

# LARGE FILING SEPERATOR SHEET

CASE NUMBER: 08-72-GA-AIR  
08-73-GA-ALT  
08-74-GA-AAM  
08-75-GA-AAM

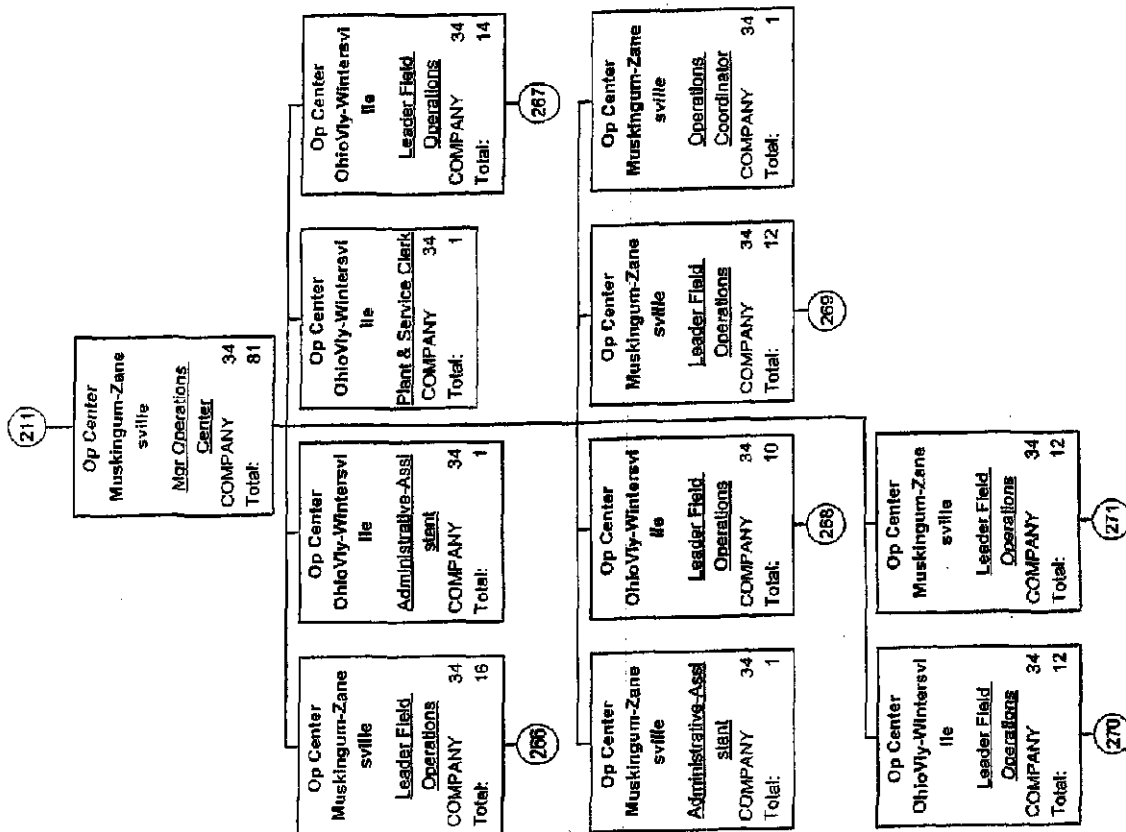
FILE DATE: 3/3/2008

SECTION: 9 of 10

