather related stress on NiSource's infrastructure may reveal weaknesses in its systems not previously known to the Company or otherwise present various operational challenges across all business segments. Further, adverse weather may affect NiSource's ability to conduct operations in a manner that satisfies customer expectations or contractual obligations, including by causing service disruptions.

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ITEM 1A. RISK FACTORS

NiSource Inc.

NiSource is a holding company and is dependent on cash generated by subsidiaries to meet its debt obligations and pay dividends on its common stock.

NiSource is a holding company and conducts its operations primarily through its subsidiaries. Substantially all of NiSource's consolidated assets are held by its subsidiaries. Accordingly, NiSource's ability to meet its debt obligations or pay dividends on its common stock is largely dependent upon cash generated by these subsidiaries. In the event a major subsidiary is not able to pay dividends or transfer cash flows to NiSource, NiSource's ability to service its debt obligations or pay dividends could be negatively affected.

Following the Separation, all of the entities formerly included in NiSource's Columbia Pipeline Group Operations segment have been separated from NiSource and are held by a separate publicly traded company (CPG). The related assets are no longer held by subsidiaries of NiSource, which may negatively affect NiSource's ability to service its debt obligations or pay dividends.

The Separation may not achieve the intended benefits and may result in significant tax liabilities.

NiSource cannot predict with certainty when the benefits expected from the Separation will occur or the extent to which they will be achieved, if at all. Furthermore, there are various uncertainties and risks relating to the process of the Separation that could have a negative impact on our financial condition, results of operations and cash flows, including disruption of our operations and impairment of our relationship with regulators, key personnel, customers and vendors. As a result of the completion of the Separation, NiSource faces new and unique risks, including having fewer assets, reduced financial resources and less diversification of revenue sources.

The Separation was conditioned on the receipt by NiSource of a legal opinion to the effect that the distribution of CPG shares to NiSource stockholders is expected to qualify as tax-free under Section 355 of the U.S. Internal Revenue Code. Even though NiSource has received such an opinion, the IRS could determine on audit that the distribution is taxable. Both NiSource and its stockholders could incur significant U.S. federal income tax liabilities if taxing authorities conclude the distribution is taxable.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

NISOURCE INC.

Discussed below are the principal properties held by NiSource and its subsidiaries as of December 31, 2015.

Gas Distribution Operations. Refer to Item 1, "Business" of this report for further information on Gas Distribution Operations properties.

Electric Operations. Refer to Item 1, "Business" of this report for further information on Electric Operations properties.

Corporate and Other Operations. NiSource owns the Southlake Complex, its 325,000 square foot headquarters building located in Merrillville, Indiana, and other residential and development property.

Character of Ownership. The principal properties of NiSource and its subsidiaries are owned free from encumbrances, subject to minor exceptions, none of which are of such a nature as to impair substantially the usefulness of such properties. Many of NiSource's subsidiary offices in various communities served are occupied under leases. All properties are subject to routine liens for taxes, assessments and undetermined charges (if any) incidental to construction. It is NiSource's practice regularly to pay such amounts, as and when due, unless contested in good faith. In general, the electric lines, gas pipelines and related facilities are located on land not owned by NiSource and its subsidiaries, but are covered by necessary consents of various governmental authorities or by appropriate rights obtained from owners of private property. NiSource does not, however, generally have specific easements from the owners of the property adjacent to public highways over, upon or under which its electric lines and gas distribution pipelines are located. At the time each of the principal properties was purchased a title search was made. In general, no examination of titles as to rights-of-way for electric lines, gas pipelines or related facilities was made, other than examination, in certain cases, to verify the grantors' ownership and the lien status thereof.

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ITEM 3. LEGAL PROCEEDINGS

NISOURCE INC.

The Company is party to certain claims and legal proceedings arising in the ordinary course of business, none of which is deemed to be individually material at this time. Due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's results of operations, financial position or liquidity. If one or more of such matters were decided against the Company, the effects could be material to the Company's results of operations in the period in which the Company would be required to record or adjust the related liability and could also be material to the Company's cash flows in the periods the Company would be required to pay such liability.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT

NiSource Inc.

The following is a list of the Executive Officers of the Registrant, including their names, ages, offices held and other recent business experience, as of February 1, 2016.

Name	Age	Office(s) Held in Past 5 Years
Joseph Hamrock	52	President and Chief Executive Officer of NiSource since July 1, 2015.
		Executive Vice President and Group Chief Executive Officer of NiSource from May 2012 to July 2015.
		President and Chief Operating Officer, American Electric Power Company (electric utility company) - Ohio from January 2008 to May 2012.
Donald E. Brown	44	Executive Vice President and Chief Financial Officer and Treasurer of NiSource since July 1, 2015.
		Executive Vice President, Finance Department of NiSource from March 2015 to July 2015.
		Vice President and Chief Financial Officer, UGI Utilities, a division of UGI Corporation (gas and electric utility company) from 2010 to March 2015.
Robert D. Campbell	56	Executive Vice President, Corporate Affairs and Human Resources of NiSource since July 1, 2015.
		Senior Vice President, Human Resources of NiSource from May 2006 to July 2015.
Carrie J. Hightman	58	Executive Vice President and Chief Legal Officer of NiSource since December 2007.
Carl W. Levander	54	Executive Vice President and Chief Regulatory Officer of NiSource since July 1, 2015.
		President of Columbia of Virginia from January 2006 to July 2015.
Violet G. Sistovaris	54	Executive Vice President, NIPSCO since July 1, 2015.
		Senior Vice President and Chief Information Officer of NiSource from May 2014 to June 2015.
		Senior Vice President and Chief Information Officer of NiSource Corporate Services Company from August 2008 to June 2015.
Jim L. Stanley	60	Executive Vice President and Chief Operating Officer of NiSource since July 1, 2015.
		Executive Vice President & Group Chief Executive Officer of NiSource from October 2012 to July 2015.
		Senior Vice President, Duke Energy (electric power holding company) from June 2010 to September 2012.
Joseph W. Mulpas	44	Vice President and Chief Accounting Officer of NiSource since May 2014.
		Assistant Controller, FirstEnergy Corp (diversified energy company) from November 2012 to April 2014.
		Vice President, Controller and Chief Accounting Officer, Maxum Petroleum Inc. (energy logistics company) from August 2012 to October 2012.
		Vice President and Chief Accounting Officer, DPL Inc. and its subsidiary, The Dayton Power and Light Company (electric utility company) from May 2009 to June 2012.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

NISOURCE INC.

NiSource's common stock is listed and traded on the New York Stock Exchange under the symbol "NI." The table below indicates the high and low sales prices of NiSource's common stock, on the composite tape, during the periods indicated.

	2015			2014		
	High	**Low**	**Dividend Per Share**	High	Low	Dividend Per Share
First Quarter	**$ 45.10**	**$ 40.89**	**$ 0.260**	$ 36.82	$ 32.11	$ 0.250
Second Quarter	**49.16**	**42.25**	**0.260**	39.69	34.36	0.250
Third Quarter	**45.71 (1)**	**16.04 (1)**	**0.155 (2)**	41.70	36.00	0.260
Fourth Quarter	**20.13 (1)**	**18.33 (1)**	**0.155 (2)**	44.91	37.58	0.260
			$ 0.830			$ 1.020

(1) On July 1, 2015, NiSource completed the Separation through a special *pro rata* stock dividend, distributing one share of CPG common stock for every one share of NiSource common stock held by any NiSource stockholder on June 19, 2015, the record date. On July 1, 2015, the last trading day before the Separation became effective, the closing price of our common stock trading "regular way" (with an entitlement to CPG shares distributed in the Separation) was $45.45. On July 2, 2015, the first day of trading after the Separation, the opening price of our common stock was $17.61 per share.

(2) On July 2, 2015, following the Separation, NiSource's Board declared a dividend of $0.155 per share of common stock and CPG's Board declared a dividend of $0.125 per share of CPG common stock. The amount of dividends paid by NiSource in the third and fourth quarter of 2015 is that of NiSource only, and does not include the dividend declared by CPG during the same period.

Holders of shares of NiSource's common stock are entitled to receive dividends when, as and if declared by NiSource's Board out of funds legally available. The policy of the Board has been to declare cash dividends on a quarterly basis payable on or about the 20th day of February, May, August, and November. At its January 27, 2016, meeting, the Board declared a quarterly common dividend of $0.155 per share, payable on February 19, 2016 to holders of record on February 8, 2016.

Although the Board currently intends to continue the payment of regular quarterly cash dividends on common shares, the timing and amount of future dividends will depend on the earnings of NiSource's subsidiaries, their financial condition, cash requirements, regulatory restrictions, any restrictions in financing agreements and other factors deemed relevant by the Board. There can be no assurance that we will continue to pay such dividends or the amount of such dividends.

As of February 10, 2016, NiSource had 30,389 common stockholders of record and 319,741,768 shares outstanding.

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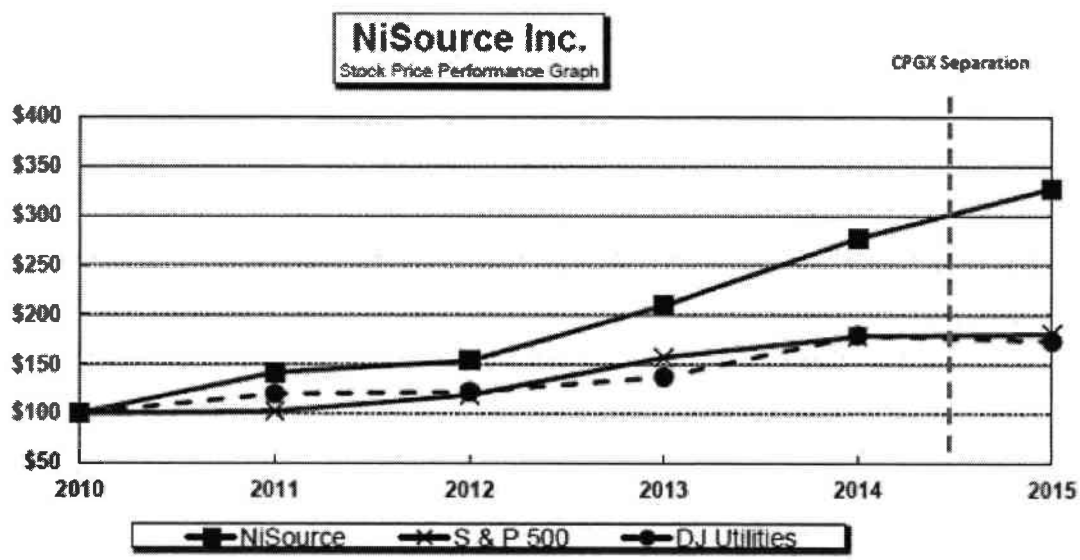
PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

NISOURCE INC.

The graph below compares the cumulative total shareholder return of NiSource's common stock for the last five years with the cumulative total return for the same period of the S&P 500 and the Dow Jones Utility indices. On July 1, 2015, NiSource completed the Separation. Following the Separation, NiSource retained no ownership interest in CPG. The Separation is treated as a special dividend for purposes of calculating the total shareholder return, with the then-current market value of the distributed shares being deemed to have been reinvested on the Separation date in shares of NiSource common stock. A vertical line is included on the graph below to identify the periods before and after the Separation.



The foregoing performance graph is being furnished as part of this annual report solely in accordance with the requirement under Rule 14a-3(b)(9) to furnish our stockholders with such information, and therefore, shall not be deemed to be filed or incorporated by reference into any filings by NiSource under the Securities Act or the Exchange Act.

The weighted average total return for NiSource common stock and the two indices is calculated from an assumed initial investment of $100 and assumes dividend reinvestment, including the impact of the distribution of CPG common stock in the Separation.

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ITEM 6. SELECTED FINANCIAL DATA

NISOURCE INC.

The selected data presented below as of and for the five years ended December 31, 2015 , are derived from the Consolidated Financial Statements of NiSource. The data should be read together with the Consolidated Financial Statements including the related notes thereto included in Item 8 of this Form 10-K.

Year Ended December 31, (*dollars in millions except per share data*)	**2015**	2014	2013	2012	2011
Statement of Income Data:					
Gross Revenues					
Gas Distribution	$ **2,081.9**	$ 2,597.8	$ 2,226.3	$ 1,959.8	$ 2,916.6
Gas Transportation	**969.8**	987.4	820.0	692.4	531.9
Electric	**1,572.9**	1,672.0	1,563.4	1,507.7	1,427.7
Other	**27.2**	15.2	15.7	18.1	18.0
Total Gross Revenues	**4,651.8**	5,272.4	4,625.4	4,178.0	4,894.2
Net Revenues (Gross Revenues less Cost of Sales, excluding depreciation and amortization)	**3,008.1**	2,899.5	2,662.4	2,513.9	2,442.1
Operating Income	**799.9**	789.1	698.1	638.6	551.7
Income from Continuing Operations	**198.6**	256.2	221.0	171.0	108.9
Balance Sheet Data:					
Total Assets	**17,492.5**	24,589.8	22,473.6	21,620.2	20,571.5
Capitalization					
Common stockholders' equity	**3,843.5**	6,175.3	5,886.6	5,554.3	4,997.3
Long-term debt, excluding amounts due within one year	**5,948.5**	8,151.5	7,588.2	6,813.7	6,261.1
Total Capitalization	$ **9,792.0**	$ 14,326.8	$ 13,474.8	$ 12,368.0	$ 11,258.4
Per Share Data:					
Basic Earnings Per Share from Continuing Operations ($)	$ **0.63**	$ 0.81	$ 0.71	$ 0.59	$ 0.39
Diluted Earnings Per Share from Continuing Operations ($)	$ **0.63**	$ 0.81	$ 0.71	$ 0.57	$ 0.38
Other Data:					
Dividends declared per share ($)	$ **0.83**	$ 1.02	$ 0.98	$ 0.94	$ 0.92
Shares outstanding at the end of the year (in thousands)	**319,110**	316,037	313,676	310,281	281,854
Number of common stockholders	**30,190**	25,233	26,965	28,823	30,663
Capital expenditures ($ in millions)	$ **1,367.5**	$ 1,339.6	$ 1,248.5	$ 1,095.5	$ 812.6
Number of employees	**7,596**	8,982	8,477	8,286	7,957

- On July 1, 2015, NiSource completed the Separation. The results of operations of the former Columbia Pipeline Group Operations segment have been classified as discontinued operations for all periods presented. See Note 3, "Discontinued Operations," in the Notes to the Consolidated Financial Statements for further information.

- Prior to the Separation, CPG closed its placement of $2,750.0 million in aggregate principal amount of its senior notes. Using the proceeds from this offering, CPG made cash payments to NiSource representing the settlement of inter-company borrowings and the payment of a one-time special dividend. In May 2015, using proceeds from the cash payments from CPG, NiSource Finance settled its two bank term loans in the amount of $1,075.0 million and executed a tender offer for $750.0 million consisting of a combination of its 5.25% notes due 2017, 6.40% notes due 2018 and 4.45% notes due 2021. In conjunction with the debt retired, NiSource Finance recorded a $97.2 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums.

- On February 14, 2012, Columbia of Ohio held its first standard choice offer auction which resulted in a retail price adjustment of $1.53 per Mcf. On February 14, 2012, the PUCO issued an entry that approved the results of the auction with the new retail price adjustment level effective April 1, 2012. As a result of the implementation of the standard choice offer, Columbia of Ohio reports lower gross revenues and lower cost of sales. There is no impact on net revenues.

- On November 14, 2011, NiSource Finance commenced a cash tender offer for up to $250.0 million aggregate principal amount of its outstanding 10.75% notes due 2016 and 6.15% notes due 2013. A condition of the offering was that all validly tendered 2016 notes would be accepted for purchase before any 2013 notes were accepted. On December 13, 2011, NiSource Finance

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ITEM 6. SELECTED FINANCIAL DATA

NiSource Inc.

announced that approximately $125.3 million aggregate principal amount of its outstanding 10.75% notes due 2016 were validly tendered and accepted for purchase. In addition, approximately $228.7 million aggregate principal amount of outstanding 6.15% notes due 2013 were validly tendered, of which $124.7 million were accepted for purchase. NiSource Finance recorded a $53.9 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums and unamortized discounts and fees.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NISOURCE INC.

Note regarding forward-looking statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations, including statements regarding market risk sensitive instruments, contains "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning NiSource's plans, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. From time to time, NiSource may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of NiSource, are also expressly qualified by these cautionary statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this Annual Report on Form 10-K include, among other things, NiSource's debt obligations; any changes in NiSource's credit rating; NiSource's ability to execute its growth strategy; changes in general economic, capital and commodity market conditions; pension funding obligations; economic regulation and the impact of regulatory rate reviews; compliance with environmental laws and the costs of associated liabilities; fluctuations in demand from residential and commercial customers; economic conditions of certain industries; the price of energy commodities and related transportation costs; the reliability of customers and suppliers to fulfill their payment and contractual obligations; potential impairments of goodwill or definite-lived intangible assets; changes in taxation and accounting principles; potential incidents and other operating risks associated with our business; the impact of an aging infrastructure; the impact of climate change; potential cyber-attacks; risks associated with construction and natural gas cost and supply; extreme weather conditions; the ability of subsidiaries to generate cash; uncertainties related to the expected benefits of the Separation and the matters set forth in Item 1A, "Risk Factors" of this report, many of which risks are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

CONSOLIDATED REVIEW

Executive Summary

NiSource is an energy holding company under the Public Utility Holding Company Act of 2005 whose subsidiaries are fully regulated natural gas and electric utility companies serving customers in seven states. NiSource generates substantially all of its operating income through these rate-regulated businesses. A significant portion of NiSource's operations is subject to seasonal fluctuations in sales. During the heating season, which is primarily from November through March, net revenues from gas sales are more significant, and during the cooling season, which is primarily from June through September, net revenues from electric sales are more significant, than in other months.

NiSource reported lower income from continuing operations of $198.6 million or $0.63 per basic share for the twelve months ended December 31, 2015 compared to $256.2 million or $0.81 per basic share for the same period in 2014. The lower income from continuing operations during 2015 was due primarily to a $97.2 million loss on early extinguishment of long-term debt recorded as a result of the debt restructuring that occurred in 2015 as part of the Separation.

For the twelve months ended December 31, 2015, NiSource reported operating income of $799.9 million compared to $789.1 million for the same period in 2014. The slightly higher operating income was primarily due to increased net revenues from gas distribution regulatory and service programs, increased return on environmental capital investment at NIPSCO partially offset by lower net revenues due to warmer than normal weather and lower industrial customer usage. Operating expenses were higher due to increased employee and administrative expenses, higher environmental remediation costs and increased depreciation expense.

As part of our long-term regulated infrastructure investment program, NiSource invested $1,367.5 million in 2015 across our gas and electric utilities. Nisource expects to invest an additional $1,391.6 million during 2016.

NiSource believes that through income generated from operating activities, amounts available under its short-term revolving credit facility, commercial paper program, accounts receivable securitization facilities, long-term debt agreements and NiSource's ability to access the capital markets, there is adequate capital available to fund its operating activities and capital expenditures in 2016. At December 31, 2015, NiSource had approximately $1,179.4 million of liquidity available, consisting of cash and available capacity under credit facilities.

These factors and other impacts to the financial results are discussed in more detail within the following discussions of "Results of Operations" and "Results and Discussion of Segment Operations."

Platform for Growth
NiSource's business plan continues to center on regulatory and customer initiatives.

Regulatory Initiatives
NiSource's utilities continue to move forward on core infrastructure and environmental investment programs supported by complementary regulatory and customer initiatives across all seven states. NiSource invested approximately $1.4 billion across its gas and electric utilities in 2015. NiSource has now executed against approximately $2.0 billion of an estimated $30 billion in total projected long-term regulated utility infrastructure investments. NiSource expects to invest approximately $1.4 billion in capital during 2016 to continue to modernize and improve its system across all seven states. NiSource's goal is to develop strategies that benefit all stakeholders as it addresses changing customer conservation patterns, develops more contemporary pricing structures, and embarks on long-term investment programs. These strategies will help improve reliability and safety, enhance customer services and reduce emissions while generating sustainable returns.

Gas Distribution Operations

- On December 3, 2015, the Pennsylvania PUC approved a settlement in Columbia of Pennsylvania's base rate case. The settlement maintains Columbia of Pennsylvania's ability to continue replacing and upgrading its natural gas distribution system. The approved rate adjustment went into effect on December 18, 2015, and will increase Columbia of Pennsylvania's annual revenues by $28.0 million. The settlement also included new incentives that will significantly reduce costs for customers converting to natural gas.

- On November 1, 2015, Columbia of Massachusetts implemented new rates under its previously approved base rate case settlement. The settlement supports Columbia of Massachusetts's continued effort to modernize its pipeline infrastructure and transform its operations to continue to serve customers safely and reliably. The approved settlement provides for increased annual revenues of $32.8 million starting November 1, 2015, with an additional $3.6 million annual increase in revenues starting November 1, 2016.

- On August 21, 2015, Columbia of Virginia received final VSCC approval of its 2014 base rate case. The VSCC reaffirmed the $25.2 million annual revenue increase. The case supports continued capital investments by Columbia of Virginia to improve its system and accommodate customer growth, as well as initiatives to enhance safety and reliability.

- NIPSCO continued executing on its seven-year, approximately $817 million natural gas system modernization program. NIPSCO filed its semi-annual tracker and program update on August 31, 2015, and expects an order from the IURC in the first quarter of 2016.

Electric Operations

- On December 16, 2015, the IURC approved a settlement between NIPSCO, the Indiana Office of Utility Consumer Counselor and NIPSCO's largest industrial customers which resolved all outstanding issues raised by parties in an Indiana Court of Appeals proceeding related to NIPSCO's previous long-term electric infrastructure modernization plan. The settlement agreement required NIPSCO to file an electric base rate case and a new seven-year electric TDSIC plan.
- On December 31, 2015, NIPSCO filed a new $1.3 billion, seven-year electric infrastructure modernization plan with the IURC. The plan is focused on electric transmission and distribution investments made for safety, reliability, and system modernization. NIPSCO expects an order on its seven-year plan in the third quarter of 2016.
- NIPSCO remains on schedule with its electric base rate case filed on October 1, 2015 with the IURC. The case seeks to update rates to reflect the current costs of generating and distributing power, plus ongoing investments which are delivering substantial benefits to customers, including programs that have reduced the duration of power outages by 40 percent. An IURC decision is expected in the third quarter of 2016.
- Progress also continued on two major electric transmission projects designed to enhance region-wide system flexibility and reliability. Right-of-way acquisition, permitting and substation construction are under way for both projects. Line and tower construction is expected to begin in 2016. These projects involve an investment of approximately $450 million for NIPSCO and are anticipated to be in service by the end of 2018.
- NIPSCO's Michigan City Unit 12 FGD was placed in service on December 15, 2015. The approximately $255 million project, supported with cost recovery, improves air quality and helps ensure NIPSCO's generation fleet remains in compliance with current environmental regulations. The project also helps ensure that NIPSCO can continue offering low-cost, reliable and efficient generating capacity for its customers.

Refer to Note 7, "Regulatory Matters," in the Notes to Consolidated Financial Statements for a complete discussion of regulatory matters.

Ethics and Controls
NiSource is committed to providing accurate and complete financial reporting as well as high standards for ethical behavior by its employees. NiSource's senior management takes an active role in the development of this Form 10-K and the monitoring of the company's internal control structure and performance. In addition, NiSource will continue its mandatory ethics training program for all employees.

For additional information refer to Item 9A, "Controls and Procedures."

Results of Operations

Income from Continuing Operations
For the year ended December 31, 2015 , NiSource reported income from continuing operations of $198.6 million , or $0.63 per basic share, compared to $256.2 million , or $0.81 per basic share in 2014 . Income from continuing operations for the year ended December 31, 2013 was $221.0 million , or $0.71 per basic share.

Comparability of line item operating results is impacted by regulatory and tax trackers that allow for the recovery in rates of certain costs such as bad debt expense. Therefore, increases in these tracked operating expenses are offset by increases in net revenues and have essentially no impact on income from continuing operations.

Net Revenues
NiSource analyzes its operating results using net revenues. Net revenues are calculated as revenues less the associated cost of sales (excluding depreciation and amortization). NiSource believes net revenues are a better measure to analyze profitability than gross operating revenues since the majority of the cost of sales are tracked costs that are passed through directly to the customer resulting in an equal and offsetting amount reflected in gross operating revenues.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NISOURCE INC.

Total consolidated net revenues for the year ended December 31, 2015 , were $3,008.1 million , a $108.6 million increase compared with 2014 . Net revenues increased primarily due to increased Gas Distribution Operations' net revenues of $82.4 million and higher Electric Operations' net revenues of $22.3 million.

- Gas Distribution Operations' net revenues increased primarily due to an increase in regulatory and service programs of $88.7 million, including the impact of new rates at Columbia of Pennsylvania, Columbia of Massachusetts and Columbia of Virginia, as well as the implementation of new rates under Columbia of Ohio's approved infrastructure replacement program. Additionally, there were higher net revenues due to increased rent billed to affiliates, offset in expense, of $8.4 million and higher regulatory and tax trackers, offset in expense, of $7.5 million. These increases in net revenues were partially offset by the effects of warmer weather of $30.6 million.
- Electric Operations' net revenues increased primarily due to higher regulatory trackers, which are offset in expense, of $19.8 million, an increase in the return on the environmental capital investment recovery of $10.3 million due to an increased plant balance eligible for recovery and higher net revenues of $8.8 million as a result of two electric transmission projects. These increases were partially offset by lower industrial usage of $13.8 million.

Total consolidated net revenues for the twelve months ended December 31, 2014 were $2,899.5 million , a $237.1 million increase compared with 2013 . Net revenues increased primarily due to increased Gas Distribution Operations' net revenues of $197.1 million and increased Electric Operations' net revenues of $41.3 million.

- Gas Distribution Operations' net revenues increased primarily due to an increase of $93.4 million for regulatory and service programs, including the impacts of the rate settlement in 2013 at Columbia of Pennsylvania, the rate case at Columbia of Massachusetts, as well as the implementation of rates under Columbia of Ohio's approved infrastructure replacement program. Additionally, 2014 included an increase in regulatory and tax trackers, which are offset in expense, of $49.2 million, the effects of colder weather of $18.4 million, and higher commercial, residential and industrial usage of $14.6 million.
- Electric Operations' net revenues increased primarily due to higher industrial usage of $21.9 million and an increase in the return on the environmental capital investment recovery of $19.8 million due to an increased plant balance eligible for recovery.

Operating Expenses
Operating expenses were $2,208.2 million in 2015 , an increase of $97.8 million from the comparable 2014 period. This increase was primarily due to higher operation and maintenance expenses of $58.8 million and increased depreciation and amortization of $37.5 million. The increase in operation and maintenance expenses was primarily due to increased regulatory trackers, which are offset in net revenues, of $19.3 million, higher employee and administrative expenses of $14.5 million, increased environmental costs of $14.3 million and higher electric generation costs of $6.0 million. The increase in depreciation and amortization is primarily due to higher capital expenditures placed in service in 2015.

Operating expenses were $2,110.4 million in 2014 , an increase of $146.1 million from the comparable 2013 period. This increase was primarily due to higher operation and maintenance expenses of $112.9 million, increased depreciation and amortization of $16.5 million and higher other taxes of $14.8 million. The increase in operation and maintenance expenses was primarily due to increased regulatory trackers, which are offset in net revenues, of $40.3 million, higher employee and administrative expenses of $34.2 million, increased outside services of $17.2 million, higher electric generation costs of $15.2 million as a result of maintenance related outages and increased uncollectibles of $6.3 million. The increase in depreciation and amortization is primarily due to higher capital expenditures related to projects placed in service in 2014. The increase in other taxes is primarily attributable to tax trackers, which are offset in net revenues, of $9.2 million.

Other Income (Deductions)
Other Income (Deductions) in 2015 reduced income $460.0 million compared to a reduction of $366.1 million in 2014 . The increase in deductions is primarily due to a loss on early extinguishment of long-term debt of $97.2 million. Refer to Note 14, "Long-Term Debt," in the Notes to the Consolidated Financial Statements for further information on long-term debt retired in May 2015.

Other Income (Deductions) in 2014 reduced income $366.1 million compared to a reduction of $368.5 million in 2013 .

Income Taxes
The effective income tax rates were 41.6% , 39.4% and 32.9% in 2015 , 2014 and 2013 , respectively. The 2.2% increase in the overall effective tax rate in 2015 versus 2014 was primarily the result of a $17.8 million increase in federal income tax expense associated with write downs of charitable contribution carryovers, offset by a $10.5 million decrease in income tax expense related to state apportionment changes and permanent items as a result of remeasurement after the Separation. The 6.5% increase in the overall effective tax rate in 2014 versus 2013 was primarily a result of a $13.5 million increase in tax expense related to state apportionment changes and permanent items as a result of the Separation, a $7.1 million increase due to Indiana state taxes, a $5.4 million increase in tax expense due to Pennsylvania regulatory changes, and $4.1 million of additional state income tax expense related to corporate restructuring. Refer to Note 9, "Income Taxes," in the Notes to the Consolidated Financial Statements for further information on these changes.

Liquidity and Capital Resources

A significant portion of NiSource's operations are subject to seasonal fluctuations in cash flow. During the heating season, which is primarily from November through March, cash receipts from gas sales and transportation services typically exceed cash requirements. During the summer months, cash on hand, together with the seasonal increase in cash flows from the electric business during the summer cooling season and external short-term and long-term financing, is used to purchase gas to place in storage for heating season deliveries and perform necessary maintenance of facilities. NiSource believes that through income generated from operating activities, amounts available under its short-term revolving credit facility, commercial paper program, accounts receivable securitization programs, long-term debt agreements and NiSource's ability to access the capital markets, there is adequate capital available to fund its operating activities and capital expenditures in 2016 .

Operating Activities
Net cash from operating activities from continuing operations for the year ended December 31, 2015 was $1,163.4 million , an increase of $402.2 million from 2014. The increase in net cash from operating activities from continuing operations was primarily due to the change in regulatory assets/liabilities, as well as the change in inventories and overrecovered gas and fuel costs working capital accounts as a result of lower gas prices and warmer weather in 2015 compared to 2014.

Net cash from operating activities from continuing operations for the year ended December 31, 2014 was $761.2 million , a decrease of $206.6 million from the prior year. The decrease in net cash from operating activities from continuing operations was primarily attributable to an income tax refund received in 2013.

Pension and Other Postretirement Plan Funding . In 2015 , NiSource contributed $2.7 million to its pension plans and $25.8 million to its postretirement medical and life plans. In 2016 , NiSource expects to make contributions of approximately $3.0 million to its pension plans and approximately $22.2 million to its postretirement medical and life plans. At December 31, 2015 , NiSource's pension and other postretirement benefit plans were underfunded by $459.6 million and $299.9 million , respectively.

Investing Activities
The tables below reflect actual capital expenditures and certain other investing activities by segment for 2015 , 2014 and 2013 , and estimates for 2016 .

(in millions)	2016E	**2015**	2014	2013
Gas Distribution Operations	$ 966.9	$ **917.0**	$ 860.3	$ 790.8
Electric Operations	418.6	**400.3**	438.8	426.3
Corporate and Other Operations	6.1	**50.2**	40.5	31.4
Total [1]	$ 1,391.6	$ **1,367.5**	$ 1,339.6	$ 1,248.5

[1] Amounts differ from those presented on the Statements of Consolidated Cash Flows primarily due to the inclusion of capital expenditures included in current liabilities and AFUDC Equity.

For 2016 , the projected capital program and certain other investing activities are expected to be $1,391.6 million , which is $24.1 million higher than the 2015 capital program. This increased spending is mainly due to identified Gas Distribution Operations segment growth and betterment projects in 2016.

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For 2015 , the capital expenditures and certain other investing activities were $1,367.5 million , which is $27.9 million higher than the 2014 capital program. This increased spending is mainly due to increased TDSIC spend in the Gas Distribution Operations segment, partially offset by lower tracker program spend at the Electric Operations segment.

For 2014 , capital expenditures and certain other investing activities were $1,339.6 million , an increase of $91.1 million compared to 2013 . This increased spending is mainly due to continued spending on infrastructure replacement programs in the Gas Distribution Operations segment.

Restricted cash was $29.7 million and $24.9 million as of December 31, 2015 and 2014 , respectively. The increase in restricted cash was primarily a result of higher margin requirements due to open derivative contracts.

Financing Activities

Long-term Debt. Refer to Note 14, "Long-Term Debt," in the Notes to Consolidated Financial Statements for information on long-term debt.

Credit Facilities. NiSource Finance currently maintains a $1.5 billion revolving credit facility with a syndicate of banks led by Barclays Capital with a termination date of July 1, 2020. The purpose of the facility is to fund ongoing working capital requirements including the provision of liquidity support for NiSource Finance's $1.5 billion commercial paper program, provide for issuance of letters of credit and also for general corporate purposes.

NiSource Finance's commercial paper program has a program limit of up to $1.5 billion with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo.

NiSource Finance had no borrowings outstanding under its revolving credit facility at December 31, 2015 and $500.0 million at December 31, 2014 at a weighted average interest rate of 1.44%. In addition, NiSource Finance had $321.4 million in commercial paper outstanding at December 31, 2015 , at a weighted average interest rate of 1.00% and $792.6 million in commercial paper outstanding at December 31, 2014 , at a weighted average interest rate of 0.82% .

