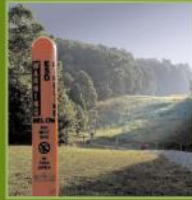


Strength



Commitment



Service



Value

# ASPIRATION

The Premier Regulated Energy Company in North America

**Ohio Gas Association 2009 Technical Seminar**

**Jimmy Staton**

**EVP and Gas Distribution Segment CEO**

**March 26, 2009**



# Agenda

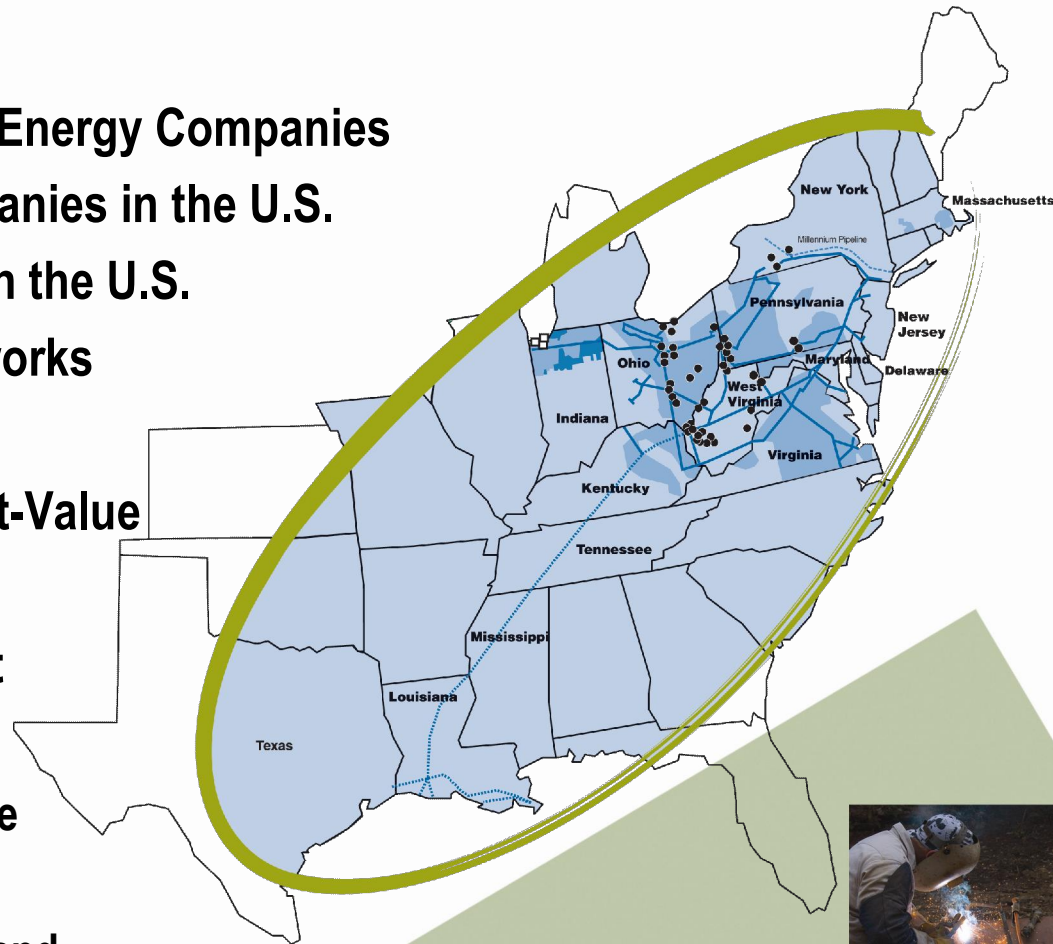
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- Provide a snapshot of NiSource
- Highlight the past 20 years
- Discuss our current environment
- Chart our destination – How will we meet our challenges?
- And last, but certainly not least...