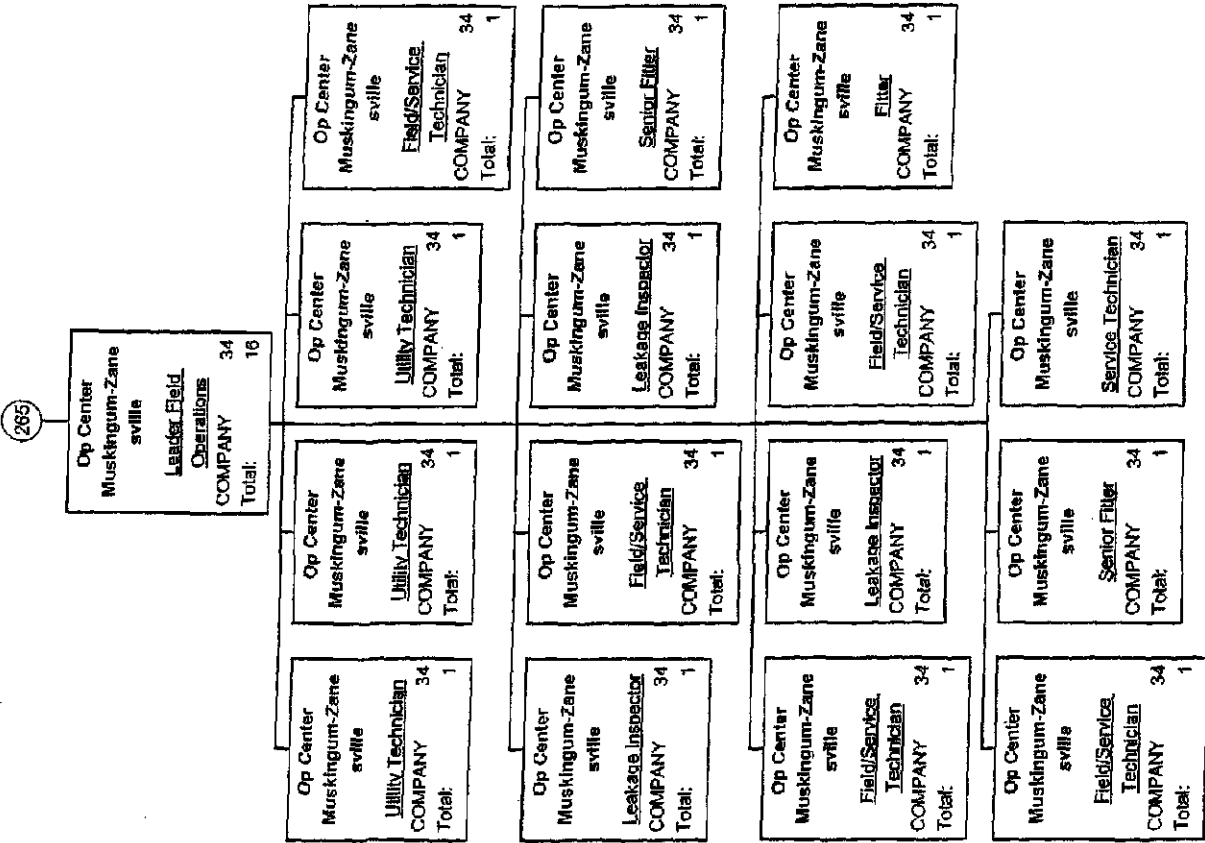
NUMBER OF PAGES: 168

DESCRIPTION OF DOCUMENT: Application

# Op Center Muskingum-Zanesville

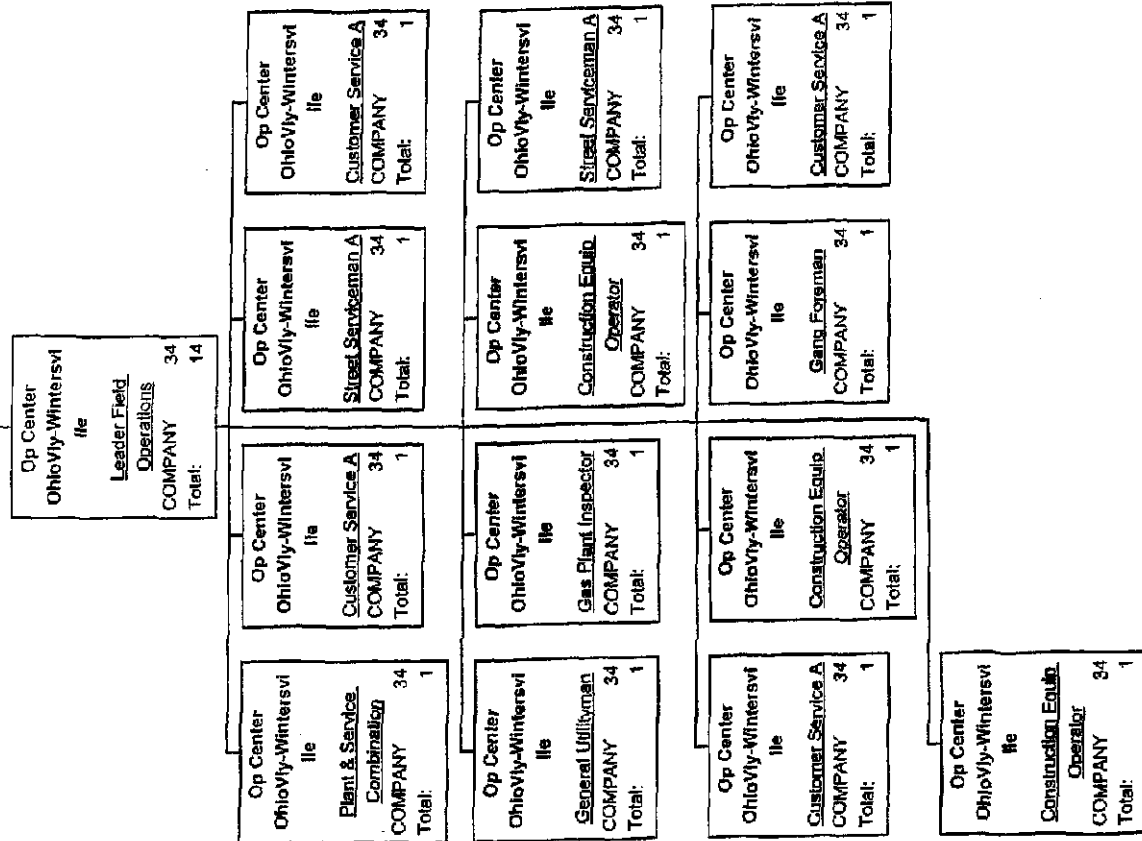


# Op Center Muskingum-Zanesville