As of December 31, 2015 and December 31, 2014 , NiSource had $246.0 million and $284.3 million , respectively, of short-term borrowings recorded on the Consolidated Balance Sheets relating to its accounts receivable securitization facilities. See Note 17, "Transfers of Financial Assets" in the Notes to Consolidated Financial Statements.

As of December 31, 2015 , NiSource had $14.7 million of stand-by letters of credit outstanding all of which were under the revolving credit facility. At December 31, 2014 , NiSource had $30.9 million of stand-by letters of credit outstanding of which $14.7 million were under the revolving credit facility.

As of December 31, 2015 , an aggregate of $1,163.9 million of credit was available under the credit facility and accounts receivable securitization programs.

Debt Covenants . NiSource is subject to a financial covenant under its revolving credit facility, which requires NiSource to maintain a debt to capitalization ratio that does not exceed 70% . A similar covenant in a 2005 private placement note purchase agreement requires NiSource to maintain a debt to capitalization ratio that does not exceed 75% . As of December 31, 2015 , the ratio was 64% .

Refer to Note 14, "Long-Term Debt," in the Notes to Consolidated Financial Statements for further information on debt covenants.

Sale of Trade Accounts Receivables . Refer to Note 17, "Transfers of Financial Assets," in the Notes to Consolidated Financial Statements for information on the sale of trade accounts receivable.

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

Credit Ratings . The credit rating agencies periodically review the Company's ratings, taking into account factors such as our capital structure and earnings profile. In 2015, Moody's affirmed the NiSource senior unsecured rating of Baa2 and its commercial paper rating of P-2, with stable outlooks. Moody's also affirmed NIPSCO's Baa1 rating and Columbia Gas of Massachusetts's Baa2 rating, with stable outlooks. In 2015, Standard & Poor's raised the senior unsecured ratings of NiSource and its subsidiaries to BBB+ and NiSource's commercial paper rating to A-2, with stable outlooks. In 2015, Fitch affirmed the NiSource senior unsecured rating of BBB-, commercial paper rating of F3 and the existing ratings of its other rated subsidiaries. Fitch revised its outlook to positive.

The Company is committed to maintaining investment grade credit ratings, however, there is no assurance we will be able to do so in the future. The Company's credit ratings could be lowered or withdrawn entirely by a rating agency if, in its judgment, the circumstances warrant. Any negative rating action could adversely affect our ability to access capital at rates and on terms that are attractive. A negative rating action could also adversely impact our business relationships with suppliers and operating partners.

Certain NiSource subsidiaries have agreements that contain "ratings triggers" that require increased collateral if the credit ratings of NiSource or certain of its subsidiaries are below investment grade. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. As of December 31, 2015 the collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately $26.9 million. In addition to agreements with ratings triggers, there are other agreements that contain "adequate assurance" or "material adverse change" provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business.

Contractual Obligations **.** NiSource has certain contractual obligations requiring payments at specified periods. The obligations include long-term debt, lease obligations, energy commodity contracts and service obligations for various services including pipeline capacity and IBM outsourcing. The total contractual obligations in existence at December 31, 2015 and their maturities were:

(in millions)	Total	2016	2017	2018	2019	2020	After
Long-term debt [1]	$ 6,227.0	$ 421.5	$ 349.9	$ 476.0	$ 541.0	$ 550.0	$ 3,888.6
Capital leases [2]	313.3	23.5	23.0	23.3	23.7	23.5	196.3
Interest payments on long-term debt	4,947.1	355.5	329.2	296.5	263.1	244.9	3,457.9
Operating leases [3]	62.1	18.4	11.1	8.8	7.0	3.5	13.3
Energy commodity contracts	455.2	169.3	74.8	67.5	70.6	72.6	0.4
Service obligations:							
Pipeline service obligations	2,164.3	512.7	496.0	341.0	245.4	139.3	429.9
IBM service obligations	410.1	90.9	82.8	80.1	78.6	77.7	—
Other service obligations	165.8	72.0	67.2	19.7	4.6	2.3	—
Other liabilities	25.2	25.2	—	—	—	—	—
Total contractual obligations	$ 14,770.1	$ 1,689.0	$ 1,434.0	$ 1,312.9	$ 1,234.0	$ 1,113.8	$ 7,986.4

[1] Long-term debt balance excludes unamortized discounts and expenses of $45.5 million and non-recourse debt of $2.1 million related to NDC Douglas Properties.
[2] Capital lease payments shown above are inclusive of interest totaling $114.7 million.
[3] Operating lease balances do not include amounts for fleet leases that can be renewed beyond the initial lease term. The Company anticipates renewing the leases beyond the initial term, but the anticipated payments associated with the renewals do not meet the definition of expected minimum lease payments and therefore are not included above. Expected payments are $30.5 million in 2016, $30.9 million in 2017, $26.7 million in 2018, $20.3 million in 2019, $12.5 million in 2020 and $7.5 million thereafter.

NiSource calculated estimated interest payments for long-term debt as follows: for the fixed-rate debt, interest is calculated based on the stated coupon and payment dates; for variable-rate debt, interest rates used are those that are in place as of December 31, 2015 . For 2016 , NiSource projects that it will be required to make interest payments of approximately $359.6 million, which includes $355.5 million of interest payments related to its long-term debt outstanding as of December 31, 2015 . At December 31, 2015 , NiSource also had $567.4 million in short-term borrowings outstanding.

NiSource's expected payments included within "Other liabilities" in the table of contractual commitments above contains employer contributions to pension and other postretirement benefits plans expected to be made in 2016. Plan contributions beyond 2016 are dependent upon a number of factors, including actual returns on plan assets, which cannot be reliably estimated at this time. In 2016, NiSource expects to make contributions of approximately $3.0 million to its pension plans and approximately $22.2 million to its postretirement medical and life plans. Refer to Note 10, "Pension and Other Postretirement Benefits," in the Notes to Consolidated Financial Statements for more information.

NiSource cannot reasonably estimate the settlement amounts or timing of cash flows related to long-term obligations classified as "Other Liabilities and Deferred Credits" on the Consolidated Balance Sheets, other than those described above.

NiSource also has obligations associated with income, property, gross receipts, franchise, payroll, sales and use, and various other taxes and expects to make tax payments of approximately $287.5 million in 2016, which are not included in the table above.

Refer to Note 18, "Other Commitments and Contingencies," in the Notes to Consolidated Financial Statements for further information on contractual obligations.

Off-Balance Sheet Arrangements

As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit.

Refer to Note 18, "Other Commitments and Contingencies," in the Notes to Consolidated Financial Statements for additional information about NiSource's off balance sheet arrangements.

Market Risk Disclosures

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

Commodity Price Risk

NiSource is exposed to commodity price risk as a result of its subsidiaries' operations involving natural gas and power. To manage this market risk, NiSource's subsidiaries use derivatives, including commodity futures contracts, swaps and options. NiSource is not involved in speculative energy trading activity.

Commodity price risk resulting from derivative activities at NiSource's rate-regulated subsidiaries is limited, since regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the ratemaking process, including gains or losses on these derivative instruments. If states should explore additional regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional ratemaking process and may be more exposed to commodity price risk. Some of NiSource's rate-regulated utility subsidiaries offer commodity price risk products to its customers for which derivatives are used to hedge forecasted customer usage under such products. These subsidiaries do not have regulatory recovery orders for these products and are subject to gains and losses recognized in earnings due to hedge ineffectiveness.

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

There are no material commodity price risk assets or liabilities as of December 31, 2015 and 2014 .

Interest Rate Risk

NiSource is exposed to interest rate risk as a result of changes in interest rates on borrowings under its revolving credit agreement, commercial paper program and accounts receivable programs, which have interest rates that are indexed to short-term market interest rates. NiSource manages interest rate risk by entering into forward starting interest-rate swaps that hedge the interest rate risk related to forecasted issuances of long-term-debt. Based upon average borrowings and debt obligations subject to fluctuations in short-term market interest rates, an increase (or decrease) in short-term interest rates of 100 basis points (1%) would have increased (or decreased) interest expense by $8.2 million and $20.0 million for the years 2015 and 2014 , respectively.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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In December 2015, NiSource Finance entered into two forward starting interest-rate swaps, each hedging the interest rate risk on coupon payments arising from $500 million of forecasted issuances of long-term debt in each of 2017 and 2018. Refer to Note 14, "Long-Term Debt," in the Notes to Consolidated Financial Statements for futher information on NiSource's forward starting interest-rate swaps.

Credit Risk

Due to the nature of the industry, credit risk is embedded in many of NiSource's business activities. NiSource's extension of credit is governed by a Corporate Credit Risk Policy. In addition, Risk Management Committee guidelines are in place which document management approval levels for credit limits, evaluation of creditworthiness, and credit risk mitigation efforts. Exposures to credit risks are monitored by the Risk Management function which is independent of commercial operations. Credit risk arises due to the possibility that a customer, supplier or counterparty will not be able or willing to fulfill its obligations on a transaction on or before the settlement date. For derivative related contracts, credit risk arises when counterparties are obligated to deliver or purchase defined commodity units of gas or power to NiSource at a future date per execution of contractual terms and conditions. Exposure to credit risk is measured in terms of both current obligations and the market value of forward positions net of any posted collateral such as cash and letters of credit.

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

Fair Value Measurement

NiSource measures certain financial assets and liabilities at fair value. The level of the fair value hierarchy disclosed is based on the lowest level of input that is significant to the fair value measurement. NiSource's financial assets and liabilities include price risk assets and liabilities, available-for-sale securities and a deferred compensation plan obligation.

Exchange-traded derivative contracts are generally based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore nonperformance risk has not been incorporated into these valuations. Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, NiSource may utilize models to measure fair value. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability, and market-corroborated inputs, i.e., inputs derived principally from or corroborated by observable market data by correlation or other means. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3. Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements which reduce exposures.

Price risk management liabilities also include forward starting interest-rate swaps, which are designated as cash flow hedges. Each period the swap instrument will be measured assuming a hypothetical settlement at that point in time. Upon termination of the swap instruments, NiSource will pay or receive a settlement based on the current market value. Credit risk is considered in the fair value calculation of each interest-rate swap. As they are based on observable data and valuations of similar instruments, the interest-rate swaps are categorized in Level 2 in the fair value hierarchy.

Refer to Note 16, "Fair Value," in the Notes to the Consolidated Financial Statements for additional information on NiSource's fair value measurements.

Other Information

Critical Accounting Policies

NiSource applies certain accounting policies based on the accounting requirements discussed below that have had, and may continue to have, significant impacts on NiSource's results of operations and Consolidated Financial Statements.

Basis of Accounting for Rate-Regulated Subsidiaries. ASC Topic 980, *Regulated Operations* , provides that rate-regulated subsidiaries account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and if the competitive environment makes it probable that such rates can be charged and collected. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the Consolidated Balance Sheets and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers. The total amounts of regulatory assets and liabilities reflected on the Consolidated Balance Sheets were $1,771.9 million and $1,433.7 million at December 31, 2015 , and $1,731.9 million and $1,440.7 million at December 31, 2014 , respectively. For additional information, refer to Note 7, "Regulatory Matters," in the Notes to Consolidated Financial Statements.

In the event that regulation significantly changes the opportunity for NiSource to recover its costs in the future, all or a portion of NiSource's regulated operations may no longer meet the criteria for the application of ASC Topic 980, *Regulated Operations* . In such event, a write-down of all or a portion of NiSource's existing regulatory assets and liabilities could result. If transition cost recovery is approved by the appropriate regulatory bodies that would meet the requirements under GAAP for continued accounting as regulatory assets and liabilities during such recovery period, the regulatory assets and liabilities would be reported at the recoverable amounts. If unable to continue to apply the provisions of ASC Topic 980, *Regulated Operations* , NiSource would be required to apply the provisions of ASC Topic 980-20, *Discontinuation of Rate-Regulated Accounting* . In management's opinion, NiSource's regulated subsidiaries will be subject to ASC Topic 980, *Regulated Operations* for the foreseeable future.

Certain of the regulatory assets reflected on NiSource's Consolidated Balance Sheets require specific regulatory action in order to be included in future service rates. Although recovery of these amounts is not guaranteed, NiSource believes that these costs meet the requirements for deferral as regulatory assets. Regulatory assets requiring specific regulatory action amounted to $262.7 million at December 31, 2015 . If NiSource determined that the amounts included as regulatory assets were not recoverable, a charge to income would immediately be required to the extent of the unrecoverable amounts.

Pensions and Postretirement Benefits. NiSource has defined benefit plans for both pensions and other postretirement benefits. The calculation of the net obligations and annual expense related to the plans requires a significant degree of judgment regarding the discount rates to be used in bringing the liabilities to present value, long-term returns on plan assets and employee longevity, among other assumptions. Due to the size of the plans and the long-term nature of the associated liabilities, changes in the assumptions used in the actuarial estimates could have material impacts on the measurement of the net obligations and annual expense recognition. For further discussion of NiSource's pensions and other postretirement benefits, see Note 10, "Pension and Other Postretirement Benefits," in the Notes to Consolidated Financial Statements.

Goodwill. NiSource's goodwill assets at December 31, 2015 were $1,690.7 million , most of which resulted from the acquisition of Columbia on November 1, 2000. As required, NiSource tests for impairment of goodwill on an annual basis and on an interim basis when events or circumstances indicate that a potential impairment may exist. NiSource's annual goodwill test takes place in the second quarter of each year and was most recently finalized as of May 1, 2015.

NiSource completed a quantitative ("step 1") fair value measurement of its reporting units during the May 1, 2012 goodwill test. That test indicated the fair value of each of the reporting units that carry or are allocated goodwill substantially exceeded their carrying values, indicating that no impairment existed under the step 1 annual impairment test. A qualitative ("step 0") test was performed as of May 1, 2015 and 2014. NiSource assessed various assumptions, events and circumstances that would have affected the estimated fair value of the reporting units in its baseline May 1, 2012 test. The results of this assessment indicated that it is not more likely than not that its reporting unit fair values are less than the reporting unit carrying values and no impairments are necessary.

The Separation prompted changes in the way NiSource's chief operating decision maker manages the business where, going forward, financial accountability is largely at the individual state operating company level. This change in management approach triggered an assessment of NiSource's goodwill reporting units. Through this assessment, NiSource concluded each of the six state operating companies within the former Columbia Distribution Operations reporting unit are now operating segments. NiSource further concluded these operating segments represent goodwill reporting units as they do not contain components whose discrete financial information is regularly reviewed by segment management.

Goodwill previously allocated to the Columbia Distribution Operations reporting unit was reallocated to the six new reporting units on a relative fair value basis. In accordance with GAAP, and consistent with NiSource's historical impairment testing of goodwill, fair value was determined based on a weighting of income and market approaches. The resulting fair values were substantially in excess of their respective reporting unit's carrying values. NiSource's remaining reporting unit, NIPSCO Gas

Operations, was not impacted by the changes in reporting structure as it was historically and continues to be reviewed by the chief operating decision maker at a state operating company level.

All of NiSource's goodwill reporting units at December 31, 2015 remain within the Gas Distribution Operations reportable segment.

Refer to Notes 1-J and 5, "Goodwill and Other Intangible Assets," in the Notes to Consolidated Financial Statements for additional information.

Revenue Recognition. Revenue is recorded as products and services are delivered. Utility revenues are billed to customers monthly on a cycle basis. Revenues are recorded on the accrual basis and include estimates for electricity and gas delivered but not billed. Refer to Note 1-L, "Revenue Recognition," in the Notes to Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

Refer to Note 2, "Recent Accounting Pronouncements," in the Notes to Consolidated Financial Statements.

Environmental Matters

NiSource is subject to regulation by various federal, state and local authorities in the areas of air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. NiSource believes that it is in substantial compliance with those environmental regulations currently applicable to NiSource's business and operations. Refer to Note 18-C, "Environmental Matters," in the Notes to Consolidated Financial Statements for additional information regarding environmental matters.

Bargaining Unit Contract

As of December 31, 2015, NiSource had 7,596 employees of whom 3,157 were subject to collective bargaining agreements. Agreements were reached with the respective unions whose collective bargaining agreements were set to expire during 2015. Six additional collective bargaining contracts, covering approximately 400 employees, are set to expire during 2016.

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RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

NiSource's operations are divided into two primary reportable segments: Gas Distribution Operations and Electric Operations.

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NISOURCE INC.
Gas Distribution Operations

Year Ended December 31, *(in millions)*	2015	2014	2013
Net Revenues			
Sales revenues	$ 3,069.1	$ 3,593.9	$ 3,053.8
Less: Cost of gas sold (excluding depreciation and amortization)	1,155.5	1,762.7	1,419.7
Net Revenues	1,913.6	1,831.2	1,634.1
Operating Expenses			
Operation and maintenance	945.3	900.3	824.8
Depreciation and amortization	232.6	217.6	201.4
Loss (Gain) on sale of assets and impairment, net	0.8	(0.2)	1.2
Other taxes	179.1	176.5	161.3
Total Operating Expenses	1,357.8	1,294.2	1,188.7
Operating Income	$ 555.8	$ 537.0	$ 445.4
Revenues			
Residential	$ 2,055.2	$ 2,286.3	$ 1,901.0
Commercial	691.4	800.6	654.0
Industrial	217.6	231.3	194.3
Off-System Sales	87.3	199.4	266.4
Other	17.6	76.3	38.1
Total	$ 3,069.1	$ 3,593.9	$ 3,053.8
Sales and Transportation (MMDth)			
Residential sales	262.0	295.2	272.3
Commercial sales	171.5	189.6	172.9
Industrial sales	522.7	512.9	494.5
Off-System Sales	32.7	44.9	70.4
Other	(0.2)	(0.1)	0.4
Total	988.7	1,042.5	1,010.5
Heating Degree Days	5,459	6,176	5,698
Normal Heating Degree Days	5,610	5,610	5,610
% Colder (Warmer) than Normal	(3)%	10%	2%
Customers			
Residential	3,113,324	3,098,052	3,079,575
Commercial	283,357	282,749	281,535
Industrial	7,578	7,637	7,663
Other	13	15	22
Total	3,404,272	3,388,453	3,368,795

Competition

Gas Distribution Operations competes with investor-owned, municipal, and cooperative electric utilities throughout its service areas as well as other regulated and unregulated natural gas intra and interstate pipelines and other alternate fuels, such as propane and fuel oil. Gas Distribution Operations continues to be a strong competitor in the energy market as a result of strong customer preference for natural gas. Competition with providers of electricity has traditionally been the strongest in the residential and commercial markets of Kentucky, southern Ohio, central Pennsylvania and western Virginia due to comparatively low electric rates. Natural gas competes with fuel oil and propane in the Massachusetts market mainly due to the installed base of fuel oil and propane-based heating which has comprised a declining percentage of the overall market over the last few years. However, fuel oil and propane are more viable in today's depressed oil market.

NISOURCE INC.
Gas Distribution Operations (continued)

Market Conditions
Spot prices at the Henry Hub for the winter through December 2015 have primarily been in the $1.54 to $2.40 per Dth range compared to the price range of $2.75 to $4.28 per Dth experienced during the winter through December 2014.

Entering the 2015 - 2016 winter season, national storage levels were 371 Bcf above the prior year and 147 Bcf above the five- year average inventory level (based on October 30, 2015 Energy Information Administration storage report). During the summer of 2015, prices ranged between $2.08 and $3.07 per Dth averaging below the range of $3.52 to $4.80 per Dth experienced during the summer of 2014.

All NiSource Gas Distribution Operations companies have state-approved recovery mechanisms that provide a means for full recovery of prudently incurred gas costs. Gas costs are treated as pass-through costs and have no impact on the net revenues recorded in the period. The gas costs included in revenues are matched with the gas cost expense recorded in the period and the difference is recorded on the Consolidated Balance Sheets as under-recovered or over-recovered gas cost to be included in future customer billings.

The Gas Distribution Operations companies have pursued non-traditional revenue sources within the evolving natural gas marketplace. These efforts include the sale of products and services upstream of the companies' service territory, the sale of products and services in the companies' service territories, and gas supply cost incentive mechanisms for service to their core markets. The upstream products are made up of transactions that occur between an individual Gas Distribution Operations company and a buyer for the sales of unbundled or rebundled gas supply and capacity. The on-system services are offered by NiSource to customers and include products such as the transportation and balancing of gas on the Gas Distribution Operations company system. The incentive mechanisms give the Gas Distribution Operations companies an opportunity to share in the savings created from such situations as gas purchase prices paid below an agreed upon benchmark and their ability to reduce pipeline capacity charges with their customers. Certain Gas Distribution Operations companies continue to offer choice opportunities, where customers can choose to purchase gas from a third-party supplier, through regulatory initiatives in their respective jurisdictions.

Capital Expenditures and Other Investing Activities
The table below reflects actual capital expenditures and other investing activities by category for 2015, 2014 and 2013, and estimates for 2016.

(in millions)	2016E	**2015**	2014	2013
System Growth	$ 168.3	**$ 157.8**	$ 175.9	$ 166.8
Maintenance and Other	798.6	**759.2**	684.4	624.0
Total	$ 966.9	**$ 917.0**	$ 860.3	$ 790.8

The Gas Distribution Operations segment's capital expenditures and other investing activities were $ 917.0 million in 2015 and are projected to be $ 966.9 million in 2016. This increased spending of $49.9 million is mainly due to growth and betterment projects in 2016. Capital expenditures for 2015 were higher than 2014 by approximately $56.7 million primarily due to increased TDSIC spend.

The Gas Distribution Operations segment's capital expenditures for 2014 were higher than 2013 by approximately $69.5 million primarily due to increased spending on infrastructure replacement projects.

Regulatory Matters
Refer to Note 7, "Regulatory Matters," in the Notes to Consolidated Financial Statements for information on significant rate developments and cost recovery and trackers for the Gas Distribution Operations segment.

Customer Usage. Increased efficiency of natural gas appliances and improvements in home building codes and standards has contributed to a long-term trend of declining average use per customer. Usage for the year ended December 31, 2015 decreased from the same period last year primarily due to warmer weather compared to the prior year. While historically, rate design at the distribution level has been structured such that a large portion of cost recovery is based upon throughput, rather than in a fixed charge, operating costs are largely incurred on a fixed basis, and do not fluctuate due to changes in customer usage. As a result, Gas Distribution Operations have pursued changes in rate design to more effectively match recoveries with costs incurred. Each of the states in which Gas Distribution Operations operate has different requirements regarding the procedure for establishing

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NISOURCE INC.
Gas Distribution Operations (continued)

changes to rate design. Columbia of Ohio restructured its rate design through a base rate proceeding and has adopted a "de-coupled" rate design which more closely links the recovery of fixed costs with fixed charges. Columbia of Massachusetts received regulatory approval of a decoupling mechanism which adjusts revenues to an approved benchmark level through a volumetric adjustment factor. Columbia of Maryland and Columbia of Virginia have received regulatory approval to implement a revenue normalization adjustment for certain customer classes, a decoupling mechanism whereby monthly revenues that exceed or fall short of approved levels are reconciled in subsequent months. In a prior base rate proceeding, Columbia of Pennsylvania implemented a residential weather normalization adjustment. Columbia of Kentucky has had approval for a weather normalization adjustment for many years. In a prior base rate proceeding, NIPSCO implemented a higher fixed customer charge for residential and small customer classes moving toward full straight fixed variable rate design.

Environmental Matters
Currently, various environmental matters impact the Gas Distribution Operations segment. As of December 31, 2015 , liabilities have been recorded to cover probable environmental response actions. Refer to Note 18-C, "Environmental Matters," in the Notes to Consolidated Financial Statements for additional information regarding environmental matters for the Gas Distribution Operations segment.

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

Weather in the Gas Distribution Operations service territories for 2015 was about 3% warmer than normal and was about 12% warmer than 2014 , decreasing net revenues approximately $30 million for the year ended December 31, 2015 compared to 2014.

Weather in the Gas Distribution Operations service territories for 2014 was about 10% colder than normal and was about 8% colder than 2013 , increasing net revenues approximately $18 million for the year ended December 31, 2014 compared to 2013.

Throughput
Total volumes sold and transported for the year ended December 31, 2015 were 988.7 MMDth, compared to 1,042.5 MMDth for 2014 . This decrease is primarily attributable to warmer weather and lower off-system sales opportunities experienced in 2015 compared to 2014.

Total volumes sold and transported for the year ended December 31, 2014 were 1,042.5 MMDth, compared to 1,010.5 MMDth for 2013 . This increase is primarily attributable to colder weather experienced in 2014 compared to 2013.

Net Revenues
Net revenues for 2015 were $1,913.6 million, an increase of $82.4 million from the same period in 2014. The increase in net revenues is due primarily to an increase in regulatory and service programs of $88.7 million, including the impact of new rates at Columbia of Pennsylvania, Columbia of Massachusetts and Columbia of Virginia, as well as the implementation of new rates under Columbia of Ohio's approved infrastructure replacement program. Additionally, there were higher net revenues due to increased rent billed to affiliates, offset in expense, of $8.4 million and higher regulatory and tax trackers, offset in expense, of $7.5 million. These increases in net revenues were partially offset by the effects of warmer weather of $30.6 million.

Net revenues for 2014 were $1,831.2 million, an increase of $197.1 million from the same period in 2013. The increase in net revenues is due primarily to an increase of $93.4 million for regulatory and service programs, including the impacts of the rate settlement in 2013 at Columbia of Pennsylvania, the rate case at Columbia of Massachusetts, as well as the implementation of rates under Columbia of Ohio's approved infrastructure replacement program. Additionally, 2014 included an increase in regulatory and tax trackers, which are offset in expense, of $49.2 million, the effects of colder weather of $18.4 million, and higher commercial, residential and industrial usage of $14.6 million.

At NIPSCO, sales revenues and customer billings are adjusted for amounts related to under and over-recovered purchased gas costs from prior periods per regulatory order. These amounts are primarily reflected in the "Other" gross revenues statistic provided

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NISOURCE INC.
Gas Distribution Operations (continued)

at the beginning of this segment discussion. The adjustments to other gross revenues for the twelve months ended December 31, 2015 and 2014 were a revenue decrease of $68.0 million and a revenue increase of $34.2 million, respectively.

Operating Income
For 2015, Gas Distribution Operations reported operating income of $555.8 million, an increase of $18.8 million from the comparable 2014 period. Operating income increased as a result of higher net revenues, as described above, partially offset by increased operating expenses. Operating expenses were $63.6 million higher than the comparable period reflecting increased employee and administrative expenses of $16.3 million, and higher depreciation and property taxes of $15.0 million and $9.1 million, respectively, due to increased capital expenditures. Additionally, 2015 included increased outside service costs of $7.7 million and higher regulatory and tax trackers, which are offset in net revenues, of $7.5 million.

For 2014, Gas Distribution Operations reported operating income of $537.0 million, an increase of $91.6 million from the comparable 2013 period. Operating income increased as a result of higher net revenues, as described above, partially offset by increased operating expenses. Operating expenses were $105.5 million higher than the comparable period reflecting increased regulatory and tax trackers, which are offset in net revenues, of $49.2 million, higher employee and administrative expenses of $21.9 million primarily due to a growing workforce and increased information technology support and enhancements projects. Additionally, 2014 included increased depreciation of $16.2 million due to increased capital expenditures, increased outside service costs of $13.7 largely due to Columbia of Pennsylvania's pipeline safety initiatives, higher other taxes of $6.0 million and increased uncollectibles of $5.1 million. These increases were partially offset by a decrease in environmental costs of $6.7 million.

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NISOURCE INC.
Electric Operations

Year Ended December 31, *(in millions)*	2015	2014	2013
Net Revenues			
Sales revenues	$ **1,574.4**	$ 1,673.4	$ 1,564.9
Less: Cost of sales (excluding depreciation and amortization)	**488.4**	609.7	542.5
Net Revenues	**1,086.0**	1,063.7	1,022.4
Operating Expenses			
Operation and maintenance	**490.1**	474.9	448.6
Depreciation and amortization	**267.7**	244.4	244.4
Gain on sale of assets, net	**—**	(0.1)	—
Other taxes	**63.8**	61.8	63.9
Total Operating Expenses	**821.6**	781.0	756.9
Operating Income	$ **264.4**	$ 282.7	$ 265.5
Revenues			
Residential	$ **427.1**	$ 438.2	$ 426.6
Commercial	**445.4**	449.4	431.5
Industrial	**646.3**	723.6	632.7
Wholesale	**16.4**	32.2	21.0
Other	**39.2**	30.0	53.1
Total	$ **1,574.4**	$ 1,673.4	$ 1,564.9
Sales (Gigawatt Hours)			
Residential	**3,309.9**	3,384.2	3,444.7
Commercial	**3,866.8**	3,864.2	3,881.9
Industrial	**9,249.1**	10,114.2	9,339.7
Wholesale	**194.8**	675.5	669.7
Other	**137.7**	148.2	132.0
Total	**16,758.3**	18,186.3	17,468.0
Cooling Degree Days	**762**	663	798
Normal Cooling Degree Days	**806**	806	806
% Warmer (Colder) than Normal	**(5)%**	(18)%	(1)%
Electric Customers			
Residential	**404,889**	403,272	402,638
Commercial	**55,053**	54,635	54,452
Industrial	**2,343**	2,352	2,374
Wholesale	**743**	751	725
Other	**6**	5	5
Total	**463,034**	461,015	460,194

Electric Supply

On October 31, 2014, NIPSCO submitted its 2014 Integrated Resource Plan with the IURC. The plan evaluates demand-side and supply-side resource alternatives to reliably and cost-effectively meet NIPSCO customers' future energy requirements over the next 20 years. Existing resources are expected to be sufficient, assuming favorable outcomes for environmental upgrades, to meet customers' needs into the next decade. NIPSCO continues to monitor and assess economic, regulatory and legislative activity, and will update its resource plan as appropriate.

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NISOURCE INC.
Electric Operations (continued)

Market Conditions
NIPSCO's mwh sales to steel-related industries accounted for approximately 54.2% and 61.3% of the total industrial mwh sales for the years ended December 31, 2015 and 2014, respectively.

NIPSCO's industrial sales volumes and revenues decreased in 2015 as compared to 2014 as industrial activity showed a moderate decline year-over-year. This was primarily due to steel-related mwh volumes and demands that decreased in 2015. Steel mill capacity utilization rates have declined as a result of an unprecedented increase of steel imports into the United States market.

Capital Expenditures and Other Investing Activities
The table below reflects actual capital expenditures by category for 2015, 2014 and 2013, and estimates for 2016.

(in millions)	2016E	**2015**	2014	2013
System Growth	$ 28.2	**$ 32.4**	$ 29.3	$ 42.5
Maintenance and Other	390.4	**367.9**	409.5	383.8
Total	$ 418.6	**$ 400.3**	$ 438.8	$ 426.3

The Electric Operations segment's capital expenditures and other investing activities were $400.3 million in 2015 and are projected to be $418.6 million in 2016. Capital expenditures for 2015 were lower than 2014 by approximately $38.5 million primarily due to higher tracker program spend in 2014.

The Electric Operations segment's capital expenditures for 2014 were higher than 2013 by approximately $12.5 million due to increased TDSIC spend as well as continued spending on the environmental tracker capital projects in the generation fleet.

Regulatory Matters
Refer to Note 7, "Regulatory Matters," in the Notes to Consolidated Financial Statements for information on significant rate developments, MISO, and cost recovery and trackers for the Electric Operations segment.

Environmental Matters
Currently, various environmental matters impact the Electric Operations segment. As of December 31, 2015 , liabilities have been recorded to cover probable environmental response actions. Refer to Note 18-C, "Environmental Matters," in the Notes to Consolidated Financial Statements for additional information regarding environmental matters for the Electric Operations segment.

Transmission Upgrade Agreements
On February 11, 2014, NIPSCO entered into TUAs with upgrade sponsors to complete upgrades on NIPSCO's transmission system on behalf of those sponsors. The upgrade sponsors agreed to reimburse NIPSCO for the total cost to construct transmission upgrades and place them into service, multiplied by a rate of 1.71 ("the multiplier").

On June 10, 2014, certain upgrade sponsors for both TUAs, filed a complaint at the FERC against NIPSCO regarding the multiplier stated in the TUAs. On June 30, 2014, NIPSCO filed an answer defending the terms of the TUAs and the just and reasonable nature of the multiplier charged therein and moved for dismissal of the complaint. On December 8, 2014, the FERC issued an order in response to the complaint finding that it is appropriate for NIPSCO to recover, through the multiplier, substantiated costs of ownership related to the TUAs. The FERC set for hearing the issue of what constitutes the incremental costs NIPSCO will incur, but is holding that hearing in abeyance to allow for settlement. NIPSCO will continue to monitor developments in this matter and does not believe the impact is material to the Consolidated Financial Statements.

Sales
Electric Operations sales were 16,758.3 gwh for the year ended 2015 , a decrease of 1,428.0 gwh compared to 2014 . The 7.9% decrease is primarily attributable to a decrease in industrial usage, which was caused by a reduction in steel production due to the high levels of imports that have impacted the domestic steel market since the start of 2015.

Electric Operations sales were 18,186.3 gwh for the year ended 2014 , an increase of 718.3 gwh compared to 2013 . The 4.1% increase is primarily attributable to an increase in industrial usage due to large industrial customers expanding plant operations and using less internal generation.