*Confirm why it is a great time to be in the natural gas business...*

# Who Is NiSource?

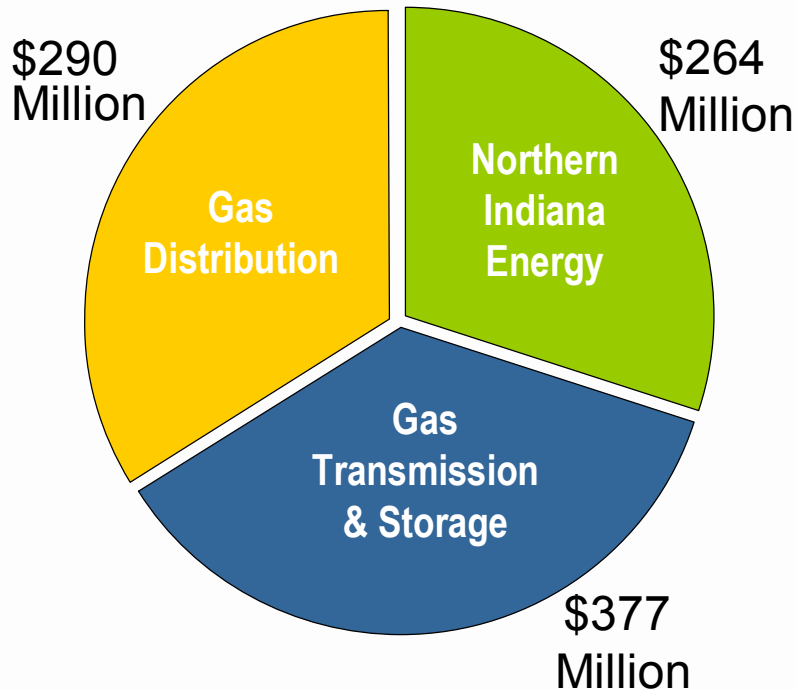
- One of America's Largest Regulated Energy Companies
- Third Largest Gas Distribution Companies in the U.S.
- Fourth Largest Pipeline Companies in the U.S.
- One of the Largest Gas Storage Networks in the U.S.
- Serving Some of the Nation's Highest-Value Energy Markets, from the Gulf Coast through the Midwest to the Northeast
- Providing a Wide Range of Services:
  - Natural Gas Transmission and Storage
  - Natural Gas Distribution
  - Electricity Generation, Transmission and Distribution



# NiSource's Balanced Portfolio

NiSource operates a balanced portfolio of low-risk, regulated assets generating nearly \$8 billion in annual revenues and about \$3 billion in net revenues.

## 2008 Operating Income



Columbia Gas<sup>®</sup>  
of Ohio  
*A NiSource Company*

Columbia Gas<sup>®</sup>  
of Pennsylvania  
*A NiSource Company*

Bay State Gas  
*A NiSource Company*

Columbia Gas<sup>®</sup>  
of Maryland  
*A NiSource Company*

Columbia Gas<sup>®</sup>  
of Kentucky  
*A NiSource Company*

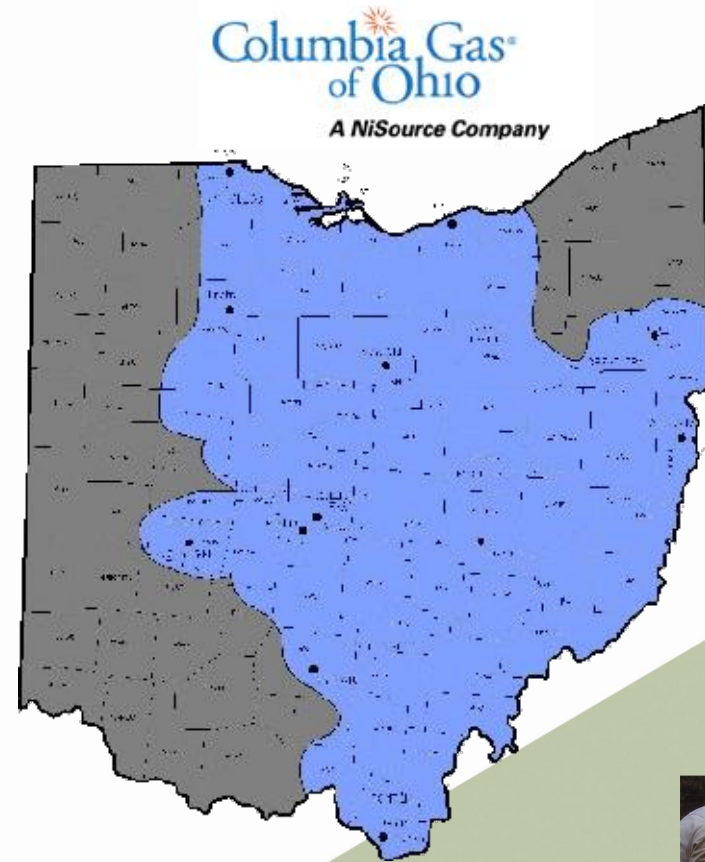
Columbia Gas<sup>®</sup>  
of Virginia  
*A NiSource Company*



