

Social risks are primarily related to demographic trends, safety, customer and regulatory relations. The company's TDSIC investments are primarily for the purposes of safety, reliability, system modernization and economic development.

Corporate governance considerations, including financial policy and risk management, are key to managing the company's environmental and social risk. As the company executes its substantial capital plan reducing its carbon footprint, a conservative financial policy will be important to maintaining NIPSCO's credit quality.

Liquidity analysis

We expect NIPSCO to maintain adequate liquidity over the next 12-18 months. The company may borrow a maximum of \$1 billion through NiSource's money pool as approved by FERC. As of 31 March 2021, NIPSCO had \$385 million of money pool borrowings outstanding. Through the money pool, NIPSCO indirectly has access to NiSource's \$1.85 billion credit facility, expiring in 2024. At 31 March 2021, NiSource had no outstanding borrowings under this facility.

NIPSCO also maintains a receivables sales program which expires in August 2021, and may be renewed if mutually agreed to by all signatory parties. Availability varies according to the season with a maximum seasonal program limit of \$225 million as of 31 March 2021.

For the twelve months ending on 31 March 2021, NIPSCO generated \$717 million in operating cash flow, invested \$656 million in capital expenditures, and paid no dividends to its parent, resulting in a positive free cash flow position of \$61 million. Going forward, we expect NIPSCO to generate negative free cash flow as it executes on its sizeable capital expenditure plan and anticipate that it will continue to meet any cash shortfall through intercompany loans and equity infusions as capital expenditures ramp up.

Rating methodology and scorecard factors

Exhibit 6

Methodology Scorecard Factors

Northern Indiana Public Service Company

Regulated Electric and Gas Utilities Industry Scorecard [1][2]			Current LTM 3/31/2021		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)			Measure	Score	Measure	Score
a) Legislative and Judicial Underpinnings of the Regulatory Framework			A	A	A	A
b) Consistency and Predictability of Regulation			A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)						
a) Timeliness of Recovery of Operating and Capital Costs			A	A	A	A
b) Sufficiency of Rates and Returns			A	A	A	A
Factor 3 : Diversification (10%)						
a) Market Position			Ba	Ba	Ba	Ba
b) Generation and Fuel Diversity			Ba	Ba	Ba	Ba
Factor 4 : Financial Strength (40%)						
a) CFO pre-WC + Interest / Interest (3 Year Avg)			7.2x	Aa	6.5x - 7x	Aa
b) CFO pre-WC / Debt (3 Year Avg)			27.0%	A	19% - 23%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)			24.2%	A	19% - 23%	A
d) Debt / Capitalization (3 Year Avg)			40.9%	A	40% - 45%	A
Rating:						
Scorecard-Indicated Outcome Before Notching Adjustment				A2		A3
HoldCo Structural Subordination Notching				0		0
a) Scorecard-Indicated Outcome				A2		A3
b) Actual Rating Assigned				Baa1		Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

[2] As of 3/31/2021(L)

[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Financial Metrics

Appendix

Exhibit 7

Peer Comparison Table [1]

	Northern Indiana Public Service Baa1 (Stable)			Duke Energy Indiana, LLC. A2 (Stable)			Vectren Utility Holdings, Inc. A3 (Stable)			Indiana Michigan Power Company A3 (Stable)		
(In US millions)	FYE Dec-19	FYE Dec-20	LTM Mar-21	FYE Dec-19	FYE Dec-20	LTM Mar-21	FYE Dec-19	FYE Dec-20	LTM Mar-21	FYE Dec-20	FYE Dec-20	LTM Mar-21
Revenue	2,499	2,248	2,303	3,004	2,795	2,848	1,433	1,423	1,615	2,307	2,242	2,236
CFO Pre-W/C	708	736	759	1,039	951	971	339	514	349	721	920	924
Total Debt	2,749	2,780	2,737	4,500	4,624	4,484	2,185	2,259	2,377	3,399	3,287	3,269
CFO Pre-W/C + Interest / Interest	7.0x	7.4x	7.8x	6.5x	6.4x	6.3x	4.9x	7.3x	5.4x	6.2x	8.7x	9.0x
CFO Pre-W/C / Debt	25.8%	26.5%	27.7%	23.1%	20.6%	21.6%	15.5%	22.7%	14.7%	21.2%	28.0%	28.3%
CFO Pre-W/C - Dividends / Debt	19.2%	26.5%	27.7%	18.6%	16.2%	17.2%	13.3%	19.6%	11.7%	18.9%	25.4%	25.5%
Debt / Capitalization	43.0%	40.5%	39.3%	44.3%	43.5%	42.3%	45.9%	43.5%	43.9%	49.3%	46.3%	45.8%

[1] All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.