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NISOURCE INC.
Electric Operations (continued)

Net Revenues
Net revenues were $1,086.0 million for 2015, an increase of $22.3 million from the same period in 2014. The increase in net revenues is due primarily to higher regulatory trackers, which are offset in expense, of $19.8 million, an increase in the return on the environmental capital investment recovery of $10.3 million due to an increased plant balance eligible for recovery and higher net revenues of $8.8 million as a result of two electric transmission projects. These increases were partially offset by lower industrial usage of $13.8 million.

Net revenues were $1,063.7 million for 2014, an increase of $41.3 million from the same period in 2013. The increase in net revenues is due primarily to higher industrial usage of $21.9 million and an increase in the return on the environmental capital investment recovery of $19.8 million due to an increased plant balance eligible for recovery.

At NIPSCO, sales revenues and customer billings are adjusted for amounts related to under and over-recovered purchased fuel costs from prior periods per regulatory order. These amounts are primarily reflected in the "Other" gross revenues statistic provided at the beginning of this segment discussion. The adjustment to other gross revenues for the twelve months ended December 31, 2015 and 2014 were revenue decreases of $11.6 million and $25.5 million, respectively.

Operating Income
For 2015, Electric Operations reported operating income of $264.4 million, a decrease of $18.3 million from the comparable 2014 period. Operating income decreased as a result of increased operating expenses, partially offset by higher net revenues, as described above. Operating expenses increased $40.6 million due primarily to higher regulatory trackers, which are offset in net revenues, of $19.8 million and increased depreciation of $10.6 million along with higher environmental costs of $10.4 million.

For 2014, Electric Operations reported operating income of $282.7 million, an increase of $17.2 million from the comparable 2013 period. Operating income increased as a result of higher net revenues, as described above, partially offset by increased operating expenses. Operating expenses increased $24.1 million due primarily to higher electric generation costs of $15.2 million as a result of maintenance related outages, and increased employee and administrative expenses of $9.7 million.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NISOURCE INC.

Quantitative and Qualitative Disclosures about Market Risk are reported in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risk Disclosures."

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

NISOURCE INC.

NISOURCE INC.
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of NiSource Inc.:

We have audited the accompanying consolidated balance sheets and statements of consolidated long-term debt of NiSource Inc. and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, common stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the NiSource Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 22 to the consolidated financial statements, on July 1, 2015 the Company completed the spin-off of its subsidiary Columbia Pipeline Group, Inc.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control -Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Chicago, Illinois
February 18, 2016

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of NiSource Inc.:

We have audited the internal control over financial reporting of NiSource Inc. and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control -Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015, of the Company and our report dated February 18, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule and included an explanatory paragraph relating to the Company's spin-off of its subsidiary Columbia Pipeline Group, Inc. on July 1, 2015.

/s/ DELOITTE & TOUCHE LLP
Chicago, Illinois
February 18, 2016

NISOURCE INC.

STATEMENTS OF CONSOLIDATED INCOME

Year Ended December 31, *(in millions, except per share amounts)*	**2015**	2014	2013
Net Revenues			
Gas Distribution	$ **2,081.9**	$ 2,597.8	$ 2,226.3
Gas Transportation	**969.8**	987.4	820.0
Electric	**1,572.9**	1,672.0	1,563.4
Other	**27.2**	15.2	15.7
Gross Revenues	**4,651.8**	5,272.4	4,625.4
Cost of Sales (excluding depreciation and amortization)	**1,643.7**	2,372.9	1,963.0
Total Net Revenues	**3,008.1**	2,899.5	2,662.4
Operating Expenses			
Operation and maintenance	**1,426.1**	1,367.3	1,254.4
Depreciation and amortization	**524.4**	486.9	470.4
Loss on sale of assets and impairments, net	**1.6**	3.0	1.1
Other taxes	**256.1**	253.2	238.4
Total Operating Expenses	**2,208.2**	2,110.4	1,964.3
Operating Income	**799.9**	789.1	698.1
Other Income (Deductions)			
Interest expense, net	**(380.2)**	(379.5)	(375.3)
Other, net	**17.4**	13.4	6.8
Loss on early extinguishment of long-term debt	**(97.2)**	—	—
Total Other Deductions	**(460.0)**	(366.1)	(368.5)
Income from Continuing Operations before Income Taxes	**339.9**	423.0	329.6
Income Taxes	**141.3**	166.8	108.6
Income from Continuing Operations	**198.6**	256.2	221.0
Income from Discontinued Operations - net of taxes	**103.5**	273.8	276.2
Gain on Disposition of Discontinued Operations - net of taxes	—	—	34.9
Net Income	$ **302.1**	$ 530.0	$ 532.1
Less: Net income attributable to noncontrolling interest	**15.6**	—	—
Net Income attributable to NiSource	$ **286.5**	$ 530.0	$ 532.1
Amounts attributable to NiSource:			
Income from continuing operations	$ **198.6**	$ 256.2	$ 221.0
Income from discontinued operations	**87.9**	273.8	311.1
Net Income attributable to NiSource	$ **286.5**	$ 530.0	$ 532.1
Basic Earnings Per Share			
Continuing operations	$ **0.63**	$ 0.81	$ 0.71
Discontinued operations	**0.27**	0.87	0.99
Basic Earnings Per Share	$ **0.90**	$ 1.68	$ 1.70
Diluted Earnings Per Share			
Continuing operations	$ **0.63**	$ 0.81	$ 0.71
Discontinued operations	**0.27**	0.86	0.99
Diluted Earnings Per Share	$ **0.90**	$ 1.67	$ 1.70
Basic Average Common Shares Outstanding	**317.7**	315.1	312.4
Diluted Average Common Shares	**319.8**	316.6	313.6

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

Year Ended December 31, (in millions, net of taxes)		**2015**		2014		2013
Net Income	$	**302.1**	$	530.0	$	532.1
Other comprehensive income (loss):						
Net unrealized gain (loss) on available-for-sale securities [1]		**(0.8)**		0.6		(2.9)
Net unrealized gain (loss) on cash flow hedges [2]		**(7.8)**		2.2		2.8
Unrecognized pension and OPEB benefit (costs) [3]		**(2.4)**		(9.8)		22.0
Total other comprehensive income (loss)		**(11.0)**		(7.0)		**21.9**
Total Comprehensive Income	$	291.1	$	523.0	$	554.0
Less: Comprehensive income attributable to noncontrolling interest		**15.6**		—		—
Comprehensive Income attributable to NiSource	$	**275.5**	$	523.0	$	554.0

[1] Net unrealized gain (loss) on available-for-sale securities, net of $0.4 million tax benefit, $0.3 million tax expense and $1.5 million tax benefit in 2015 , 2014 and 2013 , respectively.
[2] Net unrealized gain on derivatives qualifying as cash flow hedges, net of $4.8 million tax benefit, and $1.5 million and $1.8 million tax expense in 2015, 2014 and 2013 , respectively.
[3] Unrecognized pension and OPEB benefit (costs), net of $4.6 million and $2.5 million tax benefit, and $14.3 million tax expense in 2015, 2014 and 2013 , respectively.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NiSource Inc.
CONSOLIDATED BALANCE SHEETS

(in millions)	**December 31, 2015**	December 31, 2014
ASSETS		
Property, Plant and Equipment		
Utility plant	**$ 18,946.9**	$ 17,668.4
Accumulated depreciation and amortization	**(6,853.4)**	(6,629.5)
Net utility plant	**12,093.5**	11,038.9
Other property, at cost, less accumulated depreciation	**18.0**	18.5
Net Property, Plant and Equipment	**12,111.5**	11,057.4
Investments and Other Assets		
Unconsolidated affiliates	**6.9**	8.3
Other investments	**187.7**	204.8
Total Investments and Other Assets	**194.6**	213.1
Current Assets		
Cash and cash equivalents	**15.5**	24.9
Restricted cash	**29.7**	24.9
Accounts receivable (less reserve of $20.3 and $24.9, respectively)	**660.0**	920.8
Gas inventory	**343.5**	440.3
Underrecovered gas costs	**34.8**	32.0
Materials and supplies, at average cost	**86.8**	81.1
Electric production fuel, at average cost	**106.3**	64.8
Exchange gas receivable	**21.0**	28.3
Assets of discontinued operations	**—**	283.4
Regulatory assets	**172.1**	187.4
Prepayments and other	**107.5**	106.5
Total Current Assets	**1,577.2**	2,194.4
Other Assets		
Regulatory assets	**1,599.8**	1,544.5
Goodwill	**1,690.7**	1,690.7
Intangible assets	**253.7**	264.7
Assets of discontinued operations	**—**	7,546.0
Deferred charges and other	**65.0**	79.0
Total Other Assets	**3,609.2**	11,124.9
Total Assets	**$ 17,492.5**	$ 24,589.8

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)	**December 31, 2015**	December 31, 2014
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - $0.01 par value, 400,000,000 shares authorized; 319,110,083 and 316,037,421 shares outstanding, respectively	$ **3.2**	$ 3.2
Additional paid-in capital	**5,078.0**	4,787.6
Retained earnings (deficit)	**(1,123.3)**	1,494.0
Accumulated other comprehensive loss	**(35.1)**	(50.6)
Treasury stock	**(79.3)**	(58.9)
Total Common Stockholders' Equity	**3,843.5**	6,175.3
Long-term debt, excluding amounts due within one year	**5,948.5**	8,151.5
Total Capitalization	**9,792.0**	14,326.8
Current Liabilities		
Current portion of long-term debt	**433.7**	266.6
Short-term borrowings	**567.4**	1,576.9
Accounts payable	**433.4**	610.1
Customer deposits and credits	**316.3**	280.9
Taxes accrued	**183.5**	169.2
Interest accrued	**129.0**	140.7
Overrecovered gas and fuel costs	**148.1**	45.6
Exchange gas payable	**62.3**	101.5
Deferred revenue	**6.6**	3.4
Regulatory liabilities	**83.3**	61.1
Accrued liability for postretirement and postemployment benefits	**4.9**	5.3
Liabilities of discontinued operations	**0.3**	369.0
Legal and environmental	**37.6**	22.7
Accrued compensation and employee benefits	**136.4**	166.8
Other accruals	**114.7**	144.5
Total Current Liabilities	**2,657.5**	3,964.3
Other Liabilities and Deferred Credits		
Deferred income taxes	**2,365.3**	2,165.8
Deferred investment tax credits	**14.8**	17.1
Deferred credits	**90.7**	100.9
Accrued liability for postretirement and postemployment benefits	**759.7**	733.9
Liabilities of discontinued operations	**—**	1,558.4
Regulatory liabilities	**1,350.4**	1,379.6
Asset retirement obligations	**254.0**	136.2
Other noncurrent liabilities	**208.1**	206.8
Total Other Liabilities and Deferred Credits	**5,043.0**	6,298.7
Commitments and Contingencies (Refer to Note 18, "Other Commitments and Contingencies")	**—**	—
Total Capitalization and Liabilities	$ **17,492.5**	$ 24,589.8

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS

Year Ended December 31, (in millions)	2015	2014	2013
Operating Activities			
Net Income	$ 302.1	$ 530.0	$ 532.1
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:			
Loss on early extinguishment of debt	97.2	—	—
Depreciation and amortization	524.4	486.9	470.4
Net changes in price risk management assets and liabilities	3.7	2.6	2.6
Deferred income taxes and investment tax credits	135.3	161.4	118.4
Deferred revenue	7.2	(0.1)	0.6
Stock compensation expense and 401(k) profit sharing contribution	50.7	66.0	48.5
Loss on sale of assets and impairment, net	1.6	3.0	1.1
Income (loss) from unconsolidated affiliates	0.6	0.8	0.5
Gain on disposition of discontinued operations - net of taxes	—	—	(34.9)
Income from discontinued operations - net of taxes	(103.5)	(273.8)	(276.2)
Amortization of discount/premium on debt	8.7	10.0	9.4
AFUDC equity	(11.5)	(10.7)	(11.7)
Changes in Assets and Liabilities:			
Accounts receivable	262.2	(42.8)	(97.3)
Income tax receivable	(0.6)	2.3	101.5
Inventories	46.9	(115.9)	(13.1)
Accounts payable	(190.5)	29.9	62.3
Customer deposits and credits	35.5	29.8	(8.2)
Taxes accrued	8.7	4.5	9.0
Interest accrued	(11.6)	4.3	3.8
Overrecovered gas and fuel costs	99.6	27.9	8.6
Exchange gas receivable/payable	(31.7)	(43.9)	21.5
Other accruals	(55.1)	4.4	1.8
Prepayments and other current assets	0.7	(4.5)	(8.3)
Regulatory assets/liabilities	(17.6)	(255.6)	436.5
Postretirement and postemployment benefits	25.6	136.0	(435.8)
Deferred credits	(10.1)	9.1	7.8
Deferred charges and other noncurrent assets	5.2	3.9	10.5
Other noncurrent liabilities	(20.3)	(4.3)	6.4
Net Operating Activities from Continuing Operations	1,163.4	761.2	967.8
Net Operating Activities from Discontinued Operations	293.4	558.4	469.0
Net Cash Flows from Operating Activities	1,456.8	1,319.6	1,436.8
Investing Activities			
Capital expenditures	(1,360.7)	(1,282.5)	(1,205.1)
Proceeds from disposition of assets	4.5	4.7	2.7
Restricted cash withdrawals (deposits)	(4.8)	(17.1)	38.7
Cash contributions from CPG	3,798.2	—	—
Other investing activities	(62.2)	(18.6)	(58.7)
Net Investing Activities from (used for) Continuing Operations	2,375.0	(1,313.5)	(1,222.4)
Net Investing Activities used for Discontinued Operations	(430.1)	(803.1)	(669.0)
Net Cash Flows from (used for) Investing Activities	1,944.9	(2,116.6)	(1,891.4)
Financing Activities			
Cash of CPG at Separation	(136.8)	—	—
Issuance of long-term debt	—	748.4	1,307.6
Repayments of long-term debt and capital lease obligations	(2,092.2)	(521.0)	(510.9)

Premium and other debt related costs		(93.5)		(8.7)		(3.2)
Change in short-term borrowings, net		(936.4)		878.1		(78.1)
Issuance of common stock		22.5		30.3		43.7
Acquisition of treasury stock		(20.4)		(10.2)		(8.1)
Dividends paid - common stock		(263.4)		(321.3)		(305.9)
Net Financing Activities from (used for) Continuing Operations		(3,520.2)		795.6		445.1
Net Financing Activities from Discontinued Operations		108.6		—		—
Net Cash Flows from (used for) Financing Activities		(3,411.6)		795.6		445.1
Change in cash and cash equivalents from continuing operations		18.2		243.3		190.5
Change in cash and cash equivalents used for discontinued operations		(28.1)		(244.7)		(200.0)
Change in cash included in discontinued operations		0.5		(0.2)		0.4
Cash and cash equivalents at beginning of period		24.9		26.5		35.6
Cash and Cash Equivalents at End of Period	$	15.5	$	24.9	$	26.5

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED LONG-TERM DEBT

As of December 31, *(in millions)*		**2015**		2014
Columbia of Massachusetts:				
Medium-term notes -				
Interest rates between 6.26% and 6.43% with a weighted average interest rate of 6.30% and maturities between December 15, 2025 and February 15, 2028	$	**40.0**	$	40.0
Unamortized issuance costs and discount on long-term debt		**(3.0)**		(3.3)
Total long-term debt of Columbia of Massachusetts		**37.0**		36.7
Columbia of Ohio:				
Capital lease obligations		**138.6**		96.4
Total long-term debt of Columbia of Ohio		**138.6**		96.4
Capital Markets:				
Senior Notes - 6.78%, due December 1, 2027		**3.0**		3.0
Medium-term notes -				
Issued at interest rates between 7.82% and 7.99%, with a weighted average interest rate of 7.92% and various maturities between March 27, 2017 and May 5, 2027		**106.0**		106.0
Unamortized issuance costs and discount on long-term debt		**(0.7)**		(0.8)
Total long-term debt of Capital Markets		**108.3**		108.2
NiSource Corporate Services:				
Capital lease obligations -				
Interest rate of 5.586% due December 31, 2016		**—**		0.5
Interest rate of 3.264% due October 31, 2019		**1.9**		2.0
Interest rate of 2.156% due November 30, 2019		**0.4**		—
Total long-term debt of NiSource Corporate Services		**2.3**		2.5
NiSource Development Company:				
NDC Douglas Properties - Notes Payable -				
Interest rate of 5.56% due July 1, 2041		**2.1**		2.1
Total long-term debt of NiSource Development Company		**2.1**		2.1

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED LONG-TERM DEBT

As of December 31, *(in millions)*	**2015**	2014
NiSource Finance:		
Long-term notes -		
10.75% - due March 15, 2016	—	201.5
Variable rate - due April 15, 2016	—	325.0
5.41% - due November 28, 2016	—	90.0
Variable rate - due August 18, 2017	—	750.0
5.25% - due September 15, 2017	**210.4**	450.0
6.40% - due March 15, 2018	**476.0**	800.0
6.80% - due January 15, 2019	**500.0**	500.0
5.45% - due September 15, 2020	**550.0**	550.0
4.45% - due December 1, 2021	**63.6**	250.0
6.125% - due March 1, 2022	**500.0**	500.0
3.85% - due February 15, 2023	**250.0**	250.0
5.89% - due November 28, 2025	**265.0**	265.0
6.25% - due December 15, 2040	**250.0**	250.0
5.95% - due June 15, 2041	**400.0**	400.0
5.80% - due February 1, 2042	**250.0**	250.0
5.25% - due February 15, 2043	**500.0**	500.0
4.80% - due February 15, 2044	**750.0**	750.0
5.65% - due February 1, 2045	**500.0**	500.0
Unamortized issuance costs and discount on long-term debt	**(41.4)**	(49.6)
Total long-term debt of NiSource Finance	**5,423.6**	7,531.9
NIPSCO:		
Capital lease obligations -		
Interest rate of 3.95% due June 30, 2022	**45.5**	52.8
Pollution control bonds -		
Reoffered interest rates between 5.70% and 5.85%, with a weighted average interest rate of 5.76% and various maturities between July 1, 2017 and April 1, 2019	**96.0**	226.0
Medium-term notes -		
Issued at interest rates between 7.02% and 7.69%, with a weighted average interest rate of 7.57% and various maturities between June 12, 2017 and August 4, 2027	**95.5**	95.5
Unamortized issuance costs and discount on long-term debt	**(0.4)**	(0.6)
Total long-term debt of NIPSCO	**236.6**	373.7
Total Long-Term Debt, Excluding Amount due within One Year	**$ 5,948.5**	$ 8,151.5

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED COMMON STOCKHOLDERS' EQUITY

(in millions)	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
Balance as of January 1, 2013	**$ 3.1**	**$ (40.5)**	**$ 4,597.6**	**$ 1,059.6**	**$ (65.5)**	**$ 5,554.3**
Comprehensive Income (Loss):						
Net Income	—	—	—	532.1	—	532.1
Other comprehensive income (loss), net of tax	—	—	—	—	21.9	21.9
Dividends:						
Common stock ($0.98 per share)	—	—	—	(306.2)	—	(306.2)
Treasury stock acquired	—	(8.1)	—	—	—	(8.1)
Issued:						
Common stock issuance	0.1	—	—	—	—	0.1
Employee stock purchase plan	—	—	2.9	—	—	2.9
Long-term incentive plan	—	—	43.8	—	—	43.8
401(k) and profit sharing issuance	—	—	37.8	—	—	37.8
Dividend reinvestment plan	—	—	8.0	—	—	8.0
Balance as of December 31, 2013	**$ 3.2**	**$ (48.6)**	**$ 4,690.1**	**$ 1,285.5**	**$ (43.6)**	**$ 5,886.6**
Comprehensive Income (Loss):						
Net Income	—	—	—	530.0	—	530.0
Other comprehensive income (loss), net of tax	—	—	—	—	(7.0)	(7.0)
Dividends:						
Common stock ($1.02 per share)	—	—	—	(321.5)	—	(321.5)
Treasury stock acquired	—	(10.3)	—	—	—	(10.3)
Issued:						
Employee stock purchase plan	—	—	4.2	—	—	4.2
Long-term incentive plan	—	—	40.2	—	—	40.2
401(k) and profit sharing issuance	—	—	45.3	—	—	45.3
Dividend reinvestment plan	—	—	7.8	—	—	7.8
Balance as of December 31, 2014	**$ 3.2**	**$ (58.9)**	**$ 4,787.6**	**$ 1,494.0**	**$ (50.6)**	**$ 6,175.3**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED COMMON STOCKHOLDERS' EQUITY

(in millions)	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total
Balance as of December 31, 2014	**$ 3.2**	**$ (58.9)**	**$ 4,787.6**	**$ 1,494.0**	**$ (50.6)**	**$ 6,175.3**
Comprehensive Income (Loss):						
Net Income attributable to NiSource	—	—	—	286.5	—	286.5
Other comprehensive income (loss), net of tax	—	—	—	—	(11.0)	(11.0)
Allocation of AOCI to noncontrolling interest [2]	—	—	—	—	2.0	2.0
Dividends:						
Common stock ($0.83 per share)	—	—	—	(263.5)	—	(263.5)
Distribution of CPG stock to shareholders (Note 3)	—	—	—	(2,640.3)	24.5	(2,615.8)
Treasury stock acquired	—	(20.4)	—	—	—	(20.4)
Issued:						
Employee stock purchase plan	—	—	5.1	—	—	5.1
Long-term incentive plan	—	—	4.2	—	—	4.2
401(k) and profit sharing issuance	—	—	46.7	—	—	46.7
Dividend reinvestment plan	—	—	7.3	—	—	7.3
Sale of interest in Columbia OpCo to CPPL [1][2]	—	—	227.1	—	—	227.1
Balance as of December 31, 2015	**$ 3.2**	**$ (79.3)**	**$ 5,078.0**	**$ (1,123.3)**	**$ (35.1)**	**$ 3,843.5**

[1] Represents the purchase of an additional 8.4% limited partner interest in Columbia OpCo by an affiliate of CPG, recorded at the historical carrying value of Columbia OpCo's net assets after giving effect to the $1,168.4 million equity contribution from CPPL's IPO completed on February 11, 2015.
[2] This transaction, which occurred prior to the Separation, was distributed through retained earnings as part of the Separation on July 1, 2015.

Shares *(in thousands)*	Common Shares	Treasury Shares	Outstanding Shares
Balance January 1, 2013	**312,291**	**(2,010)**	**310,281**
Treasury stock acquired		(297)	(297)
Issued:			
Employee stock purchase plan	102	—	102
Long-term incentive plan	2,037	—	2,037
Dividend reinvestment	272	—	272
Retirement savings plan	1,281	—	1,281
Balance December 31, 2013	**315,983**	**(2,307)**	**313,676**
Treasury stock acquired		(292)	(292)
Issued:			
Employee stock purchase plan	113	—	113
Long-term incentive plan	1,125	—	1,125
Dividend reinvestment	206	—	206
Retirement savings plan	1,209	—	1,209
Balance December 31, 2014	**318,636**	**(2,599)**	**316,037**
Treasury stock acquired		(472)	(472)
Issued:			
Employee stock purchase plan	203	—	203
Long-term incentive plan	1,423	—	1,423
Dividend reinvestment	275	—	275
Retirement savings plan	1,644	—	1,644
Balance December 31, 2015	**322,181**	**(3,071)**	**319,110**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

1. Nature of Operations and Summary of Significant Accounting Policies

A. Company Structure and Principles of Consolidation . NiSource, a Delaware corporation, is an energy holding company whose subsidiaries are fully regulated natural gas and electric utility companies serving approximately 3.9 million customers in seven states. NiSource generates substantially all of its operating income through these rate-regulated businesses.

The consolidated financial statements include the accounts of NiSource and its majority-owned subsidiaries after the elimination of all intercompany accounts and transactions. Investments for which at least a 20% interest is owned, certain joint ventures and limited partnership interests of more than 3% are accounted for under the equity method. Except where noted above and in the event where NiSource has significant influence, investments with less than a 20% interest are accounted for under the cost method. NiSource also consolidates variable interest entities for which NiSource is the primary beneficiary.

On July 1, 2015, NiSource completed the Separation. CPG's operations consisted of all of NiSource's Columbia Pipeline Group Operations segment prior to the Separation. Following the Separation, NiSource retained no ownership interest in CPG.

The results of operations and cash flows for the former Columbia Pipeline Group Operations segment have been reported as discontinued operations for all periods presented. Additionally, the assets and liabilities of the former Columbia Pipeline Group Operations segment were reclassified as assets and liabilities of discontinued operations for all prior periods. See Note 3, "Discontinued Operations," for additional information.

B. Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Cash, Cash Equivalents, and Restricted Cash . NiSource considers all investments with original maturities of three months or less to be cash equivalents. NiSource reports amounts deposited in brokerage accounts for margin requirements as restricted cash. In addition, NiSource has amounts deposited in trust to satisfy requirements for the provision of various property, liability, workers compensation, and long-term disability insurance, which is classified as restricted cash and disclosed as an investing cash flow on the Statements of Consolidated Cash Flows.

Restricted cash was $ 29.7 million and $ 24.9 million as of December 31, 2015 and 2014 , respectively. The increase in restricted cash was primarily a result of higher margin requirements due to open derivative contracts.

D. Accounts Receivable and Unbilled Revenue. Accounts receivable on the Consolidated Balance Sheets includes both billed and unbilled amounts as NiSource believes that total accounts receivable is a more meaningful presentation, given the factors which impact both billed and unbilled accounts receivable. Unbilled revenue is based on estimated amounts of electric energy or natural gas delivered but not yet billed to its customers. Unbilled amounts of accounts receivable relate to a portion of a customer's consumption of gas or electricity from the date of the last cycle billing date through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage, customer rates and weather. Accounts receivable fluctuates from year to year depending in large part on weather impacts and price volatility. NiSource's accounts receivable on the Consolidated Balance Sheets includes unbilled revenue, less reserves, in the amounts of $237.1 million and $340.5 million for the years ended December 31, 2015 and 2014 , respectively. The reserve for uncollectible receivables is the Company's best estimate of the amount of probable credit losses in the existing accounts receivable. The Company determined the reserve based on historical experience and in consideration of current market conditions. Account balances are charged against the allowance when it is anticipated the receivable will not be recovered.

E. Investments in Debt and Equity Securities. NiSource's investments in debt and equity securities are carried at fair value and are designated as available-for-sale. These investments are included within "Other investments" on the Consolidated Balance Sheets. Unrealized gains and losses, net of deferred income taxes, are reflected as accumulated other comprehensive income (loss). These investments are monitored for other than temporary declines in market value. Realized gains and losses and permanent impairments are reflected in the Statements of Consolidated Income. No material impairment charges were recorded for the years ended December 31, 2015 , 2014 and 2013 .

F. Basis of Accounting for Rate-Regulated Subsidiaries . Rate-regulated subsidiaries account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged and collected. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the Consolidated Balance Sheets and are recognized in income as the related amounts are included in customer rates and recovered from or refunded to customers.

In the event that regulation significantly changes the opportunity for NiSource to recover its costs in the future, all or a portion of NiSource's regulated operations may no longer meet the criteria for regulatory accounting. In such an event, a write-down of all or a portion of NiSource's existing regulatory assets and liabilities could result. If transition cost recovery was approved by the appropriate regulatory bodies that would meet the requirements under GAAP for continued accounting as regulatory assets and liabilities during such recovery period, the regulatory assets and liabilities would be reported at the recoverable amounts. If unable to continue to apply the provisions of regulatory accounting, NiSource would be required to apply the provisions of ASC 980-20, *Discontinuation of Rate-Regulated Accounting* . In management's opinion, NiSource's regulated subsidiaries will be subject to regulatory accounting for the foreseeable future. Refer to Note 7, "Regulatory Matters," for additional information.

G. Utility Plant and Other Property and Related Depreciation and Maintenance . Property, plant and equipment (principally utility plant) is stated at cost. The rate-regulated subsidiaries record depreciation using composite rates on a straight-line basis over the remaining service lives of the electric, gas and common properties as approved by the appropriate regulators.

The weighted average depreciation provisions for utility plant, as a percentage of the original cost, for the periods ended December 31, 2015 , 2014 and 2013 were as follows:

	2015	2014	2013
Electric Operations	**3.1%**	3.0%	3.2%
Gas Distribution Operations	**2.0%**	2.1%	2.1%

For rate-regulated companies, AFUDC is capitalized on all classes of property except organization costs, land, autos, office equipment, tools and other general property purchases. The allowance is applied to construction costs for that period of time between the date of the expenditure and the date on which such project is placed in service. The pre-tax rate for AFUDC was 4.7% in 2015 , 4.5% in 2014 and 4.1% in 2013 .

Generally, NiSource's subsidiaries follow the practice of charging maintenance and repairs, including the cost of removal of minor items of property, to expense as incurred. When regulated property that represents a retired unit is replaced or removed, the cost of such property is credited to utility plant, and such cost, net of salvage, is charged to the accumulated provision for depreciation in accordance with composite depreciation.

H. Carrying Charges and Deferred Depreciation. NIPSCO has capitalized debt-based carrying charges and deferred depreciation related to Sugar Creek in accordance with the February 18, 2008 Order of the IURC. The deferral of Sugar Creek debt-based carrying charges and the deferral of depreciation ceased in December 2011 and deferred balances are being amortized over five years beginning January 2012. As of December 31, 2015 , the remaining balance to be amortized is $14.3 million . An additional $13.9 million is deferred for consideration in NIPSCO's current electric base rate case. Management believes this amount is probable of recovery through future rates.

In 2005, the PUCO authorized Columbia of Ohio to revise its depreciation accrual rates for the period beginning January 1, 2005. The revised depreciation rates are now higher than those which would have been utilized if Columbia of Ohio were not subject to regulation. The amount of depreciation that would have been recorded for 2005 through 2015 had Columbia of Ohio not been subject to rate regulation is a combined $559.8 million , $66.4 million less than the $626.2 million reflected in rates. The regulatory asset was $65.3 million and $72.3 million as of December 31, 2015 and 2014 , respectively. The amount of depreciation that would have been recorded for 2015 had Columbia of Ohio not been subject to rate regulation is $74.7 million , $7.0 million less than the $81.7 million reflected in rates.

Columbia of Ohio has PUCO approval to defer depreciation associated with its IRP and capital expenditure program. As of December 31, 2015, depreciation of $38.5 million was deferred for the programs. Recovery of the IRP depreciation is approved annually through the IRP rider (see Note 7, "Regulatory Matters"). The equivalent of annual depreciation expense, based on the average life of the related assets, is included in the calculation of the rider approved by the PUCO and billed to customers. Deferred depreciation expense is recognized as the rider is billed to customers. The recovery mechanism for depreciation associated with the capital expenditure program will be addressed in a separate proceeding.

I. Amortization of Software Costs. External and internal costs associated with computer software developed for internal use are capitalized. Capitalization of such costs commences upon the completion of the preliminary stage of each project. Once the installed software is ready for its intended use, such capitalized costs are amortized on a straight-line basis generally over a period of five years. NiSource amortized $41.1 million in 2015 , $33.7 million in 2014 and $31.3 million in 2013 related to software costs. NiSource's unamortized software balance was $167.1 million and $162.3 million at December 31, 2015 and 2014 , respectively.

J. Goodwill and Other Intangible Assets. NiSource has $1,690.7 million in goodwill. Substantially all goodwill relates to the excess of cost over the fair value of the net assets acquired in the Columbia acquisition on November 1, 2000. In addition, NiSource has other intangible assets consisting primarily of franchise rights apart from goodwill that were identified as part of the purchase price allocations associated with the acquisition of Columbia of Massachusetts, a wholly-owned subsidiary of NiSource, which is being amortized on a straight-line basis over forty years from the date of acquisition. See Note 5, "Goodwill and Other Intangible Assets," for additional information.

K. Long-lived Assets. NiSource's Consolidated Balance Sheets contain significant long-lived assets other than goodwill and intangible assets discussed above. As a result, NiSource assesses the carrying amount and potential earnings of these assets whenever events or changes in circumstances indicate that the carrying value could be impaired. There were no significant impairments for the years ended December 31, 2015, 2014 and 2013.

L. Revenue Recognition. Revenue is recorded as products and services are delivered. Utility revenues are billed to customers monthly on a cycle basis. Revenues are recorded on the accrual basis and include estimates for electricity and gas delivered but not billed.

M. Earnings Per Share. Basic EPS is computed by dividing net income attributable to NiSource by the weighted-average number of shares of common stock outstanding for the period. The weighted average shares outstanding for diluted EPS include the incremental effects of the various long-term incentive compensation plans.

The numerator in calculating both basic and diluted EPS for each year is reported net income attributable to NiSource. The computation of diluted average common shares follows:

Diluted Average Common Shares Computation	**2015**	2014	2013
Denominator *(thousands)*			
Basic average common shares outstanding	**317,746**	315,120	312,402
Dilutive potential common shares			
Nonqualified stock options	**—**	6	80
Shares contingently issuable under employee stock plans [1]	**—**	1,066	708
Shares restricted under stock plans [1]	**2,090**	444	456
Diluted Average Common Shares	**319,836**	316,636	313,646

[1] Change due to Separation-related adjustments, see Note 13, "Share-Based Compensation."