**NiSource**

# Columbia Gas of Ohio

- **Our largest gas local distribution company**
- **Serving Buckeyes since early 1900s**
- **Serves over 1.4 million customers in 1,000 communities -- including Columbus, Toledo, Parma, Mansfield and Springfield**
  - 60 of 88 counties served – encompassing 25,400 square miles
  - 19,161 miles of distribution mains
  - \$1.6 billion total plant investment
- **Over 1,200 NiSource and COH employees in Ohio**



Columbia Gas<sup>®</sup>  
of Ohio  
A NiSource Company



**NiSource**

# Gas Distribution Strategic Destination

- A Strong Financial Profile
- Investment-Driven Growth
- Robust, Sustainable Earnings
- Premier Safety, Service and Reliability
- A Solid Foundation of Employees:
  - Engaged
  - Aligned
  - Safe



**NISource**

# The Realities of the Environment and of our Business

Last Decade

- *Internally focused*
- *Operational efficiency*
- *Optimizing capital requirements*

- *Efficient customer service*
- *Aging workforce demographics*
- *Infrastructure*

Today

- *Economy in the tank*
- *Capital markets have melted down*
- *Pension costs are up*

- *Customer expectations high*

Next 20 Years

- *Reinvest in our infrastructure*
- *Renewed Focus on our customers*

- *Retain efficient operations*
- *Reinvest in our employees*
- *Active regulatory agenda*

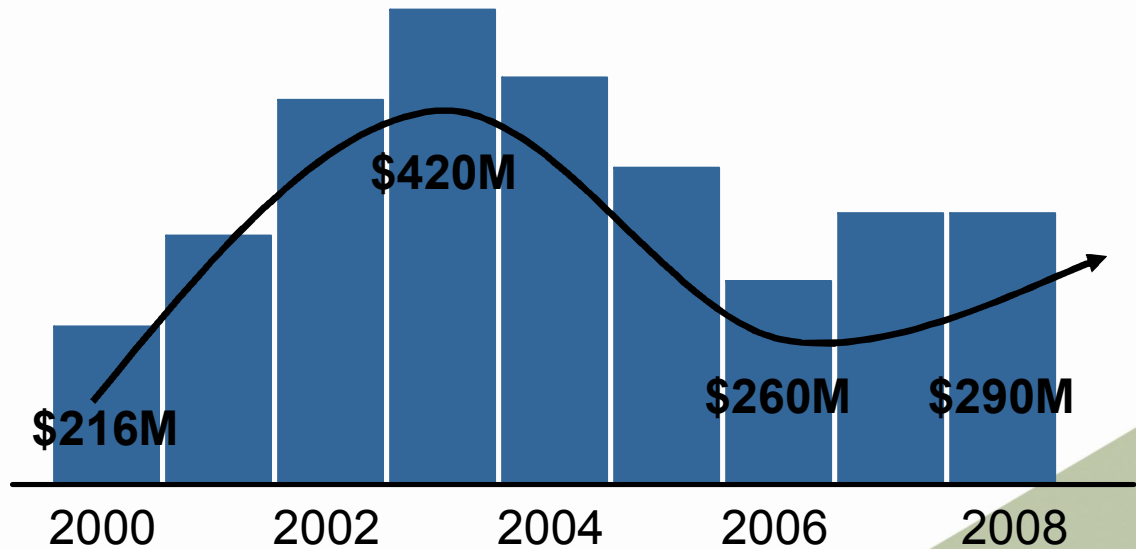
**Unrelenting Focus on Safety, Reliability and Value**