Source: Moody's Financial Metrics

Exhibit 8

Cash Flow and Credit Metrics [1]

CF Metrics	Dec-17	Dec-18	Dec-19	Dec-20	LTM Mar-21
As Adjusted					
FFO	646	699	755	716	748
+/- Other	-43	-25	-47	20	12
CFO Pre-WC	603	673	708	736	759
+/- ΔWC	11	-8	49	30	-37
CFO	614	666	758	766	722
- Div	50	50	180	0	0
- Capex	801	795	670	695	661
FCF	-237	-179	-92	71	61
(CFO Pre-W/C) / Debt	25.2%	24.9%	25.8%	26.5%	27.7%
(CFO Pre-W/C - Dividends) / Debt	23.1%	23.0%	19.2%	26.5%	27.7%
FFO / Debt	27.0%	25.8%	27.5%	25.8%	27.3%
RCF / Debt	24.9%	24.0%	20.9%	25.8%	27.3%
Revenue	2,413	2,459	2,499	2,248	2,303
Interest Expense	102	113	118	115	112
Net Income	216	205	318	274	290
Total Assets	7,901	8,487	8,867	9,393	9,473
Total Liabilities	5,405	5,736	5,979	6,219	6,184
Total Equity	2,496	2,751	2,888	3,175	3,289

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are Financial Year-End unless indicated. LTM = Last Twelve Months.

Source: Moody's Financial Metrics

Ratings

Exhibit 9

Category	Moody's Rating
NORTHERN INDIANA PUBLIC SERVICE COMPANY	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured	Baa1
PARENT: NISOURCE INC.	
Outlook	Stable
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Pref. Stock	Ba1
Commercial Paper	P-2

Source: Moody's Investors Service

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REPORT NUMBER

1292765

Contacts

Nana Hamilton +1.212.553.9440
VP-Senior Analyst
 nana.hamilton@moodys.com

Yulia Rakityanskaya +1.416.214.3627
Associate Analyst
 yulia.rakityanskaya@moodys.com

Michael G. Haggarty +1.212.553.7172
Associate Managing Director
 michael.haggarty@moodys.com

Jim Hempstead +1.212.553.4318
MD - Global Infrastructure & Cyber Risk
 james.hempstead@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653
 Asia Pacific 852-3551-3077
 Japan 81-3-5408-4100
 EMEA 44-20-7772-5454



RATING ACTION COMMENTARY

Fitch Affirms NiSource Inc. and NIPSCO at 'BBB'; Outlook Stable

Tue 08 Mar, 2022 - 1:46 PM ET

Fitch Ratings - New York - 08 Mar 2022: Fitch Ratings has affirmed the 'BBB' Long-Term Issuer Default Ratings (IDRs) of NiSource Inc. (NI) and Northern Indiana Public Service Company (NIPSCO). The Rating Outlook is Stable. NI's credit profile is supported by its 100% regulated gas and electric utility operations in six states. NI's credit metrics will remain elevated primarily due to a large capex program. A fully regulated business model with supportive regulation mitigates relatively high leverage, which has been the case for NI due to the capex program and legacy debt. NIPSCO's ratings mirror those of NI, as it relies on NI solely for capital access.

KEY RATING DRIVERS

Low Business Risk

NI's ratings and Outlook are supported by stable cash flows and earnings from 100% regulated gas and electric utilities in six states. Gas rate base is approximately 65% the total rate base. Gas-distribution utilities benefit from supportive recovery mechanisms and are less exposure to environmental mandates. Four states have legislations that prohibit municipalities from banning natural gas use. Fitch considers Ohio, Pennsylvania and Indiana -- NI's top three service territories -- to be among the most supportive jurisdictions in the U.S. Fitch believes a fully regulated business model mitigates relatively high leverage.