N. Estimated Rate Refunds . Certain rate-regulated subsidiaries collect revenues subject to refund pending final determination in rate proceedings. In connection with such revenues, estimated rate refund liabilities are recorded which reflect management's current judgment of the ultimate outcomes of the proceedings. No provisions are made when, in the opinion of management, the facts and circumstances preclude a reasonable estimate of the outcome.

O. Accounts Receivable Transfer Program. Certain of NiSource's subsidiaries have agreements with third parties to sell certain accounts receivable without recourse. These transfers of accounts receivable are accounted for as secured borrowings. The entire gross receivables balance remains on the December 31, 2015 and 2014 Consolidated Balance Sheets and short-term debt is recorded in the amount of proceeds received from the purchasers involved in the transactions. Fees associated with the securitization transactions are recorded as interest expense. Refer to Note 17, "Transfers of Financial Assets," for further information.

P. Fuel Adjustment Clause. NIPSCO defers most differences between fuel and power purchase costs and the recovery of such costs in revenue, and adjusts future billings for such deferrals on a basis consistent with applicable state-approved tariff provisions.

Q. Gas Cost Adjustment Clause. All of NiSource's Gas Distribution Operations subsidiaries defer most differences between gas purchase costs and the recovery of such costs in revenues, and adjust future billings for such deferrals on a basis consistent with applicable state-approved tariff provisions.

R. Gas Inventory. Both the LIFO inventory methodology and the weighted average cost methodology are used to value natural gas in storage, as approved by regulators for each of NiSource's regulated subsidiaries. Inventory valued using LIFO was $50.2 million and $55.1 million at December 31, 2015 , and 2014 , respectively. Based on the average cost of gas using the LIFO method, the estimated replacement cost of gas in storage was less than the stated LIFO cost by $27.2 million and $15.8 million at December 31, 2015 and 2014 , respectively. Inventory valued using the weighted average cost methodology was $293.3 million at December 31, 2015 and $385.2 million at December 31, 2014 .

S. Accounting for Exchange and Balancing Arrangements of Natural Gas. NiSource's Gas Distribution Operations segment enters into balancing and exchange arrangements of natural gas as part of its operations and off-system sales programs. NiSource records a receivable or payable for its respective cumulative gas imbalances as well as for any gas inventory borrowed or lent under a Gas Distributions Operations exchange agreement. These receivables and payables are recorded as "Exchange gas receivable" or "Exchange gas payable" on NiSource's Consolidated Balance Sheets, as appropriate.

T. Accounting for Risk Management Activities. NiSource accounts for its derivatives and hedging activities in accordance with ASC 815. NiSource recognizes all derivatives as either assets or liabilities on the Consolidated Balance Sheets at fair value, unless such contracts are exempted as a normal purchase normal sale under the provisions of the standard. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and resulting designation. There were no material derivative assets or liabilities as of December 31, 2015 and 2014.

U. Income Taxes and Investment Tax Credits. NiSource records income taxes to recognize full interperiod tax allocations. Under the liability method, deferred income taxes are provided for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amount and the tax basis of existing assets and liabilities. Previously recorded investment tax credits of the regulated subsidiaries were deferred on the balance sheet and are being amortized to book income over the regulatory life of the related properties to conform to regulatory policy.

To the extent certain deferred income taxes of the regulated companies are recoverable or payable through future rates, regulatory assets and liabilities have been established. Regulatory assets for income taxes are primarily attributable to property related tax timing differences for which deferred taxes had not been provided in the past, when regulators did not recognize such taxes as costs in the ratemaking process. Regulatory liabilities for income taxes are primarily attributable to the regulated companies' obligation to refund to ratepayers deferred income taxes provided at rates higher than the current federal income tax rate. Such amounts are credited to ratepayers using either the average rate assumption method or the reverse South Georgia method.

Pursuant to the U.S. Internal Revenue Code and relevant state taxing authorities, NiSource and its subsidiaries file consolidated income tax returns for federal and certain state jurisdictions. NiSource and its subsidiaries are parties to an agreement (the "Tax Allocation Agreement") that provides for the allocation of consolidated tax liabilities. The Tax Allocation Agreement generally provides that each party is allocated an amount of tax similar to that which would be owed had the party been separately subject to tax. On June 30, 2015, in connection with the Separation, NiSource entered into an additional Tax Allocation Agreement with CPG to set forth their agreement with respect to tax matters for taxable periods prior to and including June 30, 2015.

V. Environmental Expenditures. NiSource accrues for costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated, regardless of when the expenditures are actually made. The undiscounted estimated future expenditures are based on currently enacted laws and regulations, existing technology and estimated site-specific costs where assumptions may be made about the nature and extent of site contamination, the extent of cleanup efforts, costs of alternative cleanup methods and other variables. The liability is adjusted as further information is discovered or circumstances change. The reserves for estimated environmental expenditures are recorded on the Consolidated Balance Sheets in "Legal and environmental" reserves for short-term portions of these liabilities and "Other noncurrent liabilities" for the respective long-term portions of these liabilities. Rate-regulated subsidiaries applying regulatory accounting establish regulatory assets on the Consolidated Balance Sheets to the extent that future recovery of environmental remediation costs is probable through the regulatory process. Refer to Note 18, "Other Commitments and Contingencies," for further information.

W. Excise Taxes. NiSource accounts for excise taxes that are customer liabilities by separately stating on its invoices the tax to its customers and recording amounts invoiced as liabilities payable to the applicable taxing jurisdiction. These types of taxes, comprised largely of sales taxes collected, are presented on a net basis affecting neither revenues nor cost of sales. NiSource accounts for taxes for which it is liable by recording a liability for the expected tax with a corresponding charge to “Other taxes” expense.

2. Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* ASU 2016-01 makes limited amendments to the guidance in GAAP on the classification and measurement of financial instruments. The standard requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicability exception. Additionally, entities will have to record changes in instrument-specific credit risk for financial liabilities measured under the fair value option in other comprehensive income. NiSource is required to adopt ASU 2016-01 for periods beginning after December 15, 2017, including interim periods, with early adoption permitted for certain aspects of the standard. NiSource is currently evaluating the impact the adoption of ASU 2016-01 will have on its Consolidated Financial Statements or Notes to Consolidated Financial Statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* . ASU 2015-17 requires entities to present deferred tax assets and liabilities as noncurrent on the balance sheet. This ASU simplifies current guidance which requires entities to separately classify deferred tax assets and liabilities as current or noncurrent on the balance sheet. NiSource is required to adopt ASU 2015-17 for periods beginning after December 15, 2016, including interim periods, with early adoption permitted. NiSource adopted ASU 2015-17 as of December 31, 2015 for both current and prior periods. See Note 9, "Income Taxes," in the Notes to Consolidated Financial Statements for more information on the impact of adopting this standard.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* . ASU 2015-11 replaces the current lower of cost or market test with a lower of cost or net realizable value test. The new standard applies only to inventories for which cost is determined by methods other than LIFO and the retail inventory method. NiSource is required to adopt ASU 2015-11 for periods beginning after December 15, 2016, including interim periods, with early adoption permitted. NiSource is currently evaluating the impact the adoption of ASU 2015-11 will have on the Consolidated Financial Statements or Notes to Consolidated Financial Statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* . ASU 2014-09 outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB deferred the effective date by one year for ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim periods. Companies are permitted to adopt ASU 2014-09 on the original effective date of the ASU. NiSource is currently evaluating the impact the adoption of ASU 2014-09 will have on its Consolidated Financial Statements or Notes to Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value (NAV) per Share (or its Equivalent)* . ASU 2015-07 eliminates the requirement to categorize investments measured at NAV in the fair value hierarchy table. Instead, an entity is required to include those investments as a reconciling line item so that the total fair value of investments in the footnote disclosure reconciles to the Consolidated Balance Sheets. NiSource is required to adopt ASU 2015-07 for periods beginning after December 15, 2015, including interim periods, and the guidance is to be applied retrospectively, with early adoption permitted. NiSource adopted ASU 2015-07 as of December 31, 2015. The adoption of this guidance did not have a material impact on the Consolidated Financial Statements or Notes to Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-05, *Intangibles - Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement.* ASU 2015-05 clarifies guidance on determining whether a cloud computing arrangement contains a software license that should be accounted for as internal-use software. NiSource is required to adopt ASU 2015-05 for periods beginning after December 15, 2015, including interim periods, and the guidance is permitted to be applied either (1) prospectively to all agreements entered into or materially modified after the effective date or (2) retrospectively, with early adoption permitted. NiSource is currently evaluating the impact the adoption of ASU 2015-05 will have on the Consolidated Financial Statements or Notes to Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30) : Simplifying the Presentation of Debt Issuance Costs* . ASU 2015-03 changes the way entities present debt issuance costs in financial statements by presenting issuance costs on the balance sheet as a direct deduction from the related debt liability rather than as a deferred charge. Amortization of these costs will continue to be reported as interest expense. NiSource is required to adopt ASU 2015-03 for periods beginning after December 15, 2015, including interim periods, and the guidance is to be applied retrospectively with early adoption permitted. NiSource adopted ASU 2015-03 as of December 31, 2015. The adoption of this standard did not have a material impact on the Consolidated Financial Statements or Notes to Consolidated Financial Statements.

3. Discontinued Operations

On July 1, 2015, NiSource completed the Separation through a special pro rata stock dividend, distributing one share of CPG common stock for every one share of NiSource common stock held by any NiSource stockholder on June 19, 2015, the record date. The Separation resulted in two stand-alone energy infrastructure companies: NiSource, a fully regulated natural gas and electric utilities company, and CPG, a natural gas pipeline, midstream and storage company. As a stand-alone company, on the date of the Separation, CPG's operations consisted of NiSource's Columbia Pipeline Group Operations segment prior to the Separation. Following the Separation, NiSource retained no ownership interest in CPG. On the date of the Separation, CPG consisted of approximately $9.2 billion of assets, $5.6 billion of liabilities and $3.6 billion of equity.

The results of operations and cash flows for the former Columbia Pipeline Group Operations segment have been reported as discontinued operations for all periods presented. Additionally, the assets and liabilities of the former Columbia Pipeline Group Operations segment were reclassified as assets and liabilities of discontinued operations for all prior periods.

On September 1, 2013, NiSource sold the commercial and industrial natural gas portfolio of its unregulated natural gas marketing business. The sale included the physical contracts and associated financial hedges that comprise the portfolio, as well as the gas inventory and customer deposits of the business. For the year ended December 31, 2013, an after tax loss of $1.5 million was included in Gain on Disposition of Discontinued Operations, net of taxes in the Statements of Consolidated Income.

In January 2013, NiSource sold the service plan and leasing business lines of its Retail Services business. For the year ended December 31, 2013, an after tax gain of $36.4 million was included in Gain on Disposition of Discontinued Operations, net of taxes in the Statements of Consolidated Income.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Results from discontinued operations are provided in the following table. These results are primarily from NiSource's former Columbia Pipeline Group Operations segment.

	Year Ended December 31, 2015		
(in millions)	Columbia Pipeline Group Operations	Corporate and Other	Total
Net Revenues			
Transportation and storage revenues	$ 561.4	$ —	$ 561.4
Other revenues	94.3	—	94.3
Total Sales Revenues	655.7	—	655.7
Less: Cost of sales (excluding depreciation and amortization)	0.2	—	0.2
Net Revenues	655.5	—	655.5
Operating Expenses			
Operation and maintenance	375.8 [(1)]	—	375.8
Depreciation and amortization	66.4	—	66.4
Gain on sale of assets	(13.6)	—	(13.6)
Other taxes	38.0	—	38.0
Total Operating Expenses	466.6	—	466.6
Equity Earnings in Unconsolidated Affiliates	29.1	—	29.1
Operating Income from Discontinued Operations	218.0	—	218.0
Other Income (Deductions)			
Interest expense, net	(37.1)	—	(37.1)
Other, net	7.8	0.4	8.2
Total Other Income (Deductions)	(29.3)	0.4	(28.9)
Income from Discontinued Operations before Income Taxes	188.7	0.4	189.1
Income Taxes	84.7	0.9	85.6
Income (Loss) from Discontinued Operations - net of taxes	$ 104.0	$ (0.5)	$ 103.5

[(1)] Includes approximately $55.4 million of transaction costs related to the Separation.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

(in millions)	Year Ended December 31, 2014 Columbia Pipeline Group Operations	Corporate and Other	Total
Net Revenues			
Transportation and storage revenues	$ 1,034.3	$ —	$ 1,034.3
Other revenues	312.9	—	312.9
Total Sales Revenues	1,347.2	—	1,347.2
Less: Cost of sales (excluding depreciation and amortization)	0.3	—	0.3
Net Revenues	1,346.9	—	1,346.9
Operating Expenses			
Operation and maintenance	769.1 [1]	—	769.1
Depreciation and amortization	118.6	—	118.6
Gain on sale of assets	(34.5)	—	(34.5)
Other taxes	67.1	—	67.1
Total Operating Expenses	920.3	—	920.3
Equity Earnings in Unconsolidated Affiliates	46.6	—	46.6
Operating Income from Discontinued Operations	473.2	—	473.2
Other Income (Deductions)			
Interest expense, net	(64.1)	—	(64.1)
Other, net	8.9	(1.0)	7.9
Total Other Income (Deductions)	(55.2)	(1.0)	(56.2)
Income (Loss) from Discontinued Operations before Income Taxes	418.0	(1.0)	417.0
Income Taxes	143.5	(0.3)	143.2
Income (Loss) from Discontinued Operations - net of taxes	$ 274.5	$ (0.7)	$ 273.8

[1] Includes approximately $23.7 million of transaction costs related to the Separation.

(in millions)	Year Ended December 31, 2013 Columbia Pipeline Group Operations	Corporate and Other	Total
Net Revenues			
Transportation and storage revenues	$ 971.1	$ —	$ 971.1
Other revenues	208.7	2.5	211.2
Total Sales Revenues	1,179.8	2.5	1,182.3
Less: Cost of sales (excluding depreciation and amortization)	0.4	—	0.4
Net Revenues	1,179.4	2.5	1,181.9
Operating Expenses			
Operation and maintenance	619.5	—	619.5
Depreciation and amortization	106.9	—	106.9
Gain on sale of assets	(18.6)	—	(18.6)
Other taxes	62.2	—	62.2
Total Operating Expenses	770.0	—	770.0
Equity Earnings in Unconsolidated Affiliates	35.9	—	35.9
Operating Income from Discontinued Operations	445.3	2.5	447.8
Other Income (Deductions)			
Interest expense, net	(39.5)	—	(39.5)
Other, net	17.4	9.1	26.5
Total Other Income (Deductions)	(22.1)	9.1	(13.0)
Income from Discontinued Operations before Income Taxes	423.2	11.6	434.8
Income Taxes	153.3	5.3	158.6
Income from Discontinued Operations - net of taxes	$ 269.9	$ 6.3	$ 276.2
Gain on Disposition of Discontinued Operations - net of taxes	$ —	$ 34.9	$ 34.9

CPG's financing requirements prior to the private placement of senior notes on May 22, 2015 were satisfied through borrowings from NiSource Finance. Interest expense from discontinued operations primarily represents net interest charged to CPG from NiSource Finance, less AFUDC. Subsequent to May 22, 2015, interest expense from discontinued operations also includes interest incurred on CPG's private placement of $2,750.0 million of senior notes.

Continuing Involvement

Natural gas transportation and storage services provided to NiSource by CPG were $147.6 million , $146.2 million and $147.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. Prior to July 1, 2015, these costs were eliminated in consolidation. Beginning July 1, 2015, these costs and associated cash flows represent third-party transactions with CPG and are not eliminated in consolidation, as such services have continued subsequent to the Separation and are expected to continue for the foreseeable future.

As a result of the Separation, NiSource and CPG entered into Transition Services Agreements (TSAs). NiSource expects the TSAs to terminate within 18 months from the date of the Separation. The TSAs set forth the terms and conditions for NiSource and CPG to provide certain transition services to one another. Under the TSAs, NiSource provides CPG certain information technology, financial and accounting, human resource and other specified services. For the period July 1, 2015 to December 31, 2015, the amounts NiSource billed CPG for these services were not significant.

There were no material assets and liabilities of discontinued operations on the Consolidated Balance Sheets at December 31, 2015.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

The assets and liabilities of discontinued operations on the Consolidated Balance Sheets at December 31, 2014 were:

		December 31, 2014
(in millions)		Columbia Pipeline Group Operations
Current Assets		
Cash and cash equivalents	$	0.5
Accounts receivable, net		149.3
Gas inventory		4.8
Materials and supplies, at average cost		24.9
Exchange gas receivable		34.8
Regulatory assets		6.1
Prepayments and other		63.0
Total current assets	$	283.4
Noncurrent Assets		
Net property, plant and equipment	$	4,959.7
Goodwill		1,975.5
Unconsolidated affiliates		444.3
Other investments		5.6
Regulatory assets		151.9
Deferred charges and other		9.0
Total noncurrent assets	$	7,546.0

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

		December 31, 2014
(in millions)		Columbia Pipeline Group Operations
Current Liabilities		
Accounts payable	$	60.5
Customer deposits and credits		13.4
Taxes accrued		106.9
Exchange gas payable		34.7
Deferred revenue		22.2
Regulatory liabilities		1.3
Accrued liability for postretirement and postemployment benefits		0.6
Legal and environmental		1.5
Accrued capital expenditures		61.1
Other accruals		66.8
Total current liabilities	$	369.0
Noncurrent Liabilities		
Deferred income taxes	$	1,214.3
Deferred investment tax credits		0.2
Deferred credits		0.2
Accrued liability for postretirement and postemployment benefits [(1)]		(58.0)
Regulatory liabilities		294.2
Asset retirement obligations		23.2
Other noncurrent liabilities		84.3
Total noncurrent liabilities	$	1,558.4

[(1)] Represents Columbia Pipeline Group segment's overfunded position in NiSource's net underfunded other postretirement plan.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

4. Property, Plant and Equipment

NiSource's property, plant and equipment on the Consolidated Balance Sheets are classified as follows:

At December 31, *(in millions)*		2015		2014
Property Plant and Equipment				
Gas Distribution Utility [1]	$	**10,620.4**	$	9,753.9
Electric Utility [1]		**7,765.7**		7,160.0
Common Utility		**107.2**		181.5
Construction Work in Process		**453.6**		573.0
Non-Utility and Other		**41.2**		43.1
Total Property, Plant and Equipment	$	**18,988.1**	$	17,711.5
Accumulated Depreciation and Amortization				
Gas Distribution Utility [1]	$	**(3,029.0)**	$	(2,922.7)
Electric Utility [1]		**(3,767.7)**		(3,596.5)
Common Utility		**(56.7)**		(110.3)
Non-Utility and Other		**(23.2)**		(24.6)
Total Accumulated Depreciation and Amortization	$	**(6,876.6)**	$	(6,654.1)
Net Property, Plant and Equipment	$	**12,111.5**	$	11,057.4

[1] NIPSCO's common utility plant and associated accumulated depreciation and amortization are allocated between Gas Distribution Utility and Electric Utility Property, Plant and Equipment.

5. Goodwill and Other Intangible Assets

The following presents NiSource's goodwill balance allocated by segment as of December 31, 2015:

(in millions)		Gas Distribution Operations		Electric Operations		Corporate and Other		Total
Goodwill	$	1,690.7	$	—	$	—	$	**1,690.7**

Goodwill previously allocated to the former Columbia Pipeline Group Operations segment was disposed of in conjunction with the Separation. For prior periods, such balances are presented within "Assets of discontinued operations" on the Consolidated Balance Sheets. There were no other changes to the goodwill balance during 2015.

NiSource's intangible assets, apart from goodwill, consist of franchise rights, which were identified as part of the purchase price allocations associated with the acquisition in February 1999 of Columbia of Massachusetts. These amounts were $253.7 million and $264.7 million , net of accumulated amortization of $188.5 million and $177.5 million , at December 31, 2015 and 2014, respectively and are being amortized over forty years from the date of acquisition. NiSource recorded amortization expense of $11.0 million in 2015, 2014, and 2013 related to its intangible assets. NiSource expects amortization expense to be $11.0 million per year for 2016-2020.

6. Asset Retirement Obligations

Changes in NiSource's liability for asset retirement obligations for the years 2015 and 2014 are presented in the table below:

(in millions)		**2015**		2014
Beginning Balance	$	**136.2**	$	148.1
Accretion recorded as a regulatory asset/liability		**8.6**		8.2
Additions		**6.5**		0.3
Settlements		**(7.0)**		(2.2)
Change in estimated cash flows [1]		**109.7**		(18.2)
Ending Balance	$	**254.0**	$	136.2

[1] The change in estimated cash flows for 2015 is primarily attributable to estimated costs associated with the EPA's final rule for regulation of CCRs and changes to cost estimates for certain solid waste management units. See Note 18, "Other Commitments and Contingencies," for additional information on CCRs. The change in estimated cash flows for 2014 is primarily attributed to changes in estimated costs and settlement timing for electric generating stations and to retire pipeline.

NiSource has recognized asset retirement obligations associated with various legal obligations including costs to remove and dispose of certain construction materials located within many of NiSource's facilities, certain costs to retire pipeline, removal costs for certain underground storage tanks, removal of certain pipelines known to contain PCB contamination, closure costs for certain sites including ash ponds, solid waste management units and a landfill, as well as some other nominal asset retirement obligations. NiSource has a significant obligation associated with the decommissioning of its two hydro facilities located in Indiana. These hydro facilities have an indeterminate life, and no asset retirement obligation has been recorded.

Certain costs of removal that have been, and continue to be, included in depreciation rates and collected in the service rates of the rate-regulated subsidiaries are classified as Regulatory liabilities on the Consolidated Balance Sheets.

7. Regulatory Matters

Regulatory Assets and Liabilities

NiSource follows the accounting and reporting requirements of ASC Topic 980, which provides that regulated entities account for and report assets and liabilities consistent with the economic effect of regulatory rate-making procedures if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged and collected. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income or expense are deferred on the balance sheet and are recognized in the income statement as the related amounts are included in customer rates and recovered from or refunded to customers.

Regulatory assets were comprised of the following items:

At December 31, *(in millions)*		2015		2014
Assets				
Unrecognized pension benefit and other postretirement benefit costs (see Note 10)	$	**928.7**	$	910.3
Other postretirement costs		**47.0**		46.7
Environmental costs (see Note 18-C)		**62.2**		65.9
Regulatory effects of accounting for income taxes (see Note 1-U)		**234.1**		231.8
Underrecovered gas costs (see Note 1-P and 1-Q)		**34.8**		32.0
Depreciation (see Note 1-H)		**124.5**		116.4
Uncollectible accounts receivable deferred for future recovery		**17.0**		26.1
Post-in-service carrying charges		**107.2**		87.8
EERM operation and maintenance and depreciation deferral		**48.1**		31.1
Sugar Creek carrying charges and deferred depreciation (see Note 1-H)		**28.2**		42.5
DSM Program		**35.6**		37.9
Other		**139.3**		135.4
Total Assets	$	**1,806.7**	$	1,763.9
Less amounts included as Underrecovered gas cost		**(34.8)**		(32.0)
Total Regulatory Assets reflected in Current Regulatory Assets and Other Regulatory Assets	$	**1,771.9**	$	1,731.9

Regulatory liabilities were comprised of the following items:

At December 31, *(in millions)*		2015		2014
Liabilities				
Overrecovered gas and fuel costs (see Notes 1-P and 1-Q)	$	**148.1**	$	45.6
Cost of removal (see Note 6)		**1,261.5**		1,287.0
Regulatory effects of accounting for income taxes (see Note 1-U)		**34.2**		42.3
Unrecognized pension benefit and other postretirement benefit costs (see Note 10)		**8.1**		10.1
Other postretirement costs		**38.8**		31.9
Other		**91.1**		69.4
Total Liabilities	$	**1,581.8**	$	1,486.3
Less amounts included as Overrecovered gas and fuel cost		**(148.1)**		(45.6)
Total Regulatory Liabilities reflected in Current Regulatory Liabilities and Other Regulatory Liabilities and Other Removal Costs	$	**1,433.7**	$	1,440.7

Regulatory assets, including underrecovered gas and fuel cost, of approximately $1,668.7 million as of December 31, 2015 are not earning a return on investment. Regulatory assets of approximately $1,544.0 million include expenses that are recovered as components of the cost of service and are covered by regulatory orders. These costs are recovered over a remaining life of up to 41 years. Regulatory assets of approximately $262.7 million at December 31, 2015 , require specific rate action.

As noted below, regulatory assets for which costs have been incurred or accrued are included (or expected to be included, for costs incurred subsequent to the most recently approved rate case) in certain companies' rate base, thereby providing a return on invested costs. Certain regulatory assets do not result from cash expenditures and therefore do not represent investments included in rate base or have offsetting liabilities that reduce rate base.

Assets:

Unrecognized pension benefit and other postretirement benefit costs – In 2007, NiSource adopted certain updates of ASC 715 which required, among other things, the recognition in other comprehensive income or loss of the actuarial gains or losses and the prior service costs or credits that arise during the period but that are not immediately recognized as components of net periodic benefit costs. Certain subsidiaries defer the costs as a regulatory asset in accordance with regulatory orders or as a result of regulatory precedent, to be recovered through base rates.

Other postretirement costs – Primarily comprised of costs approved through rate orders to be collected through future base rates, revenue riders or tracking mechanisms.

Environmental costs – Includes certain recoverable costs of investigating, testing, remediating and other costs related to gas plant sites, disposal sites or other sites onto which material may have migrated. Certain companies defer the costs as a regulatory asset in accordance with regulatory orders, to be recovered in future base rates, billing riders or tracking mechanisms.

Regulatory effects of accounting for income taxes – Represents the deferral and under collection of deferred taxes in the rate making process. In prior years, NiSource has lowered customer rates in certain jurisdictions for the benefits of accelerated tax deductions. Amounts are expensed for financial reporting purposes as NiSource recovers deferred taxes in the rate making process.

Underrecovered gas and fuel costs – Represents the difference between the costs of gas and fuel and the recovery of such costs in revenue, and is used to adjust future billings for such deferrals on a basis consistent with applicable state-approved tariff provisions. Recovery of these costs is achieved through tracking mechanisms.

Depreciation – Primarily relates to the difference between the depreciation expense recorded by Columbia of Ohio due to a regulatory order and the depreciation expense recorded in accordance with GAAP. The regulatory asset is currently being amortized over the life of the assets. Also included is depreciation associated with the Columbia of Ohio IRP and capital expenditure program. Recovery of these costs is achieved through base rates and rider mechanisms. Refer to Note 1-H for more information.

Uncollectible accounts receivable deferred for future recovery – Represents the difference between certain uncollectible expenses and the recovery of such costs to be collected through cost tracking mechanisms per regulatory orders.

Post-in-service carrying charges – Columbia of Ohio has approval from the PUCO by regulatory order to defer debt-based post-in-service carrying charges as a regulatory asset for future recovery. As such, Columbia of Ohio defers a debt-based carrying charge on eligible property, plant and equipment from the time it is placed into utility service until recovery of the property, plant and equipment is included in customer rates in base rates or through a rider mechanism. Inclusion in customer rates generally occurs when Columbia of Ohio files its next rate proceeding following the in-service date of the property, plant and equipment.

EERM operation and maintenance and depreciation deferral – NIPSCO obtained approval from the IURC to recover certain environmental related costs including operation and maintenance and depreciation expense once the environmental facilities become operational. Recovery of these costs will continue until such assets are included in rate base through an electric base rate case. The EERM deferred charges represent expenses that will be recovered from customers through an annual EERM Cost Tracker which authorizes the collection of deferred balances over a twelve month period.

Sugar Creek carrying charges and deferred depreciation – The IURC approved the deferral of debt-based carrying charges and the deferral of depreciation expense for the Sugar Creek assets. NIPSCO continued to defer such amounts until new electric rates were approved and implemented on December 27, 2011. Balances are being amortized over five years beginning January 2012. As of December 31, 2015 , the remaining unamortized balance is $14.3 million . An additional $13.9 million is deferred for consideration in NIPSCO's current electric base rate case. Management believes this amount is probable of recovery through future rates.

DSM Program - Represents costs associated with Gas Distribution Operations and Electric Operations companies' energy efficiency and conservation programs. Costs are recovered through tracking mechanisms.

Liabilities:

Overrecovered gas and fuel costs – Represents the difference between the cost of gas and fuel and the recovery of such costs in revenues, and is the basis to adjust future billings for such recoveries on a basis consistent with applicable state-approved tariff provisions. Refunding of these revenues is achieved through tracking mechanisms.

Cost of removal – Represents anticipated costs of removal that have been, and continue to be, included in depreciation rates and collected in customer rates of the rate-regulated subsidiaries for future costs to be incurred.

Regulatory effects of accounting for income taxes – Represents amounts owed to customers for deferred taxes collected at a higher rate than the current statutory rates and liabilities associated with accelerated tax deductions owed to customers that are established during the rate making process.

Unrecognized pension benefit and other postretirement benefit costs – In 2007, NiSource adopted certain updates of ASC 715 which required, among other things, the recognition in other comprehensive income or loss of the actuarial gains or losses and the prior service costs or credits that arise during the period but that are not immediately recognized as components of net periodic benefit costs. Certain subsidiaries defer the costs as a regulatory liability in accordance with regulatory orders or as a result of regulatory precedent, to be refunded through base rates.

Other postretirement costs – Primarily represents cash contributions in excess of postretirement benefit expense that is deferred as a regulatory liability by certain subsidiaries in accordance with regulatory orders.

Gas Distribution Operations Regulatory Matters

Significant Rate Developments . On April 30, 2013, Indiana Governor Pence signed Senate Enrolled Act 560, the TDSIC statute, into law. Among other provisions, this legislation provides for cost recovery outside of a base rate proceeding for new or replacement electric and gas transmission, distribution, and storage projects that a public utility undertakes for the purposes of safety, reliability, system modernization, or economic development. Provisions of the TDSIC statute require that, among other things, requests for recovery include a seven-year plan of eligible investments. Once the plan is approved by the IURC, 80 percent of eligible costs can be recovered using a periodic rate adjustment mechanism. The cost recovery mechanism is referred to as a TDSIC mechanism. Recoverable costs include a return on, and of, the investment, including AFUDC, post-in-service carrying charges, operation and maintenance expenses, depreciation, and property taxes. The remaining 20 percent of recoverable costs are to be deferred for future recovery in the public utility's next general rate case. The periodic rate adjustment mechanism is capped at an annual increase of no more than two percent of total retail revenues. On April 30, 2014, the IURC issued an order approving NIPSCO's gas TDSIC seven-year plan. On May 29, 2014, the NIPSCO Industrial Group filed a Notice of Appeal with the Indiana Court of Appeals in response to the IURC's April 30, 2014 ruling. Subsequently, the NIPSCO Industrial Group filed a Voluntary Notice of Dismissal, which was granted with prejudice. On January 28, 2015, the IURC issued an order approving NIPSCO's gas TDSIC-1 and a revised gas TDSIC seven-year plan of eligible investments for a total of approximately $840 million with the IURC. On August 31, 2015, NIPSCO filed TDSIC-3 which included an updated seven-year plan of approximately $817 million with the IURC. An order is expected in the first quarter of 2016.

On November 28, 2012, the PUCO approved Columbia of Ohio's application to extend its Infrastructure Replacement Program for an additional five years, allowing Columbia of Ohio to continue to invest and recover on its accelerated main replacements. On November 25, 2014, Columbia of Ohio filed a Notice of Intent to file an application to adjust rates associated with its IRP and DSM Riders. Columbia of Ohio filed its Application on February 27, 2015, and requested authority to increase revenues by $24.7 million . On March 26, 2015, PUCO Staff filed Comments recommending that the PUCO approve Columbia of Ohio's application in full. On April 22, 2015, the PUCO issued an Order that approved Columbia of Ohio's application. New rates went into effect on May 1, 2015. Now in the third year of the extended program, Columbia of Ohio filed a Notice of Intent on November 25, 2015 to file an application to adjust rates associated with its IRP and DSM Riders. The Notice of Intent states that Columbia of Ohio will file an Application by February 28, 2016, in which it will request authority to increase revenues by up to $33.2 million .

On September 12, 2014, Columbia of Ohio filed an application that seeks authority to establish a regulatory asset and defer, for accounting and financial reporting purposes, the expenditures to be incurred in implementing Columbia of Ohio's Pipeline Safety Program. Columbia of Ohio requested authority to defer Pipeline Safety Program costs of up to $15.0 million annually. By Order dated December 17, 2014, the PUCO approved Columbia of Ohio's application, approving a deferral of up to $15.0 million annually. As of December 31, 2015, Columbia of Ohio has deferred $11.6 million related to the program.

On December 24, 2012, Columbia of Ohio filed an application for authority to continue its capital expenditure program in 2013 and succeeding years, and for the authority to defer the related post-in-service carrying charges, depreciation expense, and property taxes on the assets of the capital expenditure program placed into service. As of December 31, 2015, Columbia of Ohio has deferred $57.6 million related to the program.

On March 19, 2015, Columbia of Pennsylvania filed a base rate case with the Pennsylvania PUC, seeking a revenue increase of $46.2 million annually. The case was driven by Columbia of Pennsylvania's ongoing capital investment program which exceeded
$197.0 million in 2015 and is projected to exceed $220.0 million in 2016, as well as operation and maintenance expenditures related to employee training and compliance with pipeline safety regulations. Columbia of Pennsylvania's request for rate relief included the recovery of costs that will be incurred after the implementation of new rates, as authorized by the Pennsylvania General Assembly with the passage of Act 11 of 2012. On August 27, 2015, the parties to the case filed a joint petition for approval of a settlement that features an annual revenue increase of $28.0 million . The Pennsylvania PUC approved the petition on December 3, 2015, and Columbia of Pennsylvania implemented new rates on December 18, 2015.