# Facing our Realities

## Last Decade

- *Internally focused*
- *Operational efficiency*
- *Optimizing capital requirements*
- *Efficient customer service*
- *Aging Workforce demographics*
- *Infrastructure*

## GAAP Operating Income 2000-2008



Unrelenting Focus on Safety, Reliability and Value

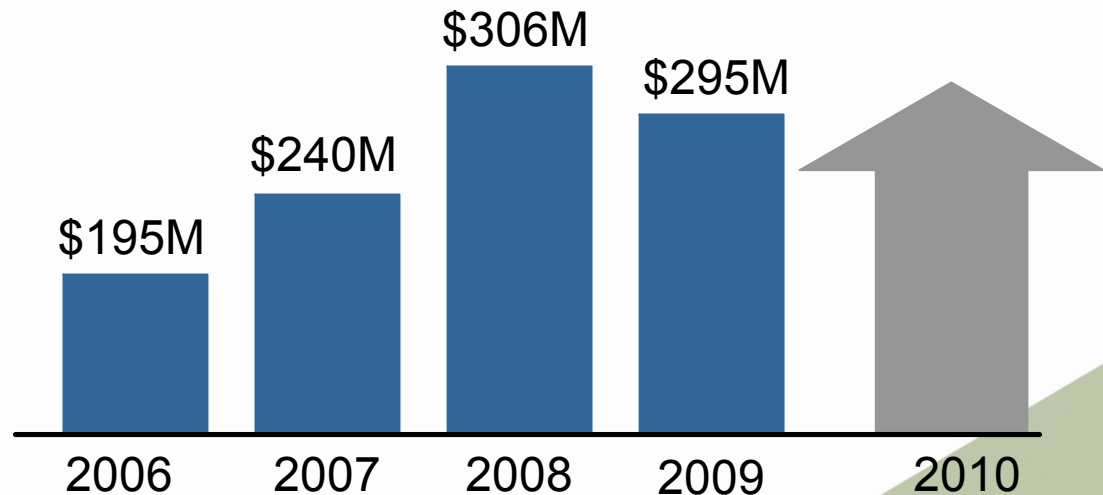


# The Realities of the Environment and of our Business

Today

- *Economy in the tank*
- *Capital markets have melted down*
- *Pension costs are up*
- *Customer expectations high*

## Gas Distribution Capital Investment



Aligning growth capital with current financial realities

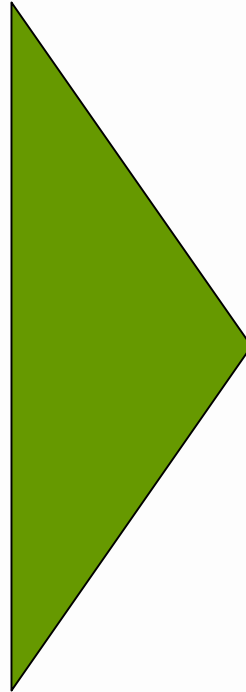
Unrelenting Focus on Safety, Reliability and Value



# The Realities of the Environment and of our Business

## Next 20 Years

- Long-term initiatives to enhance aging infrastructure
  - 20-25 Year Bare Steel Replacement Programs
  - Investing \$4+ Billion
- Collaborate with state pipeline safety officials
- Reduced leak incidence rates over time



## Focus

- Profit – Syncing regulatory filings focused on straight-fixed variable rate design with infrastructure tracker programs
- Performance – Safe, reliable system with timely response
- Perception – Improving “Customer Experience”
- People – Engaged, safe and diverse employees

Unrelenting Focus on Safety, Reliability and Value



# Profit – Growth and Value

- **Thoughtful and disciplined focus** on rebuilding infrastructure
- **Timely regulatory recovery** of investments and initiatives
- **Align growth capital** with current financial realities
- **Challenging team** to optimize spend

**Unrelenting Focus on Safety, Reliability and Value**

# Performance – Operational Excellence

- **Top decile safety performance**
- **Six sigma compliance performance**
- **Top quartile emergency response performance**
- **Top quartile damage prevention**