Supportive Regulation

Approximately 75% of NI's growth, safety and modernization capex are expected to begin earning within 18 months. NI's gas utilities have revenue decoupling in Ohio, Maryland and Virginia; weather normalization in Pennsylvania, Maryland, Virginia and Kentucky; and straight fixed-variable rates in Ohio. Gas rates in Indiana are nearly 50% fixed for residential and commercial customers. Approximately 50% of the total revenue is nonvolumetric.

All NI's gas utilities use infrastructure trackers on a regular basis except in Pennsylvania. Columbia Gas of Pennsylvania has an option to file for infrastructure tracker or a forward-looking test year in a base rate case. NIPSCO Gas, Columbia Gas of Maryland and Columbia Gas of Kentucky and have authorized ROEs of 9.85%, 9.65% and 9.35%, respectively. Other gas utilities have ROE for specific infrastructure or modernization programs ranging from 9.275% to 10.39%. NIPSCO electric's authorized ROE is 9.75%, compared with 2021 industry average of 9.54%.

In Indiana, the Transmission, Distribution and Storage System Improvement Charge statute provides for cost recovery between rate cases for safety, reliability and modernization, and allows pre-approval of a seven-year plan of eligible investments. Up to 80% of eligible costs can be recovered using semi-annual trackers.

NIPSCO's transmission projects are regulated by the Federal Energy Regulatory Commission (FERC) regulation which enjoy forward-looking rates and construction work in progress recovery. NIPSCO's FERC ROE is 10.82%, including a 50bps adder for participating in the Midcontinent Independent System Operator transmission service and wholesale energy market.

Constructive Rate Cases

NiSource files rate cases frequently to recover maintenance capex. In 2021, NiSource's gas utilities completed three rate cases. Columbia Gas of Pennsylvania, NiSource's second largest gas LDC, was granted \$58.5 million revenue increase, compared with the proposed \$98.3 million. The ROE and equity layer were not specified. NiSource agreed to use the generic ROE approved by the PUC in its quarterly earning reviews to calculate prospective adjustments under the DISC. Residential monthly customer charge is unchanged at \$16.75. But small commercial customer will see modest increase and large volume customers will see higher increase. Two rate cases are pending at Columbia Gas of Ohio and NIPSCO Gas. Orders are expected in Q3 2022.

Large Capex

In the next three years, annual capex is expected to average \$2.5 billion, compared with approximately \$1.9 billion in the last three years. Most projects are small, providing flexibility in execution. NI's robust capex program is mainly supported by infrastructure modernization legislations and riders in all its service territories. Renewable projects are pre-approved, reducing regulatory uncertainties. Rate base will grow 10%-12% CAGR from 2021 to 2024.

Cleaner Generation

NI plans to retire all coal generation by 2028. 51% (1,177MW) of NIPSCO's nameplate generation capacity is from coal generation. NI proposed that the retiring units be replaced by demand side management resources, solar, energy storage and upgrades to the Sugar Creek Generating Station. Two vintage gas peaking units at the R.M. Schahfer Generating Station is expected to retire between 2025 and 2028. NIPSCO proposed a natural gas peaking unit to replace these units. At YE 2021, NI have executed and received IURC approval for Build-Transfer Agreements and PPAs with a combined capacity of 1,950MW and 1,380MW, respectively.

Credit Metrics

Over the last three years, FFO leverage averaged 5.7x incorporating impact from the Merrimack Valley gas explosions, the pandemic, asset sale in Massachusetts and weather. Fitch expects FFO leverage to average in the high 5x in the next two years due to the large capex program and rebound to 5.5x in 2024.

Parent Sub Linkage

NI's operating subsidiaries rely on NI solely for liquidity and capital access. As such, NIPSCO's standalone credit profile (SCP) is not analytically meaningful and its IDR reflects NI's consolidated credit profile. NiSource has not issued any new debt at the operating companies and doesn't plan to do so going forward. Debt balances at the operating subs are largely intercompany loans and small amount of public debt which will be repaid as they mature.