On April 30, 2014, Columbia of Virginia filed a base rate case with the VSCC seeking an annual revenue increase of $31.8 million . New rates went into effect in October 2014, subject to refund. On December 10, 2014, Columbia of Virginia presented at hearing a Stipulation and Proposed Recommendation ("Stipulation") executed by certain parties to the rate proceeding that included a base revenue increase of $25.2 million including recovery of costs related to the implementation of pipeline safety programs. On March 30, 2015, the VSCC issued an Order Remanding for Further Action approving the revenue increase of $25.2 million contained in the Stipulation, but remanding for further proceedings the single issue of the manner in which fixed costs were to be assigned to the fixed customer charges of each rate class. Following a hearing, the VSCC on August 21, 2015 issued a Final Order resolving the fixed customer charge and allowing Columbia of Virginia to implement new rates.

On July 7, 2014, the Governor of Massachusetts signed into law Chapter 149 of the Acts of 2014, An Act Relative to Natural Gas Leaks ("the Act'). The Act authorizes natural gas distribution companies to file gas infrastructure replacement plans with the Massachusetts DPU to address the replacement of aging natural gas pipeline infrastructure. In addition, the Act provides that the Massachusetts DPU may, after review of the plans, allow the proposed estimated costs of the plan into rates as of May 1 of the subsequent year. Pursuant to the Act, Columbia of Massachusetts filed its first Gas System Enhancement Program ("GSEP") plan on October 31, 2014, for the 2015 construction year ("2015 GSEP") proposing to recover $2.6 million . After review, the Massachusetts DPU approved the Columbia of Massachusetts's 2015 GSEP for effect May 1, 2015 and, in accordance with the Act, Columbia of Massachusetts will file the reconciliation of the 2015 GSEP on May 1, 2016. On October 30, 2015, Columbia of Massachusetts filed its GSEP for the 2016 construction year. Columbia of Massachusetts proposed to recover an increment of $6.4 million for the costs associated with the replacement of eligible leak-prone infrastructure during the 2016 construction year for a cumulative proposed revenue requirement recovery of $9.0 million effective May 1, 2016. The Massachusetts DPU is currently reviewing the plan and is expected to issue an order prior to May 1, 2016.

On October 30, 2009, the Massachusetts DPU approved Columbia of Massachusetts's revenue decoupling mechanism that was filed in its base rate case. This allows Columbia of Massachusetts to apply annual adjustments to its Peak and Off-peak rates. On March 16, 2015, Columbia of Massachusetts filed its Off-peak Period RDAF in the amount of $2.5 million for effect May 1, 2015. The Massachusetts DPU approved the rate for effect May 1, 2015, pending further review and investigation. On August 5, 2015, the Massachusetts DPU issued its final order approving the rate. On September 17, 2015, Columbia of Massachusetts filed its Peak Period RDAF in the amount of a credit to customers of $17.1 million for effect November 1, 2015. The Massachusetts DPU approved the rate for effect November 1, 2015, pending further review and investigation.

On April 16, 2015, Columbia of Massachusetts filed a base rate case with the Massachusetts DPU. The case, which sought increased annual revenues of approximately $49.0 million , was designed to support Columbia of Massachusetts's continued focus on providing safe and reliable service in compliance with increasing state and federal regulations and oversight, and recovery of associated increased operations and maintenance costs. Columbia of Massachusetts arrived at a settlement agreement with the Massachusetts Attorney General in the case which was filed for approval with the Massachusetts DPU on August 19, 2015 and approved on October 7, 2015. The settlement agreement provides for increased annual revenues of $32.8 million beginning November 1, 2015, with an additional $3.6 million annual increase in revenues starting November 1, 2016. The settlement also provides that Columbia of Massachusetts cannot increase base distribution rates to become effective prior to November 1, 2018.

Columbia of Massachusetts's LDAF allows for the recovery of costs related to pension and other postretirement expense, low income programs, environmental remediation programs, Attorney General expert witness costs and energy efficiency programs. This allows Columbia of Massachusetts to file semi-annually to recover the cost in Peak and Off-peak rates. On January 20, 2015, Columbia of Massachusetts filed its 2015 Off-Peak Period LDAF with a proposed effective date of May 1, 2015. The 2015 Off-Peak Period LDAF of $70 million was approved on April 30, 2015, for effect May 1, 2015. On July 30, 2015, Columbia of Massachusetts filed its 2015-2016 Peak Period LDAF and on September 17, 2015, Columbia of Massachusetts filed its 2015 PEF and 2015 RAAF, each with a proposed effective date of November 1, 2015. The 2015-2016 Peak Period LDAF of $49.7 million effective November 1, 2015 was approved on October 30, 2015. The 2015 PEF and 2015 RAAF components of the LDAF were approved subject to further investigation and reconciliation.

On August 7, 2015, Columbia of Maryland filed a base rate proceeding with the Maryland PSC, seeking an annual revenue increase of approximately $0.7 million . The matter was fully litigated. On November 4, 2015, the Maryland PSC issued an Order granting Columbia of Maryland authority to adjust its rates to produce an annual revenue increase of $0.5 million . The new rates went into effect on November 5, 2015.

Cost Recovery and Trackers . A significant portion of the distribution companies' revenue is related to the recovery of gas costs, the review and recovery of which occurs via standard regulatory proceedings. All states require periodic review of actual gas procurement activity to determine prudence and to permit the recovery of prudently incurred costs related to the supply of gas for customers. NiSource distribution companies have historically been found prudent in the procurement of gas supplies to serve customers.

Certain operating costs of the NiSource distribution companies are significant, recurring in nature, and generally outside the control of the distribution companies. Some states allow the recovery of such costs via cost tracking mechanisms. Such tracking mechanisms allow for abbreviated regulatory proceedings in order for the distribution companies to implement charges and recover appropriate costs. Tracking mechanisms allow for more timely recovery of such costs as compared with more traditional cost recovery mechanisms. Examples of such mechanisms include GCR adjustment mechanisms, tax riders, and bad debt recovery mechanisms.

Comparability of Gas Distribution Operations line item operating results is impacted by regulatory trackers that allow for the recovery in rates of certain costs such as bad debt expenses. Increases in the expenses that are the subject of trackers, result in a corresponding increase in net revenues and therefore have essentially no impact on total operating income results.

Certain of the NiSource distribution companies have completed rate proceedings involving infrastructure replacement or are embarking upon regulatory initiatives to replace significant portions of their operating systems that are nearing the end of their useful lives. Each LDC's approach to cost recovery may be unique, given the different laws, regulations and precedent that exist in each jurisdiction.

As further discussed above, NIPSCO has approval from the IURC to recover certain costs for transmission, distribution and storage system improvements. On January 28, 2015, the IURC issued an order approving NIPSCO's gas TDSIC-1. The Order approved $4.4 million of net capital expenditures for the period ended June 30, 2014 and granted ratemaking relief and accounting treatment. On February 27, 2015, NIPSCO filed gas TDSIC-2 which included $43.3 million of net capital expenditures for the period ended December 31, 2014. Given the Indiana Court of Appeals decision in NIPSCO's electric TDSIC filing (for further information, see "Electric Operations Regulatory Matters" below), NIPSCO elected to dismiss its TDSIC-2 filing in favor of supplying further detailed plan updates in the next proceeding, TDSIC-3. On August 31, 2015, NIPSCO filed TDSIC-3 which included $75.2 million of net capital expenditures for the period ended June 30, 2015. An order is expected in the first quarter of 2016.

Electric Operations Regulatory Matters

Significant Rate Developments . As part of a multi-state effort to strengthen the electric transmission system serving the Midwest, NIPSCO is currently investing in two projects that were authorized by the MISO and are scheduled to be in service during the latter part of the decade. On July 19, 2012 and December 19, 2012, the FERC issued orders approving construction work in progress in rate base and abandoned plant cost recovery requested by NIPSCO for the 100-mile, 345 kV transmission project and its right to develop 50 percent of the 66-mile, 765 kV project. On December 19, 2012, the FERC issued an order authorizing NIPSCO's request to transition to forward looking rates, allowing more timely recovery of NIPSCO's investment in transmission assets. On August 22, 2012, the IURC issued an order authorizing NIPSCO to retain certain revenues under MISO Schedule 26-A. NIPSCO began recording revenue in the first quarter of 2013 using a forward looking rate. These projects involve an investment of approximately $450 million for NIPSCO and are anticipated to be in service by the end of 2018.

On November 12, 2013, several complainants filed in opposition at the FERC regarding the 12.38% base ROE used to set the MISO Transmission Owners' transmission rates and requested a reduction in the base ROE to 9.15% . The complaint requested that the FERC limit the capital structure of MISO Transmission Owners to no more than 50% common equity for ratemaking purposes and that the FERC eliminate incentive adders for membership in a RTO. On October 16, 2014, the FERC issued an Order that dismissed the portions of the complaint that challenged Transmission Owner capital structures and incentive adders; set the base ROE for hearing and suspended it to allow for settlement; set a refund effective date of November 12, 2013; and directed the parties to the new two-step discounted cash flow methodology established by the FERC. On December 22, 2015, the Administrative Law Judge issued an Initial Decision which authorized the MISO Transmission Owners to collect a base ROE of

10.32% for the period of November 12, 2013 through February 11, 2015. The Initial Decision is subject to approval by the full Commission and is not a final order. On January 5, 2015, the FERC approved a 50-basis point adder for the MISO Transmission Owners based on their continued participation in MISO. The FERC established an effective date for the adder of January 6, 2015 but suspended collection of the adder for billing purposes until the November 12, 2013 complaint is resolved. On February 12, 2015, a second group of complainants filed in opposition to the 12.38% base ROE, requesting a refund effective date of February 12, 2015 and recommended a base ROE of 8.67% . Hearings commenced on February 16, 2016 and the FERC anticipates that an initial decision will be issued on the second complaint by June 30, 2016. NIPSCO recorded a liability of $3.4 million related to the complaints and will continue to adjust the liability for ongoing activity.

On July 19, 2013, NIPSCO filed its electric TDSIC with the IURC. The filing included the seven-year plan of eligible investments for a total of approximately $1.1 billion with the majority of the spend occurring in years 2016 through 2020. On February 17, 2014, the IURC issued an order approving NIPSCO's seven-year plan of eligible investments. The order also granted NIPSCO ratemaking relief associated with the eligible investments through a rate adjustment mechanism. The NIPSCO Industrial Group and the OUCC filed Notices of Appeal with the Indiana Court of Appeals in response to the IURC's ruling. On November 25, 2014, NIPSCO's requested TDSIC factors were approved on an interim basis and subject to refund, pending the outcome of the appeals of the IURC's February 17, 2014 Orders. On April 8, 2015, the Court of Appeals issued an order concluding that the IURC erred in approving NIPSCO's seven-year plan given its lack of detail regarding the projects for years two through seven. The court then remanded the decision to the IURC. On May 26, 2015, NIPSCO filed a settlement on remand which, among other things, requires NIPSCO to file an electric base rate case proceeding by December 31, 2015 and a new seven-year electric TDSIC plan following the filing of its next general rate case proceeding. The settlement agreement was rejected by the IURC on September 23, 2015. The settling parties filed a Petition for Rehearing on September 29, 2015 and were granted a rehearing which was held on October 28, 2015. On December 16, 2015, the IURC issued an Order on Remand approving the settlement agreement and NIPSCO's seven-year electric plan as set forth in the remand proceeding, subject to certain modifications.

On December 31, 2015, NIPSCO filed a new electric seven-year plan of eligible investments for a total of approximately $1.3 billion covering spend in years 2016 through 2022. NIPSCO expects to make a TDSIC rate adjustment mechanism filing later in 2016 to seek recovery and ratemaking relief of such investments. NIPSCO expects a final order in the seven-year plan filing in the third quarter of 2016.

On October 1, 2015, NIPSCO filed an electric base rate case with the IURC, seeking a revenue increase of approximately $148.0 million . As part of this filing, NIPSCO is proposing to update base rates for previously incurred infrastructure improvements, revised depreciation rates, and the inclusion of previously approved environmental and federally mandated compliance costs. A final order is anticipated in the third quarter of 2016.

On November 12, 2014, the IURC issued an Order approving NIPSCO's 2015 proposed electric energy efficiency programs along with the continued authority to defer and recover the related 2015 program costs estimated to be $18.6 million and associated lost margins. On December 30, 2015, the IURC approved, with modifications, NIPSCO's electric energy efficiency programs and budgets through December 31, 2018, including authorization to use its energy efficiency recovery mechanism to recover program costs and lost margins, the latter capped at the lesser of four years or the life of the measure.

Cost Recovery and Trackers . A significant portion of NIPSCO's revenue is related to the recovery of fuel costs to generate power and the fuel costs related to purchased power. These costs are recovered through a FAC, a quarterly, regulatory proceeding in Indiana.

Certain operating costs of the Electric Operations are significant, recurring in nature, and generally outside the control of NIPSCO. The IURC allows for recovery of such costs via cost tracking mechanisms. Such tracking mechanisms allow for abbreviated regulatory proceedings in order for NIPSCO to implement charges and recover appropriate costs. Tracking mechanisms allow for more timely recovery of such costs as compared with more traditional cost recovery mechanisms. Examples of such mechanisms include electric energy efficiency programs, MISO non-fuel costs and revenues, resource capacity charges, and environmental related costs.

NIPSCO has approval from the IURC to recover certain environmental related costs through an ECT. Under the ECT, NIPSCO is permitted to recover (1) AFUDC and a return on the capital investment expended by NIPSCO to implement environmental compliance plan projects through an ECRM and (2) related operation and maintenance and depreciation expenses once the environmental facilities become operational through an EERM.

On October 21, 2015, the IURC issued an order on ECR-26 approving NIPSCO's request to begin earning a return on $776.5 million of net capital expenditures for the period ended June 30, 2015. The order also approved a revised capital cost estimate of $255.3 million for its Phase III multi-pollutant compliance plan projects related to the Michigan City Unit 12 FGD, a decrease from the previous IURC approved cost estimate of $264.8 million and a revised MATS capital cost estimate of $48.6 million , a decrease from the previous IURC approved cost estimate of $59.3 million . On January 29, 2016, NIPSCO filed ECR-27 which included $800.7 million of net capital expenditures for the period ended December 31, 2015. An order is expected in the second quarter of 2016.

As further discussed above, NIPSCO has approval from the IURC to recover certain costs for transmission and distribution system improvements through the electric TDSIC. On November 25, 2014, the IURC approved, on an interim basis and subject to refund pending the outcome of appeals, NIPSCO's requested TDSIC factors associated with the eligible investments, which included $19.4 million of net capital expenditures for the period ended June 30, 2014. As a result of the December 16, 2015 IURC Order on Remand described above, NIPSCO began refunding all monies that were collected through the electric TDSIC mechanism pursuant to the November 25, 2014 IURC order. NIPSCO was authorized to defer, as a regulatory asset, 100% of all TDSIC costs incurred since March 1, 2014 in connection with its 2014 and 2015 eligible TDSIC investments, as specified in the December 16, 2015 Order on Remand, until such deferral is recovered as part of a general rate case. As of December 31, 2015, there are no regulatory assets associated with deferred TDSIC incurred costs on the Consolidated Balance Sheet.

8. Variable Interest Entities

In general, a VIE is an entity (1) that has an insufficient amount of at-risk equity to permit the entity to finance its activities without additional financial subordinated support provided by any other parties, (2) whose at-risk equity owners, as a group, do not have power, through voting rights or similar rights, to direct activities of the entity that most significantly impact the entity's economic performance or (3) whose at-risk owners do not absorb the entity's losses or receive the entity's residual return. A VIE is required to be consolidated by a company if that company is determined to be the primary beneficiary of the VIE.

NiSource would consolidate those VIEs for which it was the primary beneficiary. NiSource considers quantitative and qualitative elements in determining the primary beneficiary. Qualitative measures include the ability to control an entity and the obligation to absorb losses or the right to receive benefits from such entity.

NiSource's analysis includes an assessment of guarantees, operating leases, purchase agreements, and other contracts, as well as its investments and joint ventures. For items that have been identified as variable interests, or where there is involvement with an identified VIE, an in-depth review of the relationship between the relevant entities and NiSource is made to evaluate qualitative and quantitative factors to determine the primary beneficiary, if any, and whether additional disclosures would be required under the current standard.

NIPSCO has a service agreement with Pure Air, a general partnership between Air Products and Chemicals, Inc. and First Air Partners LP, under which Pure Air provides scrubber services to reduce sulfur dioxide emissions for Units 7 and 8 at the Bailly Generating Station. Services under this contract commenced on July 1, 1992 and expired on June 30, 2012. The agreement was renewed effective July 1, 2012 for ten years and NIPSCO will continue to pay for the services under a combination of fixed and variable charges. NiSource has made an exhaustive effort to obtain information needed from Pure Air to determine the status of Pure Air as a VIE. However, NIPSCO has not been able to obtain this information and, as a result, it is unclear whether Pure Air is a VIE and if NIPSCO is the primary beneficiary. NIPSCO will continue to request the information required to determine whether Pure Air is a VIE. NIPSCO has no exposure to loss related to the service agreement with Pure Air and payments under this agreement were $ 19.5 million and $ 23.0 million for the years ended December 31, 2015 and 2014 , respectively. In accordance with GAAP, the renewed agreement was evaluated to determine whether the arrangement qualifies as a lease. Based on the terms of the agreement, the arrangement qualified for capital lease accounting. As the effective date of the new agreement was July 1, 2012, NiSource capitalized this lease beginning in the third quarter of 2012.

9. Income Taxes

The components of income tax expense were as follows:

Year Ended December 31, *(in millions)*	**2015**	2014	2013
Income Taxes			
Current			
Federal	**$ —**	$ —	$ (11.6)
State	**6.0**	5.4	1.8
Total Current	**6.0**	5.4	(9.8)
Deferred			
Federal	**124.1**	129.5	125.6
State	**13.6**	35.4	(3.4)
Total Deferred	**137.7**	164.9	122.2
Deferred Investment Credits	**(2.4)**	(3.5)	(3.8)
Income Taxes from Continuing Operations	**$ 141.3**	$ 166.8	$ 108.6

Total income taxes from continuing operations were different from the amount that would be computed by applying the statutory federal income tax rate to book income before income tax. The major reasons for this difference were as follows:

Year Ended December 31, *(in millions)*	**2015**		2014		2013	
Book income from Continuing Operations before income taxes	**$ 339.9**		$ 423.0		$ 329.6	
Tax expense at statutory federal income tax rate	**118.9**	**35.0 %**	148.1	35.0 %	115.4	35.0 %
Increases (reductions) in taxes resulting from:						
State income taxes, net of federal income tax benefit	**14.8**	**4.4**	15.7	3.7	2.3	0.7
Regulatory treatment of depreciation differences	**4.3**	**1.3**	0.7	0.2	(0.5)	(0.2)
Amortization of deferred investment tax credits	**(2.4)**	**(0.7)**	(3.5)	(0.8)	(3.8)	(1.2)
Nondeductible expenses	**2.1**	**0.6**	0.8	0.2	2.4	0.7
Employee stock ownership plan dividends	**(2.9)**	**(0.9)**	(3.8)	(0.9)	(3.6)	(1.0)
AFUDC equity	**(3.5)**	**(1.0)**	(3.5)	(0.8)	(3.4)	(1.0)
Charitable contribution carryover	**17.8**	**5.2**	—	—	—	—
Tax accrual adjustments and other, net	**(7.8)**	**(2.3)**	12.3	2.8	(0.2)	(0.1)
Income Taxes from Continuing Operations	**$ 141.3**	**41.6 %**	$ 166.8	39.4 %	$ 108.6	32.9 %

The effective income tax rates were 41.6% , 39.4% and 32.9% in 2015 , 2014 and 2013 , respectively. The 2.2% increase in the overall effective tax rate in 2015 versus 2014 was primarily the result of a $17.8 million increase in federal income tax expense associated with write downs of charitable contribution carryovers discussed below, offset by a $10.5 million decrease in income tax expense related to state apportionment changes and permanent items as a result of remeasurement after the Separation. The 6.5% increase in the overall effective tax rate in 2014 versus 2013 was primarily a result of a $13.5 million increase in tax expense related to state apportionment changes and permanent items, a $7.1 million increase due to Indiana state taxes discussed below, a $5.4 million increase in tax expense due to Pennsylvania regulatory changes discussed below, and $4.1 million of additional state income tax expense related to corporate restructuring.

On December 18, 2015, the President signed into law the Protecting Americans from Tax Hikes Act of 2015 (PATH). PATH, among other things, extends the research credit under U.S. Internal Revenue Code section 41 permanently and also extended and modified bonus depreciation through 2019. In general, 50% bonus depreciation is available for property placed in service before January 1, 2018, 40% bonus depreciation is available for property placed in service before January 1, 2019 and 30% bonus depreciation is available for property placed in service before January 1, 2020. NiSource recorded the effects of PATH in the fourth quarter of 2015.

As a result of PATH and 50% bonus depreciation being extended, NiSource recorded tax expense of $5.8 million in 2015 for the expiration of unused charitable contribution carryforwards which expired due to the 5 year carryover limitation. NiSource also recorded a valuation allowance for an additional $12.0 million of charitable contribution carryforwards that are set to expire in 2016-2019 in the event that NiSource does not have sufficient taxable income to utilize the carryforward amounts.

On March 25, 2014, the governor of Indiana signed into law Senate Bill 1, which among other things, lowers the corporate income tax rate from 6.5% to 4.9% over six years beginning on July 1, 2015. The reduction in the tax rate will impact deferred income taxes and tax-related regulatory assets and liabilities recoverable in the ratemaking process. In addition, deferred tax assets and liabilities, primarily deferred tax assets related to the Indiana net operating loss carry forward, will be reduced to reflect the lower rate at which these temporary differences and tax benefits will be realized. In the first quarter of 2014, NiSource recorded tax expense of $7.1 million to reflect the effect of this rate change. This expense is largely attributable to the remeasurement of the Indiana net operating loss at the 4.9% rate. The majority of NiSource's tax temporary differences are related to NIPSCO's utility plant.

As a result of a Pennsylvania PUC Order dated December 3, 2015, Columbia of Pennsylvania adjusted the flow through in rates of tax benefits so that the unamortized balance of a change in accounting method for certain capitalized costs of approximately $2.0 million at December 31, 2014 would be amortized through December 2016. The amortization of excess tax benefits was $9.5 million in 2013, $4.1 million in 2014 and $1.4 million in 2015. On a prospective basis, Columbia of Pennsylvania will recognize deferred tax expense, rather than flow through in rates, the tax benefits resulting from the method change.

On May 22, 2015, NiSource received an acceptance letter from the IRS for its 2011-2013 audit examination. NiSource had recorded a receivable at the end of 2014 in the amount of $6.0 million related to those tax years and in the second quarter of 2015, NiSource recognized additional net operating loss carryforwards from the IRS related to the audit examination. The recognition of the receivables and net operating loss carryforwards did not materially affect tax expense or net income.

Deferred income taxes result from temporary differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The principal components of NiSource's net deferred tax liability were as follows:

At December 31, (in millions)	**2015**	2014
Deferred tax liabilities		
Accelerated depreciation and other property differences	**$ 3,510.8**	$ 2,964.6
Unrecovered gas and fuel costs	**11.2**	11.4
Other regulatory assets	**403.3**	610.6
Premiums and discounts associated with long-term debt	**9.9**	12.5
Total Deferred Tax Liabilities	**3,935.2**	3,599.1
Deferred tax assets		
Other regulatory liabilities	**(74.4)**	(79.3)
Cost of removal	**(519.4)**	(527.7)
Pension and other postretirement/postemployment benefits	**(243.8)**	(191.9)
Environmental liabilities	**(45.9)**	(52.1)
Net operating loss carryforward and Alternative Minimum Tax credit carryforward	**(437.4)**	(372.7)
Other accrued liabilities	**(89.0)**	(58.9)
Other, net	**(160.0)**	(150.7)
Total Deferred Tax Assets	**(1,569.9)**	(1,433.3)
Net Deferred Tax Liabilities	**$ 2,365.3**	$ 2,165.8

NiSource adopted ASU 2015-17 as of December 31, 2015 and applied the provisions of the standard retrospectively. As a result, NiSource's balance sheet as of December 31, 2014 was adjusted to reclassify $272.1 million of deferred income taxes from current assets to noncurrent liabilities. Refer to Note 2, "Recent Accounting Pronouncements," for further information.

State income tax net operating loss benefits are recorded at their realizable value. NiSource anticipates it is more likely than not that it will realize $34.7 million and $31.7 million of these tax benefits as of December 31, 2015 and 2014 , respectively, prior to their expiration. These tax benefits are primarily related to Indiana and Pennsylvania. The carryforward periods for these tax benefits expire in various tax years from 2025 to 2035 . The remaining net operating loss carryforward tax benefit represents a Federal carryforward of $395.4 million that will expire in 2030 and an Alternative Minimum Tax credit of $7.3 million that will carry forward indefinitely. In addition, for tax purposes, the $395.4 million discussed above is increased by $29.0 million for the effect of excess equity compensation deductions that will be realized upon the full utilization of the loss carryforward.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

Reconciliation of Unrecognized Tax Benefits *(in millions)*		**2015**		2014		2013
Unrecognized Tax Benefits - Opening Balance	**$**	**24.4**	$	23.7	$	28.4
Gross increases - tax positions in prior period		**0.4**		—		1.6
Gross decreases - tax positions in prior period		**(23.9)**		(1.0)		(21.4)
Gross increases - current period tax positions		**—**		1.7		15.1
Unrecognized Tax Benefits - Ending Balance	**$**	**0.9**	$	24.4	$	23.7
Offset for net operating loss carryforwards		**(0.9)**		(24.2)		(23.0)
Balance - Net of Net Operating Loss Carryforwards	**$**	**—**	$	0.2	$	0.7

The IRS issued Revenue Procedure 2013-24 on April 30, 2013, which provided guidance for repairs related to generation property. Among other things, the Revenue Procedure listed units of property and material components of units of property for purposes of analyzing repair versus capitalization issues. NiSource adopted this Revenue Procedure for income tax filings for 2014. NiSource evaluated and recorded the effect of this change in method enabled by this Revenue Procedure as of December 31, 2013. As a result of the findings received in 2015 for the 2011-2014 audit, NiSource reversed its previously recorded unrecognized tax benefits related to the requested change in tax accounting method. The reversal of the unrecognized tax benefits did not materially affect tax expense or net income.

Offsetting the liability for unrecognized tax benefits are $0.9 million of related outstanding tax receivables and net operating loss carryforwards resulting in a net balance of zero , including interest, related to the tax method change issues.

Except as discussed above, there have been no other material changes in 2015 to NiSource's uncertain tax positions recorded as of December 31, 2014 .

The total amount of unrecognized tax benefits at December 31, 2015 , 2014 and 2013 that, if recognized, would affect the effective tax rate is $0.9 million , $4.1 million and $4.0 million , respectively. As of December 31, 2015, it is reasonably possible that a $0.9 million decrease in unrecorded tax benefits could occur in 2016 due primarily to the conclusion of the federal audit for tax year 2014.

NiSource recognizes accrued interest on unrecognized tax benefits, accrued interest on other income tax liabilities and tax penalties in income tax expense. Interest expense recorded on unrecognized tax benefits and other income tax liabilities was immaterial for all periods presented. There were no accruals for penalties recorded in the Statements of Consolidated Income for the years ended December 31, 2015, 2014 and 2013 and there were no balances for accrued penalties recorded on the Consolidated Balance Sheets as of December 31, 2015 and December 31, 2014.

NiSource is subject to income taxation in the United States and various state jurisdictions, primarily Indiana, West Virginia, Pennsylvania, Kentucky, Massachusetts, Maryland and New York.

Because NiSource is part of the IRS's Large and Mid-Size Business program, each year's federal income tax return is typically audited by the IRS. As of December 31, 2015, tax years through 2013 have been audited and are effectively closed to further assessment. The audit of tax year 2014 under the CAP is expected to be completed in 2016. NiSource is also under the CAP for the audit of tax year 2015 and has been accepted into the program for the audit of tax year 2016.

The statute of limitations in each of the state jurisdictions in which NiSource operates remain open until the years are settled for federal income tax purposes, at which time amended state income tax returns reflecting all federal income tax adjustments are filed. As of December 31, 2015 , there were no state income tax audits in progress that would have a material impact on the consolidated financial statements.

10. Pension and Other Postretirement Benefits

NiSource provides defined contribution plans and noncontributory defined benefit retirement plans that cover certain of its employees. Benefits under the defined benefit retirement plans reflect the employees' compensation, years of service and age at retirement. Additionally, NiSource provides health care and life insurance benefits for certain retired employees. The majority of employees may become eligible for these benefits if they reach retirement age while working for NiSource. The expected cost of such benefits is accrued during the employees' years of service. Current rates of rate-regulated companies include postretirement benefit costs, including amortization of the regulatory assets that arose prior to inclusion of these costs in rates. For most plans, cash contributions are remitted to grantor trusts.

In connection with the Separation, NiSource entered into an Employees Matters Agreement with CPG, which provides that employees of CPG no longer participate in benefit plans sponsored by NiSource as of the Separation date. Upon the completion of the Separation, the NiSource pension and other postretirement benefit plans transferred assets and obligations to the CPG plans resulting in a net decrease in the pension plans underfunded status of $48.0 million and a net increase in the other postretirement benefit plans underfunded status of $115.9 million . The 2014 amounts included in the discussion below include balances related to CPG. Refer to Note 3, "Discontinued Operations," for additional information.

NiSource Pension and Other Postretirement Benefit Plans' Asset Management . NiSource employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and asset class volatility. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, small and large capitalizations. Other assets such as private equity funds are used judiciously to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying assets. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies.

NiSource utilizes a building block approach with proper consideration of diversification and rebalancing in determining the long-term rate of return for plan assets. Historical markets are studied and long-term historical relationships between equities and fixed income are analyzed to ensure that they are consistent with the widely accepted capital market principle that assets with higher volatility generate greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. Peer data and historical returns are reviewed to check for reasonability and appropriateness.

The most important component of an investment strategy is the portfolio asset mix, or the allocation between the various classes of securities available to the pension and other postretirement benefit plans for investment purposes. The asset mix and acceptable minimum and maximum ranges established for the NiSource plan assets represents a long-term view and are listed in the table below.

In 2012, a dynamic asset allocation policy for the pension fund was approved. This policy calls for a gradual reduction in the allocation to return-seeking assets (equities, real estate, private equity and hedge funds) and a corresponding increase in the allocation to liability-hedging assets (fixed income) as the funded status of the plans increase above 90% (as measured by the market value of qualified pension plan assets divided by the projected benefit obligations of the qualified pension plans). The asset mix and acceptable minimum and maximum ranges established by the policy for the pension and other postretirement benefit plans are as follows:

Asset Mix Policy of Funds:

	Defined Benefit Pension Plan		Postretirement Benefit Plan	
Asset Category	**Minimum**	**Maximum**	**Minimum**	**Maximum**
Domestic Equities	25%	45%	35%	55%
International Equities	15%	25%	15%	25%
Fixed Income	23%	37%	20%	50%
Real Estate/Private Equity/Hedge Funds	0%	15%	0%	0%
Short-Term Investments	0%	10%	0%	10%

Pension Plan and Postretirement Plan Asset Mix at December 31, 2015 and December 31, 2014 :

(in millions)	Defined Benefit Pension Assets	December 31, 2015	Postretirement Benefit Plan Assets	December 31, 2015
Asset Class	**Asset Value**	**% of Total Assets**	**Asset Value**	**% of Total Assets**
Domestic Equities	$ 686.3	39.3%	$ 105.0	46.5%
International Equities	323.2	18.5%	39.6	17.5%
Fixed Income	619.3	35.5%	79.1	35.0%
Real Estate/Private Equity/Hedge Funds	96.7	5.5%	—	—
Cash/Other	21.6	1.2%	2.2	1.0%
Total	$ **1,747.1**	100.0%	$ **225.9**	100.0%

(in millions)	Defined Benefit Pension Assets	December 31, 2014	Postretirement Benefit Plan Assets	December 31, 2014
Asset Class	**Asset Value**	**% of Total Assets**	**Asset Value**	**% of Total Assets**
Domestic Equities	$ 957.2	41.1%	$ 219.6	47.2%
International Equities	420.5	18.1%	85.6	18.4%
Fixed Income	802.4	34.4%	158.6	34.1%
Real Estate/Private Equity/Hedge Funds	117.6	5.0%	—	—
Cash/Other	32.6	1.4%	1.2	0.3%
Total	$ **2,330.3**	100.0%	$ **465.0**	100.0%

The categorization of investments into the asset classes in the table above are based on definitions established by the NiSource Benefits Committee.

Fair Value Measurements. The following table sets forth, by level within the fair value hierarchy, the Master Trust and other postretirement benefits investment assets at fair value as of December 31, 2015 and 2014 . Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Total Master Trust and other postretirement benefits investment assets at fair value classified within Level 3 were $95.3 million and $117.0 million as of December 31, 2015 and December 31, 2014 , respectively. Such amounts were approximately 5% and 4% of the Master Trust and other postretirement benefits' total investments as reported on the statement of net assets available for benefits at fair value as of December 31, 2015 and 2014 , respectively.