**Unrelenting Focus on Safety, Reliability and Value**

# Perception – Redefining The Customer Experience

- Multi-channel, 24/7 access to **company information**
- **Integrated Electronic Data Interchange (EDI) capability**
- 1-hour appointment windows – **and make them**
- **Industry leading customer consumption reduction programs (DSM)**
- **99% monthly** information accuracy
- **60%** on-line bill presentment/payment

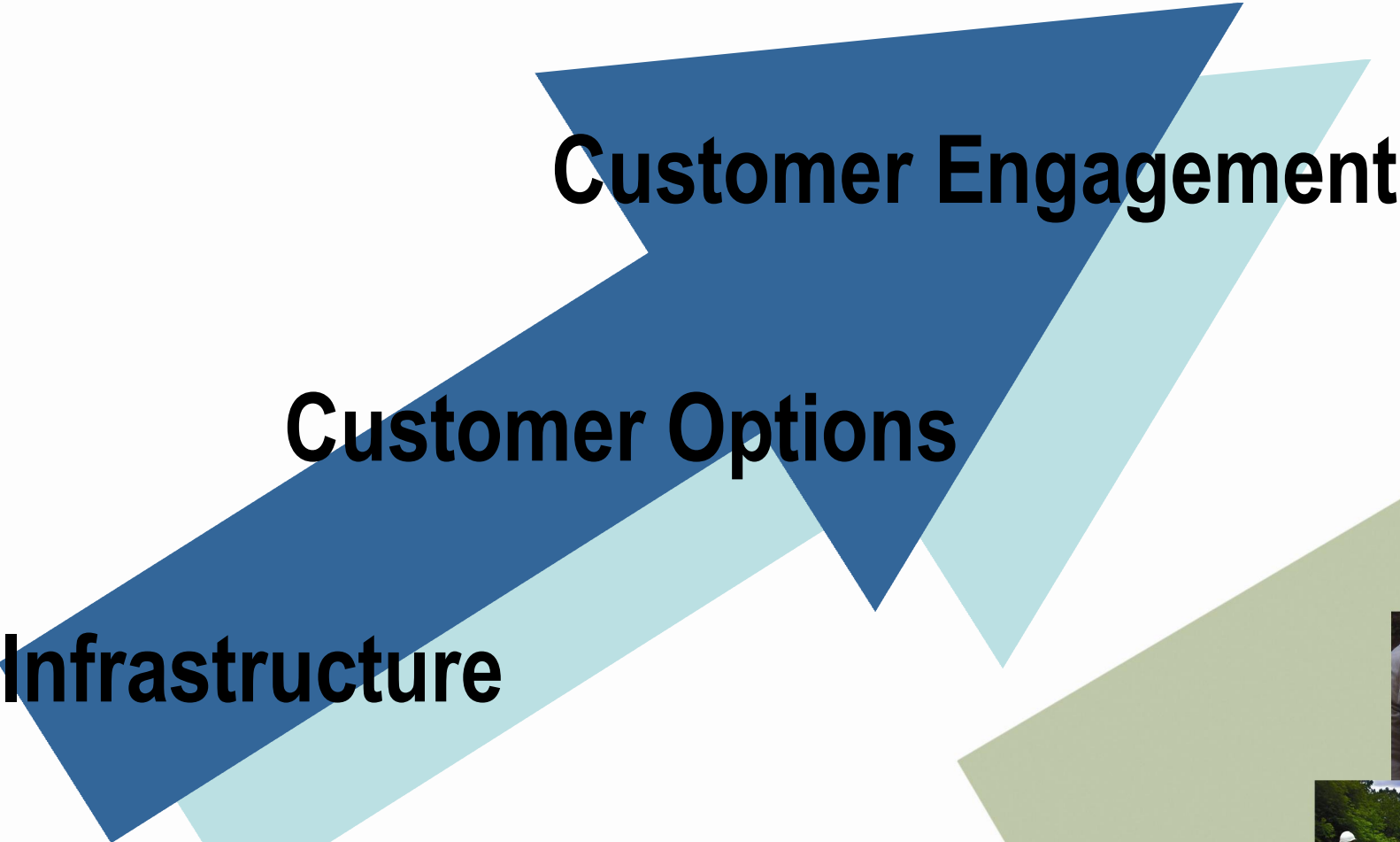
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# People – Redefining The Employee Experience