DERIVATION SUMMARY

NI's fully regulated business model provides predictable earnings and cash flow, compared with Southern Company Gas (BBB+/Stable) which invests in unregulated operations. NI's business model, geographic diversification and supportive regulations mitigate its relatively weak credit metrics. Similar to IPALCO Enterprises, Inc. (BBB-/Stable) which also operates in Indiana, NI's subsidiary NIPSCO has coal generation.

However, NI's operation is diversified and gas focused compared with IPALCO's single-state electric generation. Both NI and IPALCO are executing a large capex program. Fitch expects both NI and IPALCO's FFO leverage to be in the high-5x for the next few years. NiSource's superbly low operating risks result in the one-notch IDR difference from IPALCO although their FFO leverage ratios are similar.

NIPSCO's gas and electric assets are superior to Indianapolis Power & Light Co.'s (IPL; BBB+/Stable) electric-only operations. Gas utilities generally have lower operating risks and enjoy favorable regulations. NIPSCO and IPL's coal-generation portfolios rely on Indiana's supportive environmental cost-recovery mechanisms. NIPSCO's SCP is strong. However, its rating is the same as NI, as it depends on NI for funding. IPL's rating is upward constrained by the ownership of IPALCO, which relies on IPL solely to service its debt obligations.

KEY ASSUMPTIONS

- Approximately \$7.5 billion capex for 2022-2024 forecast including nearly \$2 billion renewable capex;
- At-the-market equity of \$200 to 300 million in 2022, and 0 to 150 million in 2023;
- Common equity issuances of \$1.725B through the equity units;
- Employee stock purchase plan issuance \$30-\$50 million per year.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- NI and NIPSCO could be upgraded if consolidated FFO leverage is sustained below 5.0x.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Consolidated FFO leverage sustains above 6.0x with low probability of recovery;

--Material adverse changes in NI's regulatory construct that result in unexpected lag or disallowance in recovering capital spending.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Non-Financial Corporate issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

ISSUER PROFILE

NiSource Inc. is a regulated utility holding company which owns and operates five distribution subsidiaries that provide natural gas to approximately 2.4 million customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland. Additionally, NiSource distributes natural gas to approximately 853,000 customers in northern Indiana through its wholly-owned subsidiary, NIPSCO, which also generates, transmits and distributes electricity to approximately 483,000 customers in the northern part of Indiana and also engage in wholesale electric and transmission transactions. Coal pre-presents 51% of NIPSCO's 2,315MW generation capacity as of Dec. 31, 2021.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on NiSource and NIPSCO, either due to their nature or the way in which they are being managed by NiSource and NIPSCO. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
NiSource Inc.	LT IDR	BBB Rating Outlook Stable		BBB Rating Outlook Stable
	Affirmed			
	ST IDR	F2	Affirmed	F2
senior unsecured	LT	BBB	Affirmed	BBB
preferred	LT	BB+	Affirmed	BB+
senior unsecured	ST	F2	Affirmed	F2
Northern Indiana Public Service Company	LT IDR	BBB Rating Outlook Stable		BBB Rating Outlook Stable
	Affirmed			
senior unsecured	LT	BBB+	Affirmed	BBB+

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Julie Jiang

Director

Primary Rating Analyst

+1 212 908 0708

julie.jiang@fitchratings.com

Fitch Ratings, Inc.

33 Whitehall Street New York, NY 10004

Ivana Ergovic

Director

Secondary Rating Analyst

+1 212 908 0354

ivana.ergovic@fitchratings.com

Philip Zahn, CFA

Senior Director

Committee Chairperson

+1 312 606 2336

philip.zahn@fitchratings.com

MEDIA CONTACTS**Elizabeth Fogerty**

New York

+1 212 908 0526

elizabeth.fogerty@thefitchgroup.com

Additional information is available on www.fitchratings.com**PARTICIPATION STATUS**

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APPLICABLE CRITERIA

Corporates Recovery Ratings and Instrument Ratings Criteria (pub. 09 Apr 2021)
(including rating assumption sensitivity)

Corporate Rating Criteria (pub. 15 Oct 2021) (including rating assumption sensitivity)

Parent and Subsidiary Linkage Rating Criteria (pub. 01 Dec 2021)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v7.9.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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NiSource Inc.

EU Endorsed, UK Endorsed

Northern Indiana Public Service Company

EU Endorsed, UK Endorsed

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