Valuation Techniques Used to Determine Fair Value:

Level 1 Measurements

Most common and preferred stocks are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of each period presented. Cash is stated at cost which approximates their fair value, with the exception of cash held in foreign currencies which fluctuates with changes in the exchange rates. Short-term bills and notes are priced based on quoted market values.

Level 2 Measurements

Most U.S. Government Agency obligations, mortgage/asset-backed securities, and corporate fixed income securities are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. To the extent that quoted prices are not available, fair value is determined based on a valuation model that includes inputs such as interest rate yield curves and credit spreads. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Other fixed income includes futures and options which are priced on bid valuation or settlement pricing.

Commingled funds that hold underlying investments that have prices which are derived from the quoted prices in active markets are classified as Level 2. The funds' underlying assets are principally marketable equity and fixed income securities. Units held in commingled funds are valued at the unit value as reported by the investment managers. The fair value of the investments in commingled funds has been estimated using the net asset value per share of the investments.

Level 3 Measurements

Commingled funds that hold underlying investments that have prices which are not derived from the quoted prices in active markets are classified as Level 3. The respective fair values of these investments are determined by reference to the funds' underlying assets, which are principally marketable equity and fixed income securities. Units held in commingled funds are valued at the unit value as reported by the investment managers. These investments are often valued by investment managers on a periodic basis using pricing models that use market, income, and cost valuation methods.

Private equity investment strategies include buy-out, venture capital, growth equity, distressed debt, and mezzanine debt. Private equity investments are held through limited partnerships.

Limited partnerships are valued at estimated fair market value based on their proportionate share of the partnership's fair value as recorded in the partnerships' audited financial statements. Partnership interests represent ownership interests in private equity funds and real estate funds. Real estate partnerships invest in natural resources, commercial real estate and distressed real estate. The fair value of these investments is determined by reference to the funds' underlying assets, which are principally securities, private businesses, and real estate properties. The value of interests held in limited partnerships, other than securities, is determined by the general partner, based upon third-party appraisals of the underlying assets, which include inputs such as cost, operating results, discounted cash flows and market based comparable data. Private equity and real estate limited partnerships typically call capital over a three to five year period and pay out distributions as the underlying investments are liquidated. The typical expected life of these limited partnerships is 10-15 years and these investments typically cannot be redeemed prior to liquidation.

For the year ended December 31, 2015 , there were no significant changes to valuation techniques to determine the fair value of NiSource's pension and other postretirement benefits' assets.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Fair Value Measurements at December 31, 2015 :

(in millions)	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension plan assets:				
Cash	$ 7.0	$ 7.0	$ —	$ —
Equity securities				
International equities	45.3	45.3	—	—
Fixed income securities				
Government	64.6	—	64.6	—
Corporate	95.8	—	95.8	—
Other fixed income	0.1	—	—	0.1
Mutual Funds				
U.S. multi-strategy	257.1	257.1	—	—
International equities	64.9	64.9	—	—
Fixed income	150.5	150.5	—	—
Private equity limited partnerships				
U.S. multi-strategy [(1)]	46.4	—	—	46.4
International multi-strategy [(2)]	29.3	—	—	29.3
Distressed opportunities	5.9	—	—	5.9
Real estate	13.6	—	—	13.6
Commingled funds				
Short-term money markets [(3)]	22.9			
U.S. equities [(3)]	429.2			
International equities [(3)]	210.1			
Fixed income [(3)]	302.5			
Pension plan assets subtotal	1,745.2	524.8	160.4	95.3
Other postretirement benefit plan assets:				
Mutual funds				
U.S. equities	89.8	89.8	—	—
International equities	41.4	41.4	—	—
Fixed income	78.0	78.0	—	—
Commingled funds				
Short-term money markets [(3)]	2.4			
U.S. equities [(3)]	14.3			
Other postretirement benefit plan assets subtotal	225.9	209.2	—	—
Due to brokers, net [(4)]	(0.2)			
Receivables/payables	2.1			
Total pension and other post-retirement benefit plan assets	$ 1,973.0	$ 734.0	$ 160.4	$ 95.3

[(1)] This class includes limited partnerships/fund of funds that invest in a diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily inside the United States.
[(2)] This class includes limited partnerships/fund of funds that invest in diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily outside the United States.
[(3)] This class of investments is measured at fair value using the net asset value per share and has not been classified in the fair value hierarchy.
[(4)] This class represents pending trades with brokers.

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2015 :

	Balance at January 1, 2015	Total gains or losses (unrealized / realized)	Purchases	(Sales)	Transfers into/(out of) level 3	Balance at December 31, 2015
Fixed income securities						
Other fixed income	$ 0.6	$ —	$ —	$ (0.5)	$ —	$ 0.1
Private equity limited partnerships						
U.S. multi-strategy	56.2	(3.5)	1.1	(7.4)	—	46.4
International multi-strategy	35.3	(2.3)	0.1	(3.8)	—	29.3
Distressed opportunities	7.6	(0.5)	—	(1.2)	—	5.9
Real estate	17.3	(0.5)	0.1	(3.3)	—	13.6
Total	$ 117.0	$ (6.8)	$ 1.3	$ (16.2)	$ —	$ 95.3

The table below sets forth a summary of unfunded commitments, redemption frequency and redemption notice periods for certain investments that are measured at fair value using the net asset value per share for the year ended December 31, 2015 :

(in millions)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled Funds				
Short-term money markets	$ 25.3	$ —	Daily	1 day
U.S. equities	443.5	—	Monthly	3 days
International equities	210.1	—	Monthly	14-30 days
Fixed income	302.5	—	Monthly	3 days
Total	$ 981.4	$ —		

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Fair Value Measurements at December 31, 2014 :

(in millions)	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension plan assets:				
Cash	$ 17.1	$ 17.1	$ —	$ —
Equity securities				
U.S. equities	0.4	0.4	—	—
International equities	134.5	133.9	0.6	—
Fixed income securities				
Government	118.4	104.6	13.8	—
Corporate	257.0	—	257.0	—
Mortgages/Asset backed securities	2.7	—	2.7	—
Other fixed income	0.6	—	—	0.6
Private equity limited partnerships				
U.S. multi-strategy [1]	56.2	—	—	56.2
International multi-strategy [2]	35.3	—	—	35.3
Distressed opportunities	7.6	—	—	7.6
Real Estate	17.3	—	—	17.3
Commingled funds				
Short-term money markets [3]	32.6			
U.S. equities [3]	957.2			
International equities [3]	279.9			
Fixed income [3]	409.0			
Pension plan assets subtotal	2,325.8	256.0	274.1	117.0
Other postretirement benefit plan assets:				
Mutual funds				
U.S. equities	189.8	189.8	—	—
International equities	85.6	85.6	—	—
Fixed income	158.2	158.2	—	—
Commingled funds				
Short-term money markets [3]	1.6			
U.S. equities [3]	29.8			
Other postretirement benefit plan assets subtotal	465.0	433.6	—	—
Due to brokers, net [4]	(0.6)			
Accrued investment income/dividends	4.6			
Receivables/payables	0.5			
Total pension and other post-retirement benefit plan assets	$ 2,795.3	$ 689.6	$ 274.1	$ 117.0

[1] This class includes limited partnerships/fund of funds that invest in a diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily in the United States.
[2] This class includes limited partnerships/fund of funds that invest in a diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily outside the United States.
[3] This class of investments is measured at fair value using the net asset value per share and has not been classified in the fair value hierarchy.
[4] This class represents pending trades with brokers.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2014 :

	Balance at January 1, 2014	Total gains or losses (unrealized / realized)	Purchases	(Sales)	Transfers into/(out of) level 3	Balance at December 31, 2014
Fixed income securities						
Mortgages/Asset backed securities	$ 0.1	$ —	$ —	$ (0.1)	$ —	$ —
Other fixed income	—	0.3	0.3	—	—	0.6
Private equity limited partnerships						
U.S. multi-strategy	57.9	2.7	2.5	(6.9)	—	56.2
International multi-strategy	38.2	(0.4)	0.5	(3.0)	—	35.3
Distress opportunities	8.9	0.5	0.1	(1.9)	—	7.6
Real estate	19.6	2.3	0.1	(4.7)	—	17.3
Total	$ 124.7	$ 5.4	$ 3.5	$ (16.6)	$ —	$ 117.0

The table below sets forth a summary of unfunded commitments, redemption frequency and redemption notice periods for certain investments that are measured at fair value using the net asset value per share for the year ended December 31, 2014 :

(in millions)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled Funds				
Short-term money markets	$ 34.2	$ —	Daily	1 day
U.S. equities	987.0	—	Monthly	3 days
International equities	279.9	—	Monthly	14-30 days
Fixed income	409.0	—	Monthly	3 days
Total	$ 1,710.1	$ —		

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NiSource Pension and Other Postretirement Benefit Plans' Funded Status and Related Disclosure . The following table provides a reconciliation of the plans' funded status and amounts reflected in NiSource's Consolidated Balance Sheets at December 31 based on a December 31 measurement date:

	Pension Benefits		Other Postretirement Benefits	
(in millions)	**2015**	2014	**2015**	2014
Change in projected benefit obligation [1]				
Benefit obligation at beginning of year	**$ 2,751.4**	$ 2,528.2	**$ 716.0**	$ 714.2
Service cost	**34.8**	34.8	**6.4**	8.5
Interest cost	**95.9**	109.0	**24.9**	30.1
Plan participants' contributions	**—**	—	**7.3**	9.1
Plan amendments	**—**	0.6	**0.1**	(41.5)
Actuarial loss (gain)	**(91.7)**	272.1	**(71.5)**	47.6
Settlement loss	**0.5**	—	**—**	—
Benefits paid	**(171.8)**	(193.3)	**(43.7)**	(53.7)
Estimated benefits paid by incurred subsidy	**—**	—	**0.8**	1.7
Separation of CPG (Note 3)	**(412.4)**	—	**(114.5)**	—
Projected benefit obligation at end of year	**$ 2,206.7**	$ 2,751.4	**$ 525.8**	$ 716.0
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 2,330.3**	$ 2,267.3	**$ 465.0**	$ 454.2
Actual return on plan assets	**(49.7)**	200.4	**1.9**	20.3
Employer contributions	**2.7**	55.9	**25.8**	35.1
Plan participants' contributions	**—**	—	**7.3**	9.1
Benefits paid	**(171.8)**	(193.3)	**(43.7)**	(53.7)
Separation of CPG (Note 3)	**(364.4)**	—	**(230.4)**	—
Fair value of plan assets at end of year	**$ 1,747.1**	$ 2,330.3	**$ 225.9**	$ 465.0
Funded Status at end of year	**$ (459.6)**	$ (421.1)	**$ (299.9)**	$ (251.0)
Amounts recognized in the statement of financial position consist of:				
Current liabilities	**(3.0)**	(3.5)	**(0.6)**	(0.6)
Noncurrent liabilities	**(456.6)**	(417.6)	**(299.3)**	(250.4)
Net amount recognized at end of year [2]	**$ (459.6)**	$ (421.1)	**$ (299.9)**	$ (251.0)
Amounts recognized in accumulated other comprehensive income or regulatory asset/liability [3]				
Unrecognized prior service credit	**$ 0.7**	$ (3.5)	**$ (41.6)**	$ (49.2)
Unrecognized actuarial loss	**925.6**	1,009.8	**66.1**	95.5
	$ 926.3	$ 1,006.3	**$ 24.5**	$ 46.3

[1] The change in benefit obligation for Pension Benefits represents the change in Projected Benefit Obligation while the change in benefit obligation for Other Postretirement Benefits represents the change in Accumulated Postretirement Benefit Obligation.
[2] NiSource recognizes in its Consolidated Balance Sheets the underfunded and overfunded status of its various defined benefit postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation.
[3] NiSource determined that for certain rate-regulated subsidiaries the future recovery of pension and other postretirement benefits costs is probable. These rate-regulated subsidiaries recorded regulatory assets and liabilities of $928.7 million and $8.1 million , respectively, as of December 31, 2015 , and $910.3 million and $10.1 million , respectively, as of December 31, 2014 that would otherwise have been recorded to accumulated other comprehensive loss.

NiSource's accumulated benefit obligation for its pension plans was $2,190.5 million and $2,732.3 million as of December 31, 2015 and 2014 , respectively. The accumulated benefit obligation as of a date is the actuarial present value of benefits attributed by the pension benefit formula to employee service rendered prior to that date and based on current and past compensation levels. The accumulated benefit obligation differs from the projected benefit obligation disclosed in the table above in that it includes no assumptions about future compensation levels.

NiSource pension plans were underfunded by $459.6 million at December 31, 2015 compared to being underfunded at December 31, 2014 by $421.1 million . The decline in the funded status was due primarily to unfavorable asset returns offset by the adoption of new mortality improvement assumptions released by the Society of Actuaries in 2015 and the separation of CPG's net liability position in the plans. NiSource contributed $2.7 million and $55.9 million to its pension plans in 2015 and 2014 , respectively.

NiSource's funded status for its other postretirement benefit plans decreased by $48.9 million to an underfunded status of $299.9 million primarily due to unfavorable asset returns and the separation of CPG's net asset position in the plans offset by the adoption of new mortality improvement assumptions released by the Society of Actuaries in 2015. NiSource contributed approximately $25.8 million and $35.1 million to its other postretirement benefit plans in 2015 and 2014 , respectively. No amounts of NiSource's pension or other postretirement benefit plans' assets are expected to be returned to NiSource or any of its subsidiaries in 2016.

The following table provides the key assumptions that were used to calculate the pension and other postretirement benefits obligations for NiSource's various plans as of December 31:

	Pension Benefits		**Other Postretirement Benefits**	
	2015	2014	**2015**	2014
Weighted-average assumptions to Determine Benefit Obligation				
Discount Rate	**4.24%**	3.81%	**4.33%**	3.94%
Rate of Compensation Increases	**4.00%**	4.00%	**—**	—
Health Care Trend Rates				
Trend for Next Year	**—**	—	**8.41%**	6.90%
Ultimate Trend	**—**	—	**4.50%**	4.50%
Year Ultimate Trend Reached	**—**	—	**2022**	2021

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(in millions)	1% point increase	1% point decrease
Effect on service and interest components of net periodic cost	$ 1.7	$ (1.5)
Effect on accumulated postretirement benefit obligation	32.4	(28.0)

NiSource expects to make contributions of approximately $3.0 million to its pension plans and approximately $22.2 million to its postretirement medical and life plans in 2016 .

The following table provides benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter. The expected benefits are estimated based on the same assumptions used to measure NiSource's benefit obligation at the end of the year and includes benefits attributable to the estimated future service of employees:

(in millions)	**Pension Benefits**	**Other Postretirement Benefits**	**Federal Subsidy Receipts**
Year(s)			
2016	$ 174.1	$ 34.7	$ 0.9
2017	175.8	35.4	0.9
2018	177.1	36.0	0.9
2019	176.1	36.7	0.9
2020	174.5	37.0	0.9
2021-2025	837.8	181.5	3.6

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

The following table provides the components of the plans' net periodic benefits cost for each of the three years ended December 31, 2015 , 2014 and 2013 :

	Pension Benefits			Other Postretirement Benefits		
(in millions)	**2015**	2014	2013	**2015**	2014	2013
Components of Net Periodic Benefit Cost (Income)						
Service cost	**$ 34.8**	$ 34.8	$ 36.4	**$ 6.4**	$ 8.5	$ 12.1
Interest cost	**95.9**	109.0	98.9	**24.9**	30.1	32.2
Expected return on assets	**(167.2)**	(181.1)	(168.1)	**(28.2)**	(36.8)	(30.3)
Amortization of transitional obligation	**—**	—	—	**—**	—	0.5
Amortization of prior service cost (credit)	**0.1**	0.2	0.3	**(5.2)**	(4.3)	(0.7)
Recognized actuarial loss	**59.3**	47.5	77.8	**3.4**	0.4	11.0
Net Periodic Benefit Costs (Income)	**22.9**	10.4	45.3	**1.3**	(2.1)	24.8
Additional loss recognized due to:						
Settlement loss	**2.5**	—	33.4	**—**	—	—
Total Net Periodic Benefits Cost (Income)	**$ 25.4**	$ 10.4	$ 78.7	**$ 1.3**	$ (2.1)	$ 24.8

The following table provides the key assumptions that were used to calculate the net periodic benefits cost for NiSource's various plans:

	Pension Benefits			Other Postretirement Benefits		
	2015	2014	2013	**2015**	2014	2013
Weighted-average Assumptions to Determine Net Periodic Benefit Cost						
Discount Rate	**3.81%**	4.50%	3.63%	**3.94%**	4.75%	3.95%
Expected Long-Term Rate of Return on Plan Assets	**8.30%**	8.30%	8.30%	**8.15%**	8.14%	8.14%
Rate of Compensation Increases	**4.00%**	4.00%	4.00%	**—**	—	—

NiSource believes it is appropriate to assume an 8.30% and 8.15% rate of return on pension and other postretirement plan assets, respectively, for its calculation of 2015 pension benefits cost. This is primarily based on asset mix and historical rates of return.

The following table provides other changes in plan assets and projected benefit obligations recognized in other comprehensive income or regulatory asset or liability:

	Pension Benefits		Other Postretirement Benefits	
(in millions)	**2015**	2014	**2015**	2014
Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Other Comprehensive Income or Regulatory Asset or Liability				
Net prior service cost (credit)	$ **—**	$ 0.6	$ **0.1**	$ (41.5)
Net actuarial loss (gain)	**125.7**	252.8	**(45.2)**	64.0
Settlements	**(2.5)**	—	**—**	—
Less: amortization of prior service cost (credit)	**(0.1)**	(0.2)	**5.2**	4.3
Less: amortization of net actuarial loss (gain)	**(59.3)**	(47.5)	**(3.4)**	(0.4)
Less: Separation of CPG (Note 3)	**(143.8)**	—	**21.5**	—
Total Recognized in Other Comprehensive Income or Regulatory Asset or Liability	$ **(80.0)**	$ 205.7	$ **(21.8)**	$ 26.4
Amount Recognized in Net Periodic Benefits Cost and Other Comprehensive Income or Regulatory Asset or Liability	$ **(54.6)**	$ 216.1	$ **(20.5)**	$ 24.3

Based on a December 31 measurement date, the net unrecognized actuarial loss, unrecognized prior service cost (credit), and unrecognized transition obligation that will be amortized into net periodic benefit cost during 2016 for the pension plans are $61.2 million , $(0.2) million and zero , respectively, and for other postretirement benefit plans are $3.1 million , $(4.9) million and zero , respectively.

11. Authorized Classes of Cumulative Preferred and Preference Stocks

NiSource has 20,000,000 authorized shares of Preferred Stock with a $0.01 par value, of which 4,000,000 shares are designated Series A Junior Participating Preferred Shares.

The authorized classes of par value and no par value cumulative preferred and preference stocks of NIPSCO are as follows: 2,400,000 shares of Cumulative Preferred with a $100 par value; 3,000,000 shares of Cumulative Preferred with no par value; 2,000,000 shares of Cumulative Preference with a $50 par value; and 3,000,000 shares of Cumulative Preference with no par value.

As of December 31, 2015 , NiSource and NIPSCO had no preferred shares outstanding.

12. Common Stock

As of December 31, 2015 , NiSource had 400,000,000 authorized shares of common stock with a $0.01 par value.

Common Stock Dividend. Holders of shares of NiSource's common stock are entitled to receive dividends when, as and if declared by the Board out of funds legally available. The policy of the Board has been to declare cash dividends on a quarterly basis payable on or about the 20th day of February, May, August and November. NiSource has paid quarterly common dividends totaling $0.830 , $1.02 and $0.98 per share for the years ended December 31, 2015 , 2014 and 2013 , respectively. At its January 27, 2016 meeting, the Board declared a quarterly common dividend of $0.155 per share, payable on February 19, 2016 to holders of record on February 8, 2016 . NiSource has certain debt covenants which could potentially limit the amount of dividends the Company could pay in order to maintain compliance with these covenants. Refer to Note 14, "Long-Term Debt," for more information. As of December 31, 2015 , these covenants did not restrict the amount of dividends that were available to be paid.

Dividend Reinvestment and Stock Purchase Plan. NiSource offers a Dividend Reinvestment and Stock Purchase Plan which allows participants to reinvest dividends and make voluntary cash payments to purchase additional shares of common stock on the open market.

13. Share-Based Compensation

The NiSource stockholders originally approved and adopted the NiSource Inc. 2010 Omnibus Incentive Plan ("Omnibus Plan") at the Annual Meeting of Stockholders held on May 11, 2010. Stockholders re-approved the Omnibus Plan as amended at the Annual Meeting of Stockholders held on May 12, 2015. The Omnibus Plan provides for awards to employees and non-employee directors of incentive and nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards and supersedes the long-term incentive plan approved by stockholders on April 13, 1994 ("1994 Plan") and the Director Stock Incentive Plan ("Director Plan"). The Omnibus Plan provides that the number of shares of common stock of NiSource available for awards is 8,000,000 plus the number of shares subject to outstanding awards that expire or terminate for any reason that were granted under either the 1994 Plan or the Director Plan, plus the number of shares that were awarded as a result of the Separation-related adjustments described below. At December 31, 2015 , there were 5,704,139 shares reserved for future awards under the Omnibus Plan.

NiSource recognized stock-based employee compensation expense of $18.8 million , $29.8 million and $19.6 million , during 2015 , 2014 and 2013 , respectively, as well as related tax benefits of $7.2 million , $11.8 million and $7.8 million , respectively.

As of December 31, 2015 , the total remaining unrecognized compensation cost related to nonvested awards amounted to $14.9 million , which will be amortized over the weighted-average remaining requisite service period of 1.7 years.

Separation-related Adjustments . In connection with the Separation, NiSource and CPG entered into an Employee Matters Agreement, effective July 1, 2015. Under the terms of the Employee Matters Agreement, and pursuant to the terms of the Omnibus Plan, the Compensation Committee of the Board of NiSource approved an adjustment to outstanding awards granted under the Omnibus Plan in order to preserve the intrinsic aggregate value of such awards before the Separation (the "Valuation Adjustment"). The Separation-related adjustments did not have a material impact on either compensation expense or the potentially dilutive securities to be considered in the calculation of diluted earnings per share of common stock. Former NiSource employees transferred to CPG as a result of the Separation surrendered their outstanding unvested NiSource awards effective July 1, 2015.

Restricted Stock Units and Restricted Stock . In 2015 , NiSource granted restricted stock units and shares of restricted stock of 660,230 , subject to service conditions. The total grant date fair value of the shares of restricted stock units and shares of restricted stock was $23.9 million , based on the average market price of NiSource's common stock at the date of each grant less the present value of any dividends not received during the vesting period, which will be expensed, net of forfeitures, over the vesting period which is generally three years. Including the effect of the Valuation Adjustment, 808,928 of the unvested restricted stock units and shares of restricted stock granted in 2015 remained outstanding as of December 31, 2015 .

In 2014 , NiSource granted restricted stock units and shares of restricted stock of 158,633 , subject to service conditions. The total grant date fair value of the restricted stock units and shares of restricted stock was $5.2 million , based on the average market price of NiSource's common stock at the date of each grant less the present value of any dividends not received during the vesting period, which will be expensed, net of forfeitures, over the vesting period which is generally three years. Including the effect of the Valuation Adjustment, 46,810 of the unvested restricted stock units and shares of restricted stock granted in 2014 remained outstanding as of December 31, 2015 .

In 2013 , NiSource granted restricted stock units and shares of restricted stock of 69,651 , subject to service conditions. The total grant date fair value of the restricted stock units and shares of restricted stock was $1.8 million , based on the average market price of NiSource's common stock at the date of each grant less the present value of any dividends not received during the vesting period, which will be expensed, net of forfeitures, over the vesting period which is generally three years. Including the effect of the Valuation Adjustment, 83,415 of the unvested restricted stock units and shares of restricted stock granted in 2013 remained outstanding as of December 31, 2015 .

If an employee terminates employment before the service conditions lapse under the 2013, 2014 and 2015 awards due to (1) Retirement or Disability (as defined in the award agreement), or (2) death, the service conditions will lapse on the date of such termination with respect to a pro rata portion of the restricted stock units and shares of restricted stock based upon the percentage of the service period satisfied between the grant date and the date of the termination of employment. In the event of a Change-in-

Control (as defined in the award agreement), all unvested shares of restricted stock and restricted stock units awarded prior to 2014 will immediately vest and all unvested shares of restricted stock and restricted stock units awarded in 2014 and 2015 will immediately vest upon termination of employment occurring in connection with a Change-in-Control. Termination due to any other reason will result in all unvested shares of restricted stock and restricted stock units awarded being forfeited effective on the employee's date of termination.

As a result of the Separation, restricted stock units were substituted for outstanding performance shares awarded in 2013 and 2014 (discussed below), as adjusted based on a modified performance period and modified performance goals, and were subject to the same service based vesting conditions as the performance share awards they replaced. These converted restricted stock unit awards were also subject to the Valuation Adjustment. As of December 31, 2015, 2,190,129 of these restricted stock units remained outstanding.

Under these new restricted stock unit agreements, if the employee terminates employment before the service conditions lapse under the 2013 and 2014 awards due to (1) Retirement or Disability (as defined in the award agreement), or (2) death, the employment conditions will lapse with respect to a pro rata portion of the new restricted stock units based upon the percentage of the service period satisfied between the grant date and the date of the termination of employment. In the event of a Change-in-Control (as defined in the award agreement), all new restricted stock units will immediately vest upon termination of employment occurring in connection with a change-in-control. Termination due to any other reason will result in all of the new restricted stock units awarded being forfeited effective on the employee's date of termination.

	Restricted Stock Units	Weighted Average Grant Date Fair Value ($) (1)
Nonvested at December 31, 2014	307,329	27.92
Granted	660,230	36.23
Forfeited	(22,860)	16.98
Vested	(94,380)	20.61
Awards surrendered as a result of the Separation	(445,123)	
Awards granted in conversion as a result of the Separation	547,148	
Nonvested and Expected to Vest	952,344	14.38
Performance Shares Converted to Restricted Stock Units as a result of the Separation	2,190,129	6.01
Nonvested and Expected to Vest at December 31, 2015	**3,142,473**	**8.55**

(1) The reduction in weighted average grant date fair value during 2015 primarily resulted from the significant number of incremental units issued as a result of the Separation. As discussed above in "Separation-related Adjustments," these incremental units were issued to preserve the intrinsic value of such awards immediately before the Separation.

Performance Shares . In 2015 , NiSource did not grant any performance shares subject to performance and service conditions.

In 2014 , NiSource granted 535,037 performance shares subject to performance and service conditions. The grant date fair-value of the awards was $16.6 million , based on the average market price of NiSource's common stock at the date of each grant less the present value of dividends not received during the vesting period which will be expensed, net of forfeitures, over the three year requisite service period. The performance conditions were based on achievement of cumulative net operating earnings per share, a non-GAAP financial measure that NiSource defines as income from continuing operations adjusted for certain items, for the three-year period ending December 31, 2016; and relative total shareholder return, a non-GAAP market measure that NiSource defines as the annualized growth in the dividends and share price of a share of NiSource's common stock (calculated using a 20 trading day average of NiSource's closing price, over a period beginning December 31, 2013 and ending on December 31, 2016) compared to the total shareholder return performance of a predetermined peer group of companies. The service conditions for these awards lapse on February 28, 2017.

In 2013 , NiSource granted 664,776 performance shares subject to performance and service conditions. The grant date fair-value of the awards was $15.7 million , based on the average market price of NiSource's common stock at the date of each grant less the present value of dividends not received during the vesting period which will be expensed, net of forfeitures, over the three year requisite service period. The performance conditions are based on achievement of certain non-GAAP financial measures:

cumulative net operating earnings, which NiSource defines as income from continuing operations adjusted for certain items; and cumulative funds from operations, which NiSource defines as net operating cash flows provided by continuing operations, in each case for the three-year period ending December 31, 2015; and relative total shareholder return, a non-GAAP market measure that NiSource defines as the annualized growth in the dividends and share price of a share of NiSource's common stock (calculated using a 20 trading day average of NiSource's closing price beginning December 31, 2012 and ending on December 31, 2015) compared to the total shareholder return performance of a predetermined peer group of companies. The service conditions for these awards lapse on February 29, 2016.

	Performance Awards	Weighted Average Grant Date Fair Value ($)
Nonvested at December 31, 2014	1,727,855	24.80
Granted	—	—
Forfeited	(110,013)	9.24
Vested	(649,896)	20.29
Awards surrendered as a result of the Separation	(573,486)	
Awards granted in conversion as a result of the Separation	1,795,669	
Performance Shares at July 1, 2015	2,190,129	6.01
Awards Converted to Restricted Stock Units as a result of the Separation	(2,190,129)	
Nonvested and Expected to Vest at December 31, 2015	—	—

Non-employee Director Awards . As of May 11, 2010, awards to non-employee directors may be made only under the Omnibus Plan. Currently, restricted stock units are granted annually to non-employee directors, subject to a non-employee director's election to defer receipt of such restricted stock unit award. The non-employee director's restricted stock units vest on the last day of the non-employee director's annual term corresponding to the year the restricted stock units were awarded subject to special pro-rata vesting rules in the event of Retirement or Disability (as defined in the award agreement), or death. The vested restricted stock units are payable as soon as practicable following vesting except as otherwise provided pursuant to the non-employee director's election to defer. Certain restricted stock units remain outstanding from the Director Plan. All such awards are fully vested and shall be distributed to the directors upon their separation from the Board.

In connection with the Separation, non-employee directors holding vested restricted stock units received one CPG restricted stock unit (settled in common stock of CPG) for each vested NiSource restricted stock unit. Restricted stock units granted to directors in 2015, however, were not yet vested as of the Separation. Accordingly, these restricted stock unit awards were subject to the Valuation Adjustment described in the "Separation-related Adjustments" section above.

As of December 31, 2015 , 198,996 restricted stock units are outstanding to non-employee directors under either the Omnibus Plan or the Director Plan. Of this amount, 50,092 restricted stock units are nonvested and expected to vest.

401(k) Match, Profit Sharing and Company Contribution. NiSource has a voluntary 401(k) savings plan covering eligible employees that allows for periodic discretionary matches as a percentage of each participant's contributions payable in shares of NiSource common stock. NiSource also has a retirement savings plan that provides for discretionary profit sharing contributions payable in shares of NiSource common stock to eligible employees based on earnings results; and eligible exempt employees hired after January 1, 2010 receive a non-elective company contribution of 3% of eligible pay payable in shares of NiSource common stock. For the years ended December 31, 2015 , 2014 and 2013 , NiSource recognized 401(k) match, profit sharing and non-elective contribution expense of $27.4 million , $28.1 million and $21.6 million , respectively. In connection with the Separation, employees participating in the 401(k) plan who were invested in the NiSource common stock investment option received a stock dividend of one share of CPG common stock for each share of NiSource common stock owned by them through the 401(k) plan.

14. Long-Term Debt

NiSource Finance is a 100% owned, consolidated finance subsidiary of NiSource that engages in financing activities to raise funds for the business operations of NiSource and its subsidiaries. NiSource Finance was incorporated in March 2000 under the laws of the state of Indiana. Prior to 2000, the function of NiSource Finance was performed by Capital Markets. NiSource Finance obligations are fully and unconditionally guaranteed by NiSource. Consequently, no separate financial statements for NiSource Finance are required to be reported. No NiSource subsidiaries guarantee debt.

During 2015, NiSource Finance executed a $750.0 million tender offer on fixed-rate long-term debt, redeemed $230.0 million fixed-rate long-term debt at maturity, settled $1,075.0 million term loans, and entered into two forward starting swap-lock transactions with notional values totaling $1,000.0 million . These transactions are detailed as follows:

- Prior to the Separation, CPG closed its placement of $2,750.0 million in aggregate principal amount of its senior notes. Using the proceeds from this offering, CPG made cash payments to NiSource representing the settlement of inter-company borrowings and the payment of a one-time special dividend. In May 2015, using proceeds from the cash payments from CPG, NiSource Finance settled its two bank term loans in the amount of $1,075.0 million and executed a tender offer for $750.0 million consisting of a combination of its 5.25% notes due 2017 , 6.40% notes due 2018 and 4.45% notes due 2021 . In conjunction with the debt retired, NiSource Finance recorded a $97.2 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums.
- On November 28, 2015, NiSource Finance redeemed $230.0 million of 5.36% senior unsecured notes at maturity.
- On December 3, 2015, NiSource Finance entered into a forward starting interest rate swap, with a notional amount of $500.0 million , to hedge the variability in cash flows attributable to changes in the benchmark interest rate during the period from the effective date of the swap to the anticipated date of a forecasted debt issuance in 2017. The forward starting interest rate swap was designated as a cash flow hedge at the time the agreements were executed, whereby any gain or loss recognized from the effective date of the swap to the date the associated debt is issued for the effective portion of the hedge is recorded net of tax in AOCI and amortized as a component of interest expense over the life of the designated debt. If some portion of the hedge becomes ineffective, the associated gain or loss will be recognized in earnings. As of December 31, 2015, no ineffectiveness has been recorded.
- On December 4, 2015, NiSource Finance entered into a forward starting interest rate swap, with a notional amount of $500.0 million , to hedge the variability in cash flows attributable to changes in the benchmark interest rate during the period from the effective date of the swap to the anticipated date of a forecasted debt issuance in 2018. The forward starting interest rate swap was designated as a cash flow hedge at the time the agreements were executed, whereby any gain or loss recognized from the effective date of the swap to the date the associated debt is issued for the effective portion of the hedge is recorded net of tax in AOCI and amortized as a component of interest expense over the life of the designated debt. If some portion of the hedge becomes ineffective, the associated gain or loss will be recognized in earnings. As of December 31, 2015, no ineffectiveness has been recorded.