- **Leadership team that** reflects the face of our customer base
- **At or above high performing norms for** employee engagement
- **Solid** business acumen **training**
- **Highly rated** technical/safety training
- **Highly rated** leadership development

**Unrelenting Focus on Safety, Reliability and Value**

# Three Wave Approach To Meet Our Challenges



- **Investment driven growth focused on:**
  - Rate case management
  - Rebuilding aging infrastructure
  - Tracking volatile costs
  - Improving customer safety and system integrity

2008

2009

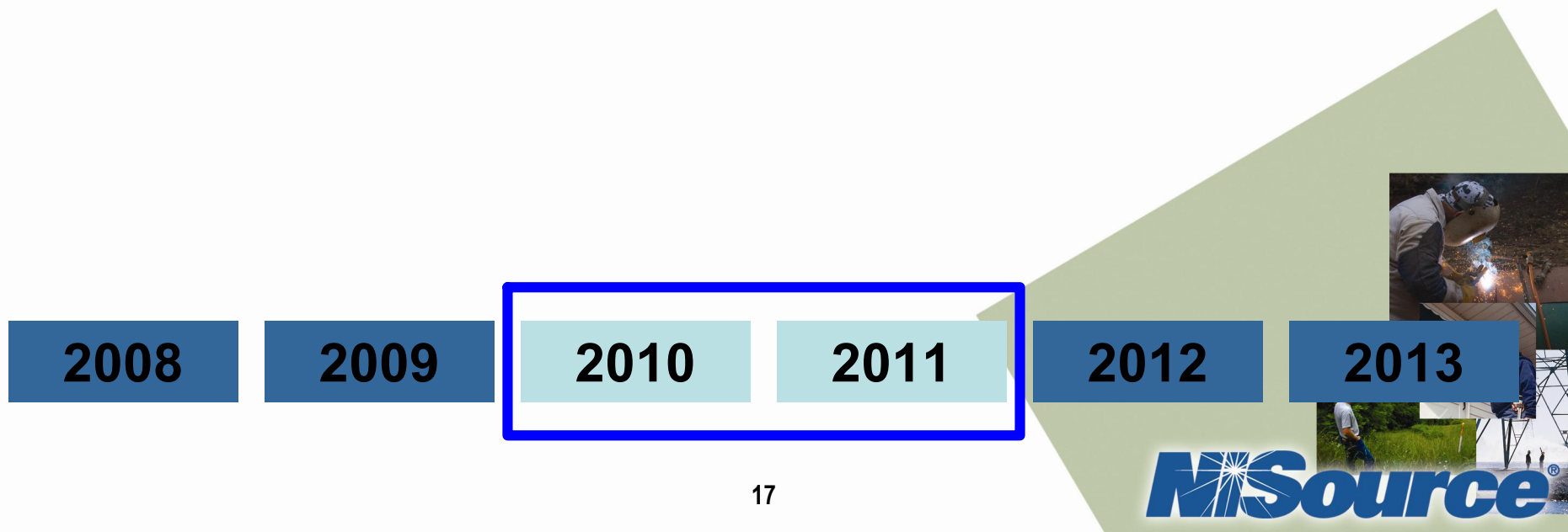
2010

2011

2012

2013

- **Earnings growth focused on customer options:**
  - AMR implementation
  - Customer consumption reduction programs
  - Commodity retail options
  - Rate designs to encourage customer options



- **Earnings growth focused on customer engagement:**
  - Information systems infrastructure investments
  - Website redesign and functionality
  - New wave of customer consumption reduction investments

2008

2009

2010

2011

2012

2013

# Why Is It A Great Time To Be In The Gas Business?

- We are **back to our roots**:
  - Investing in our infrastructure and providing service
  - Rebuilding and becoming safer
- Our trend setting is finally noticed – **we have always been the “green” choice of customers**
- Customers will get the **information they need** and the **service they deserve**
- **Communities are benefiting** from the jobs we are creating
- We have **opportunities to improve even more...**

**Unrelenting Focus on Safety, Reliability and Value**