During 2014, NiSource Finance negotiated a $ 750.0 million term loan and redeemed $ 500.0 million of long-term debt securities. These transactions are detailed as follows:

- On August 20, 2014, NiSource Finance negotiated a $ 750.0 million three -year bank term loan with a syndicate of banks which carries a floating interest rate of BBA LIBOR plus 100 basis points.
- On July 15, 2014, NiSource Finance redeemed $ 500.0 million of 5.40% senior unsecured notes at maturity. Contemporaneous with this redemption, $500.0 million of associated fixed-to-floating interest rate swaps expired.

In the following table are the outstanding long-term debt maturities at December 31, 2015 . The long-term debt maturities shown below include capital lease obligations and the debt of certain low-income housing real estate investments. NiSource does not guarantee the long-term debt obligations of the low-income housing real estate investments.

Year Ending December 31, *(in millions)*		
2016	$	433.7
2017		362.2
2018		488.9
2019		554.7
2020		563.8
After		4,024.4
Total (1)	$	6,427.7

(1) This amount excludes $45.5 million of unamortized discount, premium and expenses.

Unamortized debt expense, premium and discount on long-term debt applicable to outstanding bonds are being amortized over the life of such bonds.

Of NiSource's long-term debt outstanding at December 31, 2015 , $109.0 million was issued by NiSource's subsidiary, Capital Markets. The financial obligations of Capital Markets are subject to a Support Agreement between NiSource and Capital Markets, under which NiSource has committed to make payments of interest and principal on Capital Markets' obligations in the event of a failure to pay by Capital Markets. Under the terms of the Support Agreement, in addition to the cash flow from cash dividends paid to NiSource by any of its consolidated subsidiaries, the assets of NiSource, other than the stock and assets of NIPSCO, are available as recourse for the benefit of Capital Markets' creditors. The carrying value of the NiSource assets, excluding the assets of NIPSCO, was $10.4 billion at December 31, 2015 .

NiSource is subject to a financial covenant under its revolving credit facility which requires NiSource to maintain a debt to capitalization ratio that does not exceed 70% . A similar covenant in a 2005 private placement note purchase agreement requires NiSource to maintain a debt to capitalization ratio that does not exceed 75% . As of December 31, 2015 , the ratio was 64% .

NiSource is also subject to certain other non-financial covenants under the revolving credit facility. Such covenants include a limitation on the creation or existence of new liens on NiSource's assets, generally exempting liens on utility assets, purchase money security interests, preexisting security interests and an additional subset of assets equal to $150 million . An asset sale covenant generally restricts the sale, lease and/or transfer of NiSource's assets to no more than 10% of its consolidated total assets and dispositions for a price not materially less than the fair market value of the assets disposed of that do not impair the ability of NiSource and NiSource Finance to perform obligations under the revolving credit facility, and that, together with all other such dispositions, would not have a material adverse effect. The revolving credit facility also includes a cross-default provision, which triggers an event of default under the credit facility in the event of an uncured payment default relating to any indebtedness of NiSource or any of its subsidiaries in a principal amount of $50 million or more.

NiSource's indentures generally do not contain any financial maintenance covenants. However, NiSource's indentures are generally subject to cross-default provisions ranging from uncured payment defaults of $5 million to $50 million , and limitations on the incurrence of liens on NiSource's assets, generally exempting liens on utility assets, purchase money security interests, preexisting security interests and an additional subset of assets capped at 10% of NiSource's consolidated net tangible assets.

15. Short-Term Borrowings

NiSource Finance currently maintains a $1.5 billion revolving credit facility with a syndicate of banks led by Barclays Capital with a termination date of July 1, 2020 . The purpose of the facility is to fund ongoing working capital requirements including the provision of liquidity support for NiSource Finance's $1.5 billion commercial paper program, provide for issuance of letters of credit and also for general corporate purposes. At December 31, 2015, NiSource had no outstanding borrowings under this facility. At December 31, 2014, NiSource had $500.0 million outstanding under this facility.

NiSource Finance's commercial paper program has a program limit of up to $1.5 billion with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. At December 31, 2015 , NiSource had $321.4 million of commercial paper outstanding. At December 31, 2014, NiSource had $792.6 million of commercial paper outstanding.

As of December 31, 2015 , NiSource had $14.7 million of stand-by letters of credit outstanding all of which were under the revolving credit facility. At December 31, 2014, NiSource had $30.9 million of stand-by letters of credit outstanding, of which $14.7 million were under the revolving credit facility.

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term debt on the Consolidated Balance Sheets in the amount of $246.0 million and $284.3 million as of December 31, 2015 and 2014 , respectively. Refer to Note 17, "Transfers of Financial Assets," for additional information.

Short-term borrowings were as follows:

At December 31, *(in millions)*		**2015**		2014
Commercial Paper weighted average interest rate of 1.00 % and 0.82% at December 31, 2015 and 2014, respectively.	$	**321.4**	$	792.6
Credit facilities borrowings weighted average interest rate of 1.44% at December 31, 2014.		**—**		500.0
Accounts receivable securitization facility borrowings		**246.0**		284.3
Total Short-Term Borrowings	**$**	**567.4**	$	1,576.9

Given their turnover is less than 90 days, cash flows related to the borrowings and repayments of the items listed above are presented net in the Statements of Consolidated Cash Flows.

16. Fair Value

A. Fair Value Measurements

Recurring Fair Value Measurements . The following tables present financial assets and liabilities measured and recorded at fair value on NiSource's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2015 and December 31, 2014 :

Recurring Fair Value Measurements December 31, 2015 (*in millions*)		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Balance as of December 31, 2015
Assets								
Price risk management assets:								
Commodity financial price risk programs	$	0.1	$	—	$	—	$	0.1
Available-for-sale securities		—		128.7		—		128.7
Total	**$**	**0.1**	**$**	**128.7**	**$**	**—**	**$**	**128.8**
Liabilities								
Price risk management liabilities:								
Commodity financial price risk programs	$	14.3	$	—	$	0.2	$	14.5
Interest rate risk activities		—		17.4		—		17.4
Total	**$**	**14.3**	**$**	**17.4**	**$**	**0.2**	**$**	**31.9**

Recurring Fair Value Measurements December 31, 2014 (*in millions*)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2014
Assets				
Price risk management assets:				
Commodity financial price risk programs	0.1	—	—	0.1
Available-for-sale securities	28.4	103.5	—	131.9
Total	**$ 28.5**	**$ 103.5**	**$ —**	**$ 132.0**
Liabilities				
Price risk management liabilities:				
Commodity financial price risk programs	$ 14.2	$ —	$ 0.1	$ 14.3
Total	**$ 14.2**	**$ —**	**$ 0.1**	**$ 14.3**

Price risk management assets and liabilities include NYMEX futures and NYMEX options which are commodity exchange-traded and non-exchange-based derivative contracts. Exchange-traded derivative contracts are based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore nonperformance risk has not been incorporated into these valuations. Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, these instruments may utilize models to measure fair value. NiSource uses a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability, and market-corroborated inputs, (i.e., inputs derived principally from or corroborated by observable market data by correlation or other means). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3. Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements which reduce exposures. As of December 31, 2015 and 2014 , there were no material transfers between fair value hierarchies. Additionally there were no changes in the method or significant assumptions used to estimate the fair value of NiSource's financial instruments.

Commodity price risk resulting from derivative activities at NiSource's rate-regulated subsidiaries is limited, since regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the ratemaking process, including gains or losses on these derivative instruments. If states should explore additional regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional ratemaking process and may be more exposed to commodity price risk. Some of NiSource's rate-regulated utility subsidiaries offer commodity price risk products to its customers for which derivatives are used to hedge forecasted customer usage under such products. These subsidiaries do not have regulatory recovery orders for these products and are subject to gains and losses recognized in earnings due to hedge ineffectiveness.

In December 2015, NiSource Finance entered into two forward starting interest-rate swaps, each hedging the interest rate risk on coupon payments arising from $500.0 million of forecasted issuances of long-term debt in each of 2017 and 2018. The 2017 swap was executed with four counterparties, and the 2018 swap with five counterparties. These swaps have been recorded as price risk management liabilities, and are designated as cash flow hedges. Each period the swap instruments will be measured assuming a hypothetical settlement at that point in time. Upon termination of the swap instruments, NiSource will pay or receive a settlement based on the current market value. Credit risk is considered in the fair value calculation of each interest rate swap. As they are based on observable data and valuations of similar instruments, the interest-rate swaps are categorized in Level 2 in the fair value hierarchy. There was no exchange of premium at the initial date of the swaps, and NiSource can settle the swaps at any time.

Available-for-sale securities are investments pledged as collateral for trust accounts related to NiSource's wholly-owned insurance company. Available-for-sale securities are included within "Other investments" in the Consolidated Balance Sheets. NiSource values corporate and mortgage-backed debt securities using a matrix pricing model that incorporates market-based information. These securities trade less frequently and are classified within Level 2. Total unrealized gains and losses from available-for-sale securities are included in other comprehensive income (loss). The amortized cost, gross unrealized gains and losses and fair value of available-for-sale debt securities at December 31, 2015 and December 31, 2014 were:

December 31, 2015 *(in millions)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities				
U.S. Treasury securities	$ 33.7	$ 0.1	$ (0.3)	$ 33.5
Corporate/Other bonds	95.7	0.3	(0.8)	95.2
Total	**$ 129.4**	**$ 0.4**	**$ (1.1)**	**$ 128.7**

December 31, 2014 *(in millions)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities				
U.S. Treasury securities	$ 30.8	$ 0.3	$ (0.2)	$ 30.9
Corporate/Other bonds	100.6	1.0	(0.6)	101.0
Total	**$ 131.4**	**$ 1.3**	**$ (0.8)**	**$ 131.9**

For the years ended December 31, 2015 , 2014 , and 2013 , the realized gain on sale of available for sale U.S. Treasury debt securities was $ 0.2 million , $ 0.1 million and $ 0.5 million , respectively. For the years ended December 31, 2015 , 2014 , and 2013 , the realized gain on sale of available for sale Corporate/Other bond debt securities was $ 0.2 million , $ 0.4 million , and $ 0.4 million , respectively.

The cost of maturities sold is based upon specific identification. At December 31, 2015 , approximately $2.2 million of U.S. Treasury debt securities have maturities of less than a year while the remaining securities have maturities of greater than one year. At December 31, 2015 , approximately $ 6.2 million of Corporate/Other bonds have maturities of less than a year while the remaining securities have maturities of greater than one year.

There are no material items in the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended December 31, 2015 and 2014 .

Non-recurring Fair Value Measurements . There were no significant non-recurring fair value measurements recorded during the twelve months ended December 31, 2015 .

Other Fair Value Disclosures for Financial Instruments . The carrying amount of cash and cash equivalents, restricted cash, notes receivable, customer deposits and short-term borrowings is a reasonable estimate of fair value due to their liquid or short-term nature. NiSource's long-term borrowings are recorded at historical amounts.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value.

Long-term debt .The fair values of these securities are estimated based on the quoted market prices for the same or similar securities. Certain premium costs associated with the early settlement of long-term debt are not taken into consideration in determining fair value. These fair value measurements are classified as Level 2 within the fair value hierarchy. For the years ended December 31, 2015 and 2014 , there were no changes in the method or significant assumptions used to estimate the fair value of the financial instruments.

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

At December 31, *(in millions)*	**Carrying Amount 2015**	**Estimated Fair Value 2015**	Carrying Amount 2014	Estimated Fair Value 2014
Long-term debt (including current portion)	**$ 6,382.2**	**$ 6,975.7**	$ 8,418.1	$ 9,505.7

17. Transfers of Financial Assets

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term borrowings on the Consolidated Balance Sheets. The maximum amount of debt that can be recognized related to NiSource's accounts receivable programs is $515 million .

All accounts receivables sold to the purchasers are valued at face value, which approximates fair value due to their short-term nature. The amount of the undivided percentage ownership interest in the accounts receivables sold is determined in part by required loss reserves under the agreements. Below is information about the accounts receivable securitization agreements entered into by NiSource's subsidiaries.

Throughout 2015 and 2014, Columbia of Ohio has been under an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CGORC, a wholly-owned subsidiary of Columbia of Ohio. CGORC, in turn, is party to an agreement with BTMU and BNS, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to commercial paper conduits sponsored by BTMU and BNS. This agreement was last renewed on October 16, 2015; the current agreement expires on October 15, 2016 and can be further renewed if mutually agreed to by all parties. The maximum seasonal program limit under the terms of the current agreement is $240 million . As of December 31, 2015 , $99.4 million of accounts receivable had been transferred by CGORC. CGORC is a separate corporate entity from NiSource and Columbia of Ohio, with its own separate obligations, and upon a liquidation of CGORC, CGORC's obligations must be satisfied out of CGORC's assets prior to any value becoming available to CGORC's stockholder.

Throughout 2015 and 2014, NIPSCO has been under an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to NARC, a wholly-owned subsidiary of NIPSCO. NARC, in turn, is party to an agreement with PNC and Mizuho under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to PNC and a commercial paper conduit sponsored by Mizuho. This agreement was last renewed on August 26, 2015; the current agreement expires on August 24, 2016 and can be further renewed if mutually agreed to by all parties. The maximum seasonal program limit under the terms of the current agreement is $200 million . As of December 31, 2015 , $111.6 million of accounts receivable had been transferred by NARC. NARC is a separate corporate entity from NiSource and NIPSCO, with its own separate obligations, and upon a liquidation of NARC, NARC's obligations must be satisfied out of NARC's assets prior to any value becoming available to NARC's stockholder.

Throughout 2015 and 2014, Columbia of Pennsylvania has been under an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CPRC, a wholly-owned subsidiary of Columbia of Pennsylvania. CPRC, in turn, is party to an agreement with BTMU under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to a commercial paper conduit sponsored by BTMU. The agreement with BTMU was last renewed on March 10, 2015, having a current scheduled termination date of March 9, 2016 and can be further renewed if mutually agreed to by both parties. The maximum seasonal program limit under the terms of the agreement is $75 million . As of December 31, 2015 , $35.0 million of accounts receivable had been transferred by CPRC. CPRC is a separate corporate entity from NiSource and Columbia of Pennsylvania, with its own separate obligations, and upon a liquidation of CPRC, CPRC's obligations must be satisfied out of CPRC's assets prior to any value becoming available to CPRC's stockholder.

The following table reflects the gross and net receivables transferred as well as short-term borrowings related to the securitization transactions as of December 31, 2015 and 2014 for Columbia of Ohio, NIPSCO and Columbia of Pennsylvania:

(in millions)	**December 31, 2015**	December 31, 2014
Gross Receivables	**$ 450.8**	$ 611.7
Less: Receivables not transferred	**204.8**	327.4
Net receivables transferred	**$ 246.0**	$ 284.3
Short-term debt due to asset securitization	**$ 246.0**	$ 284.3

During 2015 and 2014 , $38.3 million and $19.2 million was recorded as cash flows from financing activities related to the change in short-term borrowings due to the securitization transactions, respectively. For the years ended December 31, 2015 and 2014 , fees of $2.5 million and $2.9 million associated with the securitization transactions were recorded as interest expense, respectively. Columbia of Ohio, NIPSCO and Columbia of Pennsylvania remain responsible for collecting on the receivables securitized and the receivables cannot be sold to another party.

18. Other Commitments and Contingencies

A. Guarantees and Indemnities . As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. At December 31, 2015 , NiSource had issued stand-by letters of credit of approximately $14.7 million for the benefit of third parties.

B. Other Legal Proceedings . The Company is party to certain claims and legal proceedings arising in the ordinary course of business, none of which is deemed to be individually material at this time. Due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's results of operations, financial position or liquidity. If one or more of such matters were decided against the Company, the effects could be material to the Company's results of operations in the period in which the Company would be required to record or adjust the related liability and could also be material to the Company's cash flows in the periods the Company would be required to pay such liability.

C. Environmental Matters . NiSource operations are subject to environmental statutes and regulations related to air quality, water quality, hazardous waste and solid waste. NiSource believes that it is in substantial compliance with the environmental regulations currently applicable to its operations.

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

As of December 31, 2015 and 2014 , NiSource had recorded an accrual of approximately $123.2 million and $126.6 million , respectively, to cover environmental remediation at various sites. The current portion of this accrual is included in "Legal and environmental" in the Consolidated Balance Sheets. The noncurrent portion is included in "Other noncurrent liabilities" in the Consolidated Balance Sheets. NiSource accrues for costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated. The original estimates for cleanup may differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including currently enacted laws and regulations, the nature and extent of contamination, the method of cleanup and the availability of cost recovery. These expenditures are not currently estimable at some sites. NiSource periodically adjusts its accrual as information is collected and estimates become more refined.

Air

The actions listed below could require further reductions in emissions from various emission sources. NiSource will continue to closely monitor developments in these matters.

Climate Change . Future legislative and regulatory programs, including implementation of the recently promulgated EPA CPP, could significantly restrict GHG emissions or impose a cost or tax on GHG emissions. Additionally, certain rules that increase methane leak detection and permitting requirements for natural gas facilities could restrict GHG emissions or impose additional costs. The CPP and other federally enacted or proposed GHG reduction measures are subject to numerous legal challenges that could change the way the programs are implemented, and NiSource will carefully monitor all GHG reduction proposals and regulations. In addition to the federal programs, the United States and 194 other countries agreed by consensus to limit GHGs to Nationally Determined Contributions (NDCs) beginning after 2020 in the 2015 United Nations Framework Convention on Climate Change Paris Agreement. The United States has proposed a NDC of a 26% reduction from 2005 levels by 2025, a figure that cannot be met with the CPP alone.

National Ambient Air Quality Standards . The CAA requires the EPA to set NAAQS for particulate matter and five other pollutants considered harmful to public health and the environment. Periodically, the EPA imposes new, or modifies existing, NAAQS. States that contain areas that do not meet the new or revised standards or contribute significantly to nonattainment of downwind states may be required to take steps to achieve and maintain compliance with the standards. These steps could include additional pollution controls on boilers, engines, turbines and other facilities owned by electric generation and gas distribution operations.

The following NAAQS were recently added or modified:

Ozone: On October 26, 2015, the EPA issued a final rule to lower the 8-hour ozone standard from 75 ppb to 70 ppb. After the EPA proceeds with designations, areas where NiSource operates that are currently designated in attainment with the standards may be re-classified as nonattainment. NiSource will continue to monitor this matter and cannot estimate its impact at this time.

Waste
NiSource subsidiaries are potentially responsible parties at waste disposal sites under the CERCLA (commonly known as Superfund) and similar state laws. Additionally, NiSource affiliates have retained environmental liabilities, including cleanup liabilities, associated with certain former operations.

A program has been instituted to identify and investigate former MGP sites where Gas Distribution Operations subsidiaries or predecessors may have liability. The program has identified 64 such sites where liability is probable. Remedial actions at many of these sites are being overseen by state or federal environmental agencies through consent agreements or voluntary remediation agreements.

NiSource utilizes a probabilistic model to estimate its future remediation costs related to its MGP sites. The model was prepared with the assistance of a third-party and incorporates NiSource and general industry experience with remediating MGP sites. NiSource completes an annual refresh of the model in the second quarter of each fiscal year. No material changes to the estimated future remediation costs were noted as a result of the refresh completed as of June 30, 2015. The total estimated liability at NiSource related to the facilities subject to remediation was $110.4 million and $121.5 million at December 31, 2015 and 2014 , respectively. The liability represents NiSource's best estimate of the probable cost to remediate the facilities. NiSource believes that it is reasonably possible that remediation costs could vary by as much as $25 million in addition to the costs noted above. Remediation costs are estimated based on the best available information, applicable remediation standards at the balance sheet date, and experience with similar facilities.

Additional Issues Related to Individual Business Segments

The sections below describe various regulatory actions that affect individual business segments for which NiSource has retained a liability.

Electric Operations.

Air
NIPSCO is subject to a number of air-quality mandates in the next several years. The mandates, which include the NSR Consent Decree, the Utility Mercury and Air Toxics Standards Rule (MATS), and the CPP, require or may require NIPSCO to make capital improvements to its electric generating stations. The cost of capital improvements associated with the NSR Consent Decree and MATS is estimated to be $860 million , of which approximately $28.8 million remains to be spent. The cost to comply with the CPP cannot be estimated at this time. NIPSCO believes that the capital costs associated with these air quality mandates are likely recoverable through rates.

Utility Mercury and Air Toxics Standards Rule: On February 16, 2012, the EPA issued the MATS rule establishing new emissions limits for mercury and other air toxics. Certain affected NIPSCO units have completed projects to meet the April 2015 compliance deadline. For NIPSCO's remaining affected units, a one-year compliance extension granted by IDEM delays the compliance date until April 2016. NIPSCO continues to implement an IURC-approved plan for the installation of additional environmental controls needed to comply with the MATS extension. On June 29, 2015, the United States Supreme Court remanded the MATS rule back to the United States Court of Appeals for the District of Columbia Circuit for further proceedings. On December 15, 2015, the United States Court of Appeals for the District of Columbia Circuit issued an order remanding the MATS rule to the EPA without vacating the rule. The MATS rule remains in effect while the EPA addresses the issues raised by the United State Supreme Court. The EPA indicates that these issues will be fully addressed by April 15, 2016. NIPSCO will continue to monitor developments in this matter.

Clean Power Plan : On October 23, 2015, the EPA issued a final rule to regulate CO_2 emissions from existing fossil-fuel EGUs under section 111(d) of the CAA. The final rule establishes national CO_2 emission-rate standards that are applied to each state's mix of affected EGUs to establish state-specific emission-rate and mass-emission limits. The final rule requires each state to submit a plan indicating how the state will meet the EPA's emission-rate or mass-emission limit, including possibly imposing reduction obligations on specific units. If a state does not submit a satisfactory plan, the EPA will impose a federal plan on that state. On February 9, 2016, the U.S. Supreme Court stayed implementation of the CPP until litigation is decided on its merits. The cost to comply with this rule will depend on a number of factors, including the outcome of CPP litigation, the requirements of the state plan or final federal plan, and the level of NIPSCO's required CO_2 emission reductions. It is possible that this new rule, comprehensive federal or state GHG legislation, or other GHG regulation could result in additional expense or compliance costs that could materially impact NiSource's financial results. NIPSCO will continue to monitor this matter and cannot estimate its impact at this time.

Cross State Air Pollution Rule: On December 3, 2015, the EPA issued a proposed rule to address interstate air quality impacts associated with the 2008 ozone NAAQS and also in response to a court mandate requiring the recalculation of downwind contributions of NOx to states' abilities to meet the ozone NAAQS. Under the proposed recalculation, NIPSCO may be required to meet a more stringent NOx emission allocation associated with its already well-controlled units. NIPSCO will continue to monitor this matter and cannot estimate its impact at this time.

Water
On August 15, 2014, the EPA issued the final Phase II Rule of the Clean Water Act Section 316(b), which requires all large existing steam electric generating stations to meet certain performance standards to reduce the effects on aquatic organisms at their cooling water intake structures. Under this rule, stations will have to either demonstrate that the performance of their existing fish protection systems meet the new standards or develop new systems, such as a closed-cycle cooling tower. The cost to comply will depend on a number of factors, including evaluation of the various compliance options available under the regulation and permitting-related determinations by IDEM. NIPSCO estimates that the cost of compliance is between $4 million and $35 million , dependent upon study results, agency requirements and technology ultimately required to achieve compliance.

On November 3, 2015, the EPA issued a final rule to amend the effluent limitations guidelines and standards for the Steam Electric Power Generating category. The final rule became effective January 4, 2016. The rule imposes new water treatment and discharge requirements on NIPSCO's electric generating facilities to be applied between 2018-2023. NIPSCO is currently reviewing the rule and cannot estimate the cost of compliance at this time.

Waste
On April 17, 2015, the EPA issued a final rule for regulation of CCRs. The rule regulates CCRs under the Resource Conservation and Recovery Act Subtitle D, which determines them to be nonhazardous. The rule will require increased groundwater monitoring, reporting, record keeping and posting of related information to the Internet. The rule also establishes requirements related to CCR management, impoundments, landfills and storage. The rule will allow NIPSCO to continue its byproduct beneficial use program.

The publication of the CCR rule resulted in revisions to previously recorded legal obligations associated with the retirement of certain NIPSCO facilities. The actual asset retirement costs related to the CCR rule may vary substantially from the estimates used to record the increased asset retirement obligation due to the uncertainty about the compliance strategies that will be used and the preliminary nature of available data used to estimate costs. Refer to Note 6, "Asset Retirement Obligations," for further information. In addition, to comply with the rule, NIPSCO will be required to incur future capital expenditures to modify its infrastructure and manage CCRs. Based upon a preliminary engineering study, capital compliance costs are currently expected to be in the $100 million to $220 million range. As allowed by the EPA, NIPSCO will continue to collect data over time to determine the specific compliance solutions and associated costs and, as a result, the actual costs may vary. NIPSCO believes that the costs associated with CCR compliance are likely recoverable through rates.

D. Operating and Capital Lease Commitments. NiSource leases assets in several areas of its operations. Payments made in connection with operating leases were $ 47.5 million in 2015 , $ 59.8 million in 2014 and $ 47.2 million in 2013 , and are primarily charged to operation and maintenance expense as incurred. Capital lease assets and related accumulated depreciation included in the Consolidated Balance Sheets were $ 236.2 million and $ 44.0 million at December 31, 2015 , and $ 286.8 million and $ 86.0 million at December 31, 2014 , respectively.

NIPSCO has a service agreement with Pure Air, a general partnership between Air Products and Chemicals, Inc. and First Air Partners LP, under which Pure Air provides scrubber services to reduce sulfur dioxide emissions for Units 7 and 8 at the Bailly Generating Station. Services under this contract commenced on July 1, 1992 and expired on June 30, 2012. The agreement was renewed effective July 1, 2012 for ten years and NIPSCO will continue to pay for the services under a combination of fixed and variable charges. In accordance with GAAP, the renewed agreement was evaluated to determine whether the arrangement qualified as a lease. Based on the terms of the agreement, the arrangement qualified for capital lease accounting. As the effective date of the new agreement was July 1, 2012, NiSource capitalized this lease beginning in the third quarter of 2012.

Future minimum rental payments required under operating and capital leases that have initial or remaining non-cancelable lease terms in excess of one year are:

(in millions)	Operating Leases [1]	Capital Leases [2]
2016	$ 18.4	$ 23.5
2017	11.1	23.0
2018	8.8	23.3
2019	7.0	23.7
2020	3.5	23.5
After	13.3	196.3
Total future minimum payments	$ 62.1	$ 313.3

[1] Operating lease balances do not include amounts for fleet leases that can be renewed beyond the initial lease term. The Company anticipates renewing the leases beyond the initial term, but the anticipated payments associated with the renewals do not meet the definition of expected minimum lease payments and therefore are not included above. Expected payments are $30.5 million in 2016, $30.9 million in 2017, $26.7 million in 2018, $20.3 million in 2019, $12.5 million in 2020 and $7.5 million thereafter.
[2] Capital lease payments shown above are inclusive of interest totaling $114.7 million .

E. Purchase and Service Obligations . NiSource has entered into various purchase and service agreements whereby NiSource is contractually obligated to make certain minimum payments in future periods. NiSource's purchase obligations are for the purchase of physical quantities of natural gas, electricity and coal. NiSource's service agreements encompass a broad range of business support and maintenance functions which are generally described below.

NiSource's subsidiaries have entered into various energy commodity contracts to purchase physical quantities of natural gas, electricity and coal. These amounts represent minimum quantities of these commodities NiSource is obligated to purchase at both fixed and variable prices.

In July 2008, the IURC issued an order approving NIPSCO's purchase power agreements with subsidiaries of Iberdrola Renewables, Buffalo Ridge I LLC and Barton Windpower LLC. These agreements provide NIPSCO the opportunity and obligation to purchase up to 100 mw of wind power generated commencing in early 2009. The contracts extend 15 and 20 years, representing 50 mw of wind power each. No minimum quantities are specified within these agreements due to the variability of electricity generation from wind, so no amounts related to these contracts are included in the table below. Upon any termination of the agreements by NIPSCO for any reason (other than material breach by Buffalo Ridge I LLC or Barton Windpower LLC), NIPSCO may be required to pay a termination charge that could be material depending on the events giving rise to termination and the timing of the termination. NIPSCO began purchasing wind power in April 2009.

NiSource has pipeline service agreements that provide for pipeline capacity, transportation and storage services. These agreements, which have expiration dates ranging from 2016 to 2045 , require NiSource to pay fixed monthly charges. The amounts in the table below include agreements with CPG. Beginning July 1, 2015, these agreements represent third-party transactions and are not eliminated in consolidation.

On December 31, 2013, NiSource Corporate Services signed a seven year agreement with IBM to continue to provide business process and support functions to NiSource under a combination of fixed or variable charges, with the variable charges fluctuating based on the actual need for such services. The agreement was effective January 1, 2014 with a commencement date of April 1, 2014 and includes some targeted service enhancements as well as continued existing information technology support services and a few additional support services. On June 15, 2015, NiSource Corporate Services signed an Amendment to this agreement to incorporate changes in services related to the Separation. Refer to Note 3, "Discontinued Operations," in the notes to the Consolidated Financial Statements for additional information on the Separation. Under the amended agreement, at December 31, 2015, NiSource Corporate Services expects to pay approximately $410.1 million to IBM in service and project fees as shown in the table below. Upon any termination of the agreement by NiSource for any reason (other than material breach by IBM), NiSource may be required to pay IBM a termination charge that could include a breakage fee, repayment of IBM's capital investments not yet recovered and IBM's wind-down expense. This termination fee could be material depending on the events giving rise to the termination and the timing of the termination.

NIPSCO has contracts with three major rail operators providing for coal transportation services for which there are certain minimum payments. These service contracts extend for various periods through 2018 .

The estimated aggregate amounts of minimum fixed payments at December 31, 2015 , were:

(in millions)	Energy Commodity Agreements	Pipeline Service Agreements	IBM Service Agreement	Other Service Agreements	Total
2016	$ 169.3	$ 512.7	$ 90.9	$ 72.0	$ 844.9
2017	74.8	496.0	82.8	67.2	720.8
2018	67.5	341.0	80.1	19.7	508.3
2019	70.6	245.4	78.6	4.6	399.2
2020	72.6	139.3	77.7	2.3	291.9
After	0.4	429.9	—	—	430.3
Total purchase and service obligations	$ 455.2	$ 2,164.3	$ 410.1	$ 165.8	$ 3,195.4

F. Other Matters.

Transmission Upgrade Agreements. On February 11, 2014, NIPSCO entered into TUAs with upgrade sponsors to complete upgrades on NIPSCO's transmission system on behalf of those sponsors. The upgrade sponsors agreed to reimburse NIPSCO for the total cost to construct transmission upgrades and place them into service, multiplied by a rate of 1.71 ("the multiplier").

On June 10, 2014, certain upgrade sponsors for both TUAs filed a complaint at the FERC against NIPSCO regarding the multiplier stated in the TUAs. On June 30, 2014, NIPSCO filed an answer defending the terms of the TUAs and the just and reasonable nature of the multiplier charged therein and moved for dismissal of the complaint. On December 8, 2014, the FERC issued an order in response to the complaint finding that it is appropriate for NIPSCO to recover, through the multiplier, substantiated costs of ownership related to the TUAs. The FERC set for hearing the issue of what constitutes the incremental costs NIPSCO will incur, but is holding that hearing in abeyance to allow for settlement. NIPSCO will continue to monitor developments in this matter and does not believe the impact is material to the Consolidated Financial Statements.

Springfield, Massachusetts. On November 23, 2012, while Columbia of Massachusetts was investigating the source of an odor of gas at a service location in Springfield, Massachusetts, a gas service line was pierced and an explosion occurred. While this explosion impacted multiple buildings and resulted in several injuries, no life threatening injuries or fatalities have been reported. Columbia of Massachusetts fully cooperated with both the Massachusetts DPU and the Occupational Safety & Health Administration in their investigations of this incident, which have been concluded. Columbia of Massachusetts believes any costs associated with damages, injuries and other losses related to this incident are substantially covered by insurance. Any amounts not covered by insurance are not expected to have a material impact on NiSource's consolidated financial statements. In accordance with GAAP, NiSource recorded any accruals and the related insurance recoveries resulting from this incident on a gross basis within the Consolidated Balance Sheets.

19. Accumulated Other Comprehensive Loss

The following table displays the activity of Accumulated Other Comprehensive Loss, net of tax:

(in millions)	Gains and Losses on Securities [1]	Gains and Losses on Cash Flow Hedges [1]	Pension and OPEB Items [1]	Accumulated Other Comprehensive Loss [1]
Balance as of January 1, 2013	**$ 2.6**	**$ (28.6)**	**$ (39.5)**	**$ (65.5)**
Other comprehensive income before reclassifications	(2.4)	0.1	17.8	15.5
Amounts reclassified from accumulated other comprehensive income	(0.5)	2.7	4.2	6.4
Net current-period other comprehensive income (loss)	(2.9)	2.8	22.0	21.9
Balance as of December 31, 2013	**$ (0.3)**	**$ (25.8)**	**$ (17.5)**	**$ (43.6)**
Other comprehensive income before reclassifications	0.9	(0.3)	(10.2)	(9.6)
Amounts reclassified from accumulated other comprehensive income	(0.3)	2.5	0.4	2.6
Net current-period other comprehensive income (loss)	0.6	2.2	(9.8)	(7.0)
Balance as of December 31, 2014	**$ 0.3**	**$ (23.6)**	**$ (27.3)**	**$ (50.6)**
Other comprehensive income before reclassifications	(0.5)	(11.0)	(5.0)	(16.5)
Amounts reclassified from accumulated other comprehensive income	(0.3)	3.2	2.6	5.5
Net current-period other comprehensive income (loss)	(0.8)	(7.8)	(2.4)	(11.0)
Allocation of AOCI to noncontrolling interest	—	2.0	—	2.0
Distribution of CPG to shareholders (Note 3)	—	13.9	10.6	24.5
Balance as of December 31, 2015	**$ (0.5)**	**$ (15.5)**	**$ (19.1)**	**$ (35.1)**

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

20. Other, Net

Year Ended December 31, *(in millions)*	**2015**	2014	2013
Interest Income	**$ 0.8**	$ 3.8	$ 3.5
AFUDC Equity	**11.5**	10.7	11.7
Charitable Contributions	**(4.8)**	(11.1)	(8.2)
Miscellaneous [1]	**9.9**	10.0	(0.2)
Total Other, net	**$ 17.4**	$ 13.4	$ 6.8

[1] Miscellaneous primarily consists of transmission upgrade agreement income in 2015 and 2014.

21. Interest Expense, Net

Year Ended December 31, *(in millions)*	**2015**	2014	2013
Interest on long-term debt	$ **377.5**	$ 368.6	$ 364.4
Interest on short-term borrowings [(1)]	**2.2**	5.2	2.7
Debt discount/cost amortization	**8.7**	8.0	7.5
Accounts receivable securitization	**2.5**	2.9	2.7
Allowance for borrowed funds used and interest capitalized during construction	**(5.4)**	(5.3)	(6.1)
Other	**(5.3)**	0.1	4.1
Total Interest Expense, net	$ **380.2**	$ 379.5	$ 375.3

[(1)] Refer to Note 15, "Short-Term Borrowings," for additional information.

22. Segments of Business

At December 31, 2015 , NiSource's operations are divided into two primary reportable segments. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

On July 1, 2015, NiSource completed the Separation. CPG's operations consisted of all of NiSource's former Columbia Pipeline Group Operations segment prior to the Separation. Results of the Columbia Pipeline Group Operations segment are included in discontinued operations.

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

Year Ended December 31, *(in millions)*	**2015**	2014	2013
REVENUES			
Gas Distribution Operations			
Unaffiliated	$ **3,068.7**	$ 3,593.6	$ 3,053.5
Intersegment	**0.4**	0.3	0.3
Total	**3,069.1**	3,593.9	3,053.8
Electric Operations			
Unaffiliated	**1,573.6**	1,672.6	1,564.2
Intersegment	**0.8**	0.8	0.7
Total	**1,574.4**	1,673.4	1,564.9
Corporate and Other			
Unaffiliated	**9.5**	6.2	7.7
Intersegment	**396.4**	412.5	370.2
Total	**405.9**	418.7	377.9
Eliminations	**(397.6)**	(413.6)	(371.2)
Consolidated Revenues	$ **4,651.8**	$ 5,272.4	$ 4,625.4

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Year Ended December 31, *(in millions)*		2015		2014		2013
Operating Income (Loss)						
Gas Distribution Operations	$	**555.8**	$	537.0	$	445.4
Electric Operations		**264.4**		282.7		265.5
Corporate and Other		**(20.3)**		(30.6)		(12.8)
Consolidated	$	**799.9**	$	789.1	$	698.1
Depreciation and Amortization						
Gas Distribution Operations	$	**232.6**	$	217.6	$	201.4
Electric Operations		**267.7**		244.4		244.4
Corporate and Other		**24.1**		24.9		24.6
Consolidated	$	**524.4**	$	486.9	$	470.4
Assets						
Gas Distribution Operations	$	**10,094.5**	$	9,443.7		
Electric Operations		**5,265.3**		5,009.9		
Corporate and Other (1)		**2,132.7**		10,136.2		
Consolidated	$	**17,492.5**	$	24,589.8		
Capital Expenditures (2)						
Gas Distribution Operations	$	**917.0**	$	860.3	$	790.8
Electric Operations		**400.3**		438.8		426.3
Corporate and Other		**50.2**		40.5		31.4
Consolidated	$	**1,367.5**	$	1,339.6	$	1,248.5

(1) The 2014 balances for Corporate and Other includes assets of Discontinued Operations refer to Note 3 "Discontinued Operations," for additional information.
(2) Amounts differ from those presented on the Statements of Consolidated Cash Flows primarily due to the inclusion of capital expenditures included in current liabilities and AFUDC Equity.

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NISOURCE INC.
Notes to Consolidated Financial Statements

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

23. Quarterly Financial Data (Unaudited)

Quarterly financial data does not always reveal the trend of NiSource's business operations due to nonrecurring items and seasonal weather patterns, which affect earnings, and related components of net revenues and operating income.

(in millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2015				
Gross revenues	$ 1,852.2	$ 884.6	$ 817.2	$ 1,097.8
Operating Income	386.3	84.4	109.7	219.5
Income (Loss) from Continuing Operations	192.5	(73.1)	14.8	64.4
Results from Discontinued Operations - net of taxes (1)	82.8	45.4	(19.7)	(5.0)
Net Income (Loss)	275.3	(27.7)	(4.9)	59.4
Net Income (Loss) attributable to NiSource	268.4	(36.4)	(4.9)	59.4
Basic Earnings (Loss) Per Share				
Continuing Operations	0.61	(0.23)	0.05	0.20
Discontinued Operations	0.24	0.12	(0.07)	(0.01)
Basic Earnings (Loss) Per Share	$ 0.85	$ (0.11)	$ (0.02)	$ 0.19
Diluted Earnings (Loss) Per Share				
Continuing Operations	0.61	(0.23)	0.05	0.20
Discontinued Operations	0.24	0.12	(0.07)	(0.01)
Diluted Earnings (Loss) Per Share	$ 0.85	$ (0.11)	$ (0.02)	$ 0.19
2014				
Gross revenues	$ 2,017.2	$ 1,023.7	$ 838.2	$ 1,393.3
Operating Income	373.3	117.8	71.1	226.9
Income (Loss) from Continuing Operations	173.1	20.8	(17.2)	79.5
Results from Discontinued Operations - net of taxes (1)	93.1	57.4	48.6	74.7
Net Income	266.2	78.2	31.4	154.2
Net Income attributable to NiSource	266.2	78.2	31.4	154.2
Basic Earnings Per Share				
Continuing Operations	0.55	0.07	(0.05)	0.25
Discontinued Operations	0.30	0.18	0.15	0.24
Basic Earnings Per Share	$ 0.85	$ 0.25	$ 0.10	$ 0.49
Diluted Earnings Per Share				
Continuing Operations	0.55	0.07	(0.05)	0.25
Discontinued Operations	0.30	0.18	0.15	0.24
Diluted Earnings Per Share	$ 0.85	$ 0.25	$ 0.10	$ 0.49

(1) Includes the results of the former Columbia Pipeline Group segment

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NISOURCE INC.
Notes to Consolidated Financial Statements

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

On July 1, 2015, NiSource completed the Separation. The results of operations of the former Columbia Pipeline Group Operations segment have been classified as discontinued operations for all periods. As a result, certain quarterly financial data presented in the table above is different from the corresponding data originally filed on Form 10-Q or in Quarterly Financial Data (Unaudited) for those periods. The affected quarterly financial data originally filed for these periods is presented in the table below:

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2015				
Gross revenues	$ 2,149.7	$ 1,169.0		
Operating Income	530.1	165.1		
Income (Loss) from Continuing Operations	275.3	(27.4)		
Results from Discontinued Operations - net of taxes	$ —	$ (0.3)		
2014				
Gross revenues	$ 2,320.5	$ 1,335.1	$ 1,123.9	$ 1,691.1
Operating Income	533.7	219.6	157.8	351.3
Income from Continuing Operations	266.4	78.5	31.5	154.3
Results from Discontinued Operations - net of taxes	$ (0.2)	$ (0.3)	$ (0.1)	$ (0.1)

24. Supplemental Cash Flow Information

The following tables provide additional information regarding NiSource's Consolidated Statements of Cash Flows for the years ended December 31, 2015 , 2014 and 2013 :

Year Ended December 31, *(in millions)*	**2015**	2014	2013
Supplemental Disclosures of Cash Flow Information			
Non-cash transactions:			
Capital expenditures included in current liabilities	**$ 121.6**	$ 127.4	$ 96.7
Assets acquired under a capital lease	**47.5**	76.7	28.4
Schedule of interest and income taxes paid:			
Cash paid for interest, net of interest capitalized amounts	**$ 390.4**	$ 429.3	$ 402.7
Cash paid for income taxes	**21.3**	19.4	10.4

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NiSource Inc.

Schedule II – Valuation and Qualifying Accounts

Twelve months ended December 31, 2015

($ in millions)	Balance Jan. 1, 2015	Additions: Charged to Costs and Expenses	Additions: Charged to Other Account [(1)]	Deductions for Purposes for which Reserves were Created	Balance Dec. 31, 2015
Reserves Deducted in Consolidated Balance Sheet from Assets to Which They Apply:					
Reserve for accounts receivable	$ 24.9	$ 22.5	$ 56.7	$ 83.8	$ 20.3
Reserve for other investments	3.0	—	—	—	3.0

Twelve months ended December 31, 2014

($ in millions)	Balance Jan. 1, 2014	Additions: Charged to Costs and Expenses	Additions: Charged to Other Account [(1)]	Deductions for Purposes for which Reserves were Created	Balance Dec. 31, 2014
Reserves Deducted in Consolidated Balance Sheet from Assets to Which They Apply:					
Reserve for accounts receivable	$ 23.4	$ 21.8	$ 69.9	$ 90.2	$ 24.9
Reserve for other investments	3.0	—	—	—	3.0

Twelve months ended December 31, 2013

($ in millions)	Balance Jan. 1, 2013	Additions: Charged to Costs and Expenses	Additions: Charged to Other Account [(1)]	Deductions for Purposes for which Reserves were Created	Balance Dec. 31, 2013
Reserves Deducted in Consolidated Balance Sheet from Assets to Which They Apply:					
Reserve for accounts receivable	$ 23.8	$ 13.8	$ 55.3	$ 69.5	$ 23.4
Reserve for other investments	3.0	—	—	—	3.0

[(1)] Charged to Other Accounts reflects the deferral of bad debt expense to a regulatory asset.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

Management's Annual Report on Internal Control over Financial Reporting
NiSource management, including NiSource's principal executive officer and principal financial officer, are responsible for establishing and maintaining NiSource's internal control over financial reporting, as such term is defined under Rule 13a-15(f) or Rule 15d-15(f) promulgated under the Exchange Act. However, management would note that a control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. NiSource's management has adopted the 2013 framework set forth in the Committee of Sponsoring Organizations of the Treadway Commission report, Internal Control - Integrated Framework, the most commonly used and understood framework for evaluating internal control over financial reporting, as its framework for evaluating the reliability and effectiveness of internal control over financial reporting. During 2015, NiSource conducted an evaluation of its internal control over financial reporting. Based on this evaluation, NiSource management concluded that NiSource's internal control over financial reporting was effective as of the end of the period covered by this annual report.

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by NiSource in the reports that it files or submits under the Exchange Act is accumulated and communicated to NiSource's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Deloitte & Touche LLP, NiSource's independent registered public accounting firm, issued an attestation report on NiSource's internal controls over financial reporting which is contained in Item 8, "Financial Statements and Supplementary Data."

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

ITEM 9B. OTHER INFORMATION

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except for the information required by this item with respect to our executive officers included at the end of Item 4 of Part I of this report on Form 10-K and our Code of Business Conduct, the information required by this Item 10 is incorporated herein by reference to the discussion in "Proposal 1 Election of Directors," "Corporate Governance," "Section 16(a) Beneficial Ownership Reporting Compliance," of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2016.

The Company has adopted a Code of Business Conduct to promote (i) ethical behavior, including the ethical handling of conflicts of interest, (ii) full, fair, accurate, timely and understandable financial disclosure, (iii) compliance with applicable laws, rules and regulations, (iv) accountability for adherence to our code, and (v) prompt internal reporting of violations of our code. Our Code of Business Conduct satisfies applicable SEC and NYSE requirements and applies to all directors, officers (including our principal executive officer, principal financial officer, principal accounting officer and controller) as well as employees of the Company and its affiliates. A copy of our Code of Business Conduct is available on our website at *http://ir.nisource.com/governance.com* and also is available to any stockholder upon written request to our Corporate Secretary.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated herein by reference to the discussion in "Corporate Governance - Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Executive Compensation," and "Executive Compensation - Compensation Committee Report," of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2016 .

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated herein by reference to the discussion in "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2016 .

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated herein by reference to the discussion in "Corporate Governance - Policies and Procedures with Respect to Transactions with Related Persons" and "Corporate Governance - Director Independence" of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2016 .

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 is incorporated herein by reference to the discussion in "Independent Auditor Fees" of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2016 .

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PART IV

NISOURCE INC.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Financial Statements and Financial Statement Schedules
The following financial statements and financial statement schedules filed as a part of the Annual Report on Form 10-K are included in Item 8, "Financial Statements and Supplementary Data."

Exhibits
The exhibits filed herewith as a part of this report on Form 10-K are listed on the Exhibit Index immediately following the signature page. Each management contract or compensatory plan or arrangement of NiSource, listed on the Exhibit Index, is separately identified by an asterisk.

Pursuant to Item 601(b), paragraph (4)(iii)(A) of Regulation S-K, certain instruments representing long-term debt of NiSource's subsidiaries have not been included as Exhibits because such debt does not exceed 10% of the total assets of NiSource and its subsidiaries on a consolidated basis. NiSource agrees to furnish a copy of any such instrument to the SEC upon request.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

NiSource Inc.

(Registrant)

Date: February 18, 2016

By: /s/ JOSEPH HAMROCK

Joseph Hamrock

President, Chief Executive Officer and Director

(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ JOSEPH HAMROCK Joseph Hamrock	President, Chief Executive Officer and Director (Principal Executive Officer)	Date: February 18, 2016
/s/ DONALD E. BROWN Donald E. Brown	Executive Vice President and Chief Financial Officer and Treasurer (Principal Financial Officer)	Date: February 18, 2016
/s/ JOSEPH W. MULPAS Joseph W. Mulpas	Vice President and Chief Accounting Officer (Principal Accounting Officer)	Date: February 18, 2016
/s/ RICHARD L. THOMPSON Richard L. Thompson	Chairman and Director	Date: February 18, 2016
/s/ RICHARD A. ABDOO Richard A. Abdoo	Director	Date: February 18, 2016
/s/ ARISTIDES S. CANDRIS Aristides S. Candris	Director	Date: February 18, 2016
/s/ DEBORAH A. HENRETTA Deborah A. Henretta	Director	Date: February 18, 2016
/s/ MICHAEL E. JESANIS Michael E. Jesanis	Director	Date: February 18, 2016
/s/ KEVIN T. KABAT Kevin T. Kabat	Director	Date: February 18, 2016
/s/ CAROLYN Y. WOO Carolyn Y. Woo	Director	Date: February 18, 2016

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EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF ITEM
(2.1)	Separation and Distribution Agreement, dated as of June 30, 2015, by and between NiSource Inc. and Columbia Pipeline Group, Inc. (incorporated by reference to Exhibit 2.1 to the NiSource Inc. Form 8-K filed on July 2, 2015).
(3.1)	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the NiSource Inc. Form 10-Q filed on August 3, 2015).
(3.2)	Bylaws of NiSource Inc., as amended and restated through January 29, 2016 (incorporated by reference to Exhibit 3.1 to the NiSource Inc. Form 8-K filed on February 1, 2016).
(4.1)	Indenture, dated as of March 1, 1988, by and between Northern Indiana Public Service Company ("NIPSCO") and Manufacturers Hanover Trust Company, as Trustee (incorporated by reference to Exhibit 4 to the NIPSCO Registration Statement (Registration No. 33-44193)).
(4.2)	First Supplemental Indenture, dated as of December 1, 1991, by and between Northern Indiana Public Service Company and Manufacturers Hanover Trust Company, as Trustee (incorporated by reference to Exhibit 4.1 to the NIPSCO Registration Statement (Registration No. 33-63870)).
(4.3)	Indenture Agreement, dated as of February 14, 1997, by and between NIPSCO Industries, Inc., NIPSCO Capital Markets, Inc. and Chase Manhattan Bank as trustee (incorporated by reference to Exhibit 4.1 to the NIPSCO Industries, Inc. Registration Statement (Registration No. 333-22347)).
(4.4)	Second Supplemental Indenture, dated as of November 1, 2000, by and among NiSource Capital Markets, Inc., NiSource Inc., New NiSource Inc., and The Chase Manhattan Bank, as trustee (incorporated by reference to Exhibit 4.45 to the NiSource Inc. Form 10-K for the period ended December 31, 2000).
(4.5)	Indenture, dated November 14, 2000, among NiSource Finance Corp., NiSource Inc., as guarantor, and The Chase Manhattan Bank, as Trustee (incorporated by reference to Exhibit 4.1 to the NiSource Inc. Form S-3, dated November 17, 2000 (Registration No. 333-49330)).
(10.1)	2010 Omnibus Incentive Plan (incorporated by reference to Exhibit B to the NiSource Inc. Definitive Proxy Statement to Stockholders for the Annual Meeting held on May 11, 2010, filed on April 2, 2010).*
(10.2)	First Amendment to the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the NiSource Inc. Form 10-K filed on February 18, 2014.)*
(10.3)	2010 Omnibus Incentive Plan (incorporated by reference to Exhibit C to the NiSource Inc. Definitive Proxy Statement to Stockholders for the Annual Meeting held on May 12, 2015, filed on April 7, 2015).*
(10.4)	Second Amendment to the NiSource Inc. 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Form 8-K filed October 23, 2015.)*
(10.5)	Form of Performance Share Award Agreement under the 2010 Omnibus Incentive Plan. (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Form 10-Q filed on April 30, 2014.)*
(10.6)	Form of Amended and Restated 2013 Performance Share Agreement effective on implementation of the spin-off on July 1, 2015, (under the 2010 Omnibus Incentive Plan)(incorporated by reference to Exhibit 10.1 to the NiSource Inc. Form 10-Q filed on November 3, 2015).*

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(10.7) Form of Amended and Restated 2014 Performance Share Agreement effective on the implementation of the spin-off on July 1, 2015, (under the 2010 Omnibus Incentive Plan)(incorporated by reference to Exhibit 10.2 to the NiSource Inc. Form 10-Q filed on November 3, 2015).*

(10.8) Form of Amendment to Restricted Stock Unit Award Agreement related to Vested but Unpaid NiSource Restricted Stock Unit Awards for Nonemployee Directors of NiSource entered into as of July 13, 2015 (incorporated by reference to Exhibit 10.3 to the NiSource Inc. Form 10-Q filed on November 3, 2015).*

(10.9) Form of Restricted Stock Unit Award Agreement under the Columbia Pipeline Group, Inc. 2015 Omnibus Incentive Plan relating to Vested but Unpaid NiSource Restricted Stock Unit Awards for Nonemployee Directors of Columbia Pipeline Group, Inc. entered into as of July 13, 2015 (incorporated by reference to Exhibit 10.4 to the NiSource Inc. Form 10-Q filed on November 3, 2015).*

(10.10) NiSource Inc. Nonemployee Director Retirement Plan, as amended and restated effective May 13, 2008. (incorporated by reference to Exhibit 10.2 to the NiSource Inc. Form 10-K filed on February 27, 2009).*

(10.11) Supplemental Life Insurance Plan effective January 1, 1991, as amended, (incorporated by reference to Exhibit 2 to the NIPSCO Industries, Inc. Form 8-K filed on March 25, 1992).*

(10.12) Form of Change in Control and Termination Agreement (incorporated by reference to Exhibit 99.1 to the NiSource Inc. Form 8-K filed January 6, 2014).*

(10.13) Revised Form of Change in Control and Termination Agreement (incorporated by reference to Exhibit 10.2 to the NiSource Inc. Form 8-K filed on October 23, 2015.)*

(10.14) Form of Agreement between NiSource Inc. and certain officers of Columbia Energy Group and schedule of parties to such Agreements (incorporated by reference to Exhibit 10.33 to the NiSource Inc. Form 10-K filed on March 3, 2013).*

(10.15) NiSource Inc. 1994 Long-Term Incentive Plan, as amended and restated effective January 1, 2005 (incorporated by reference to Exhibit 10.4 to the NiSource Inc. Form 8-K filed on December 2, 2005).*

(10.16) 1st Amendment to NiSource Inc. 1994 Long Term Incentive Plan, effective January 22, 2009. (incorporated by reference to Exhibit 10.10 to the NiSource Inc. Form 10-K filed on February 27, 2009).*

(10.17) Form of Nonqualified Stock Option Agreement under the NiSource Inc. 1994 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the NiSource Inc. Form 8-K filed on January 3, 2005).*

(10.18) Form of Contingent Stock Agreement under the NiSource Inc. 1994 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to NiSource Inc. Form 10-Q filed on May 4, 2010).*

(10.19) Form of Restricted Stock Unit Agreement under the NiSource Inc. 1994 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.17 to the NiSource Inc. Form 10-K filed on February 28, 2011).*

(10.20) Form of Restricted Stock Agreement under the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.18 to the NiSource Inc. Form 10-K filed February 28, 2011).*

(10.21) Form of Restricted Stock Unit Award Agreement for Non-employee directors under the Non-employee Director Stock Incentive Plan. (incorporated by reference to Exhibit 10.19 to the NiSource Inc. Form 10-K for the period ended December 31, 2010).*

(10.22) Form of Restricted Stock Unit Award Agreement for Nonemployee Directors under the 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to NiSource Inc. Form 10-Q filed on August 2, 2011).*

(10.23) Amended and Restated NiSource Inc. Supplemental Executive Retirement Plan effective May 13, 2011 (incorporated by reference to Exhibit 10.3 to NiSource Inc. Form 10-Q filed on October 28, 2011).*

(10.24) Amended and Restated Pension Restoration Plan for NiSource Inc. and Affiliates effective May 13, 2011 (incorporated by reference to Exhibit 10.4 to NiSource Inc. Form 10-Q filed on October 28, 2011).*

(10.25) Amended Restated Savings Restoration Plan for NiSource Inc. and Affiliates effective October 22, 2012 (incorporated by reference to Exhibit 10.20 to the NiSource Inc. Form 10-K filed on February 19, 2013).*

(10.26) Amended and Restated NiSource Inc. Executive Deferred Compensation Plan effective November 1, 2012 (incorporated by reference to Exhibit 10.21 to the NiSource Inc. Form 10-K filed on February 19, 2013).*

(10.27) NiSource Inc. Executive Severance Policy, as amended and restated, effective January 1, 2015 (incorporated by reference to Exhibit 10.22 to the NiSource Inc. Form 10-K filed on February 19, 2013).*

(10.28) Letter Agreement between NiSource Corporate Services Company and Stephen P. Smith dated May 14, 2008. (incorporated by reference to Exhibit 10.24 to the NiSource Inc. Form 10-K filed on February 27, 2009).*

(10.29) Second Amended and Restated Revolving Credit Agreement, dated as of September 30, 2013, by and among NiSource Finance Corp., as Borrower, NiSource Inc., as Guarantor, the Lenders party thereto and Barclays Bank PLC, as Administrative Agent. Credit Suisse Securities (USA) LLC, as Syndication Agent, and The Bank of Tokyo-Mitsubishi UFJ, LTD., Citibank, N.A. and JPMorgan Chase Bank, N.A., as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Form 10-Q filed October 31, 2013).

(10.30) Third Amended and Restated Revolving Credit Agreement, dated as of December 5, 2014, by and among NiSource Finance Corp., as Borrower, NiSource Inc., as Guarantor, the Lenders party thereto, and Barclays Bank PLC, as Administrative Agent, Credit Suisse Securities (USA) LLC, as Syndication Agent, and The Bank of Tokyo-Mitsubishi UFJ, LTD., Citibank, N.A. and JPMorgan Chase Bank, N.A., as Co-Documentation Agents (incorporated by reference to Exhibit 10.25 to the NiSource Inc. Form 10-K filed on February 18, 2015).

(10.31) Note Purchase Agreement, dated as of August 23, 2005, by and among NiSource Finance Corp., as issuer, NiSource Inc., as guarantor, and the purchasers named therein (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Current Report on Form 8-K filed on August 26, 2005).

(10.32) Amendment No. 1, dated as of November 10, 2008, to the Note Purchase Agreement by and among NiSource Finance Corp., as issuer, NiSource Inc., as guarantor, and the purchasers whose names appear on the signature page thereto (incorporated by reference to Exhibit 10.30 to the NiSource Inc. Form 10-K filed on February 27, 2009).

(10.33) Term Loan Agreement, dated as of August 20, 2014, by and among the lenders party thereto, CoBank, ACB, as Syndication Agent, JP Morgan Chase Bank, N.A. as Administrative Agent, and J.P. Morgan Securities LLC and CoBank,ACB, as Joint Lead Arrangers and Joint Bookrunners (incorporated by reference to Exhibit 10.1 to the NiSource Inc. Form 10-Q filed October 30, 2014).

(10.34) Letter Agreement, dated as of March 17, 2015, by and between NiSource Inc. and Donald Brown. (incorporated by reference Exhibit 10.1 to the NiSource Inc. Form 10-Q filed on April 30, 2015).*

(10.35) Tax Allocation Agreement, dated as of June 30, 2015, by and between NiSource Inc. and Columbia Pipeline Group, Inc. (incorporated by reference to Exhibit 10.1 of the NiSource Inc. Form 8-K filed on July 2, 2015).

(10.36) Employee Matters Agreement, dated as of June 30, 2015, by and between NiSource Inc. and Columbia Pipeline Group, Inc. (incorporated by reference to Exhibit 10.2 of the NiSource Inc. Form 8-K filed on July 2, 2015).

(12) Ratio of Earnings to Fixed Charges.**

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(21)	List of Subsidiaries.**
(23)	Consent of Deloitte & Touche LLP.**
(31.1)	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
(31.2)	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
(32.1)	Certification of Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).**
(32.2)	Certification of Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).**
(101.INS)	XBRL Instance Document.**
(101.SCH)	XBRL Schema Document.**
(101.CAL)	XBRL Calculation Linkbase Document.**
(101.LAB)	XBRL Labels Linkbase Document.**
(101.PRE)	XBRL Presentation Linkbase Document.**
(101.DEF)	XBRL Definition Linkbase Document.**

* Management contract or compensatory plan or arrangement of NiSource Inc.

** Exhibit filed herewith.

References made to NIPSCO filings can be found at Commission File Number 001-04125. References made to NiSource Inc. filings made prior to November 1, 2000 can be found at Commission File Number 001-09779.

Exhibit 12

NiSource Inc.
Ratio of Earnings to Fixed Charges

	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Earnings as defined in item 503(d) of Regulation S-K:					
Add:					
Pretax income from continuing operations [(a)(b)]	$ 340,406,027	$ 423,910,493	$ 330,158,304	$ 253,968,177	$ 144,678,120
Fixed Charges	422,886,197	421,483,105	410,081,138	415,593,947	359,930,875
Amortization of capitalized interest [(c)]	—	—	—	—	—
Distributed income of equity investees	151,119	110,964	118,416	—	50,143
Share of pre-tax losses of equity investees for which charges arising guarantees are included in fixed charges	—	—	—	—	—
Deduct:					
Interest capitalized [(c)]	—	—	—	—	—
Preference security dividend requirements of consolidated subsidiaries [(d)]	—	—	—	—	—
Non-Controlling interest in pre-tax income of subsidiaries that have not incurred fixed charges	—	—	—	—	—
	$ 763,443,343	$ 845,504,562	$ 740,357,858	$ 669,562,124	$ 504,659,138
Fixed charges as defined in item 503(d) of Regulation S-K:					
Interest on long-term debt	$ 377,469,202	$ 368,614,101	$ 364,427,942	$ 366,907,783	$ 332,791,395
Other interest	20,897,004	22,963,342	20,521,761	24,790,198	5,081,466
Capitalized interest during period [(c)]					
Amortization of premium, reacquisition premium, discount and expense on debt, net	8,701,321	9,967,085	9,395,881	9,699,157	8,941,809
Interest portion of rent expense	15,818,670	19,938,578	15,735,555	14,196,608	13,116,205
Non-controlling interest	—	—	—	—	—
	$ 422,886,197	$ 421,483,106	$ 410,081,139	$ 415,593,746	$ 359,930,876
Plus preferred stock dividends: Preferred dividend requirements of subsidiary	$ —	$ —	$ —	$ —	$ —
Preferred dividend requirements factor	0.58	0.61	0.67	0.67	0.75
Preference security dividend requirements of consolidated subsidiaries [(d)]	—	—	—	—	—
Fixed charges	422,886,197	421,483,106	410,081,139	415,593,746	359,930,876
	$ 422,886,197	$ 421,483,106	$ 410,081,139	$ 415,593,746	$ 359,930,876
Ratio of earnings to fixed charges	1.81	2.01	1.81	1.61	1.40

[(a)] Income Statement amounts have been adjusted for discontinued operations.

[(b)] Excludes adjustment for minority interest in consolidated subsidiaries or income or loss from equity investees.

[(c)] NiSource is a public utility following ASC 980 and therefore does not add amortization of capitalized interest or subtract interest capitalized in determining earnings, nor reduces fixed charges for Allowance for Funds Used During Construction.

[(d)] Preferred dividends, as defined by SEC regulation S-K, are computed by dividing the preferred dividend requirement by one minus the effective income tax rate applicable to continuing operations.

Exhibit 21

SUBSIDIARIES OF NISOURCE

as of December 31, 2015

Segment/Subsidiary	State of Incorporation
GAS DISTRIBUTION OPERATIONS	
Bay State Gas Company d/b/a Columbia Gas of Massachusetts	Massachusetts
Columbia Gas of Kentucky, Inc.	Kentucky
Central Kentucky Transmission Company	Delaware
Columbia Gas of Maryland, Inc.	Delaware
Columbia Gas of Ohio, Inc.	Ohio
Columbia Gas of Pennsylvania, Inc.	Pennsylvania
Columbia Gas of Virginia, Inc.	Virginia
NiSource Gas Distribution Group, Inc.	Delaware
ELECTRIC OPERATIONS	
Northern Indiana Public Service Company*	Indiana
CORPORATE AND OTHER OPERATIONS	
Columbia Gas of Ohio Receivables Corporation	Delaware
Columbia Gas of Pennsylvania Receivables Corporation	Delaware
NiSource Capital Markets, Inc.	Indiana
NiSource Corporate Group, Inc.	Delaware
NiSource Corporate Services Company	Delaware
NiSource Development Company, Inc.	Indiana
NiSource Energy Technologies, Inc.	Indiana
NiSource Finance Corp.	Indiana
NiSource Insurance Corporation, Inc.	Utah
NIPSCO Accounts Receivable Corporation	Indiana

* Reported under Gas Distribution Operations and Electric Operations.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-191983, 333-191983-01 and 333-202363 on Form S-3, and Registration Statement Nos., 333-107743, 333-166888, 333-170706, and 333-204168 on Form S-8 of our reports dated February 18, 2016, relating to the consolidated financial statements and financial statement schedule of NiSource Inc. and subsidiaries (the "Company") (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the Company's spin-off of its subsidiary Columbia Pipeline Group, Inc. on July 1, 2015) and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2015.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois

February 18, 2016

Exhibit 31.1

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

I, Joseph Hamrock, certify that:

1. I have reviewed this Annual Report of NiSource Inc. on Form 10-K for the year ended December 31, 2015 ;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2016

By: /s/ Joseph Hamrock

Joseph Hamrock
President and Chief Executive Officer

Exhibit 31.2

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

I, Donald E. Brown, certify that:

1. I have reviewed this Annual Report of NiSource Inc. on Form 10-K for the year ended December 31, 2015 ;

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

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

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

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

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

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

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

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

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

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

Date: February 18, 2016

By: /s/ Donald E. Brown

Donald E. Brown

Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report of NiSource Inc. (the "Company") on Form 10-K for the year ending December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Hamrock, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Joseph Hamrock

Joseph Hamrock
President and Chief Executive Officer

Date: February 18, 2016

Exhibit 32.2

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

In connection with the Annual Report of NiSource Inc. (the "Company") on Form 10-K for the year ending December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald E. Brown, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Donald E. Brown

Donald E. Brown
Executive Vice President and Chief Financial Officer

Date: February 18, 2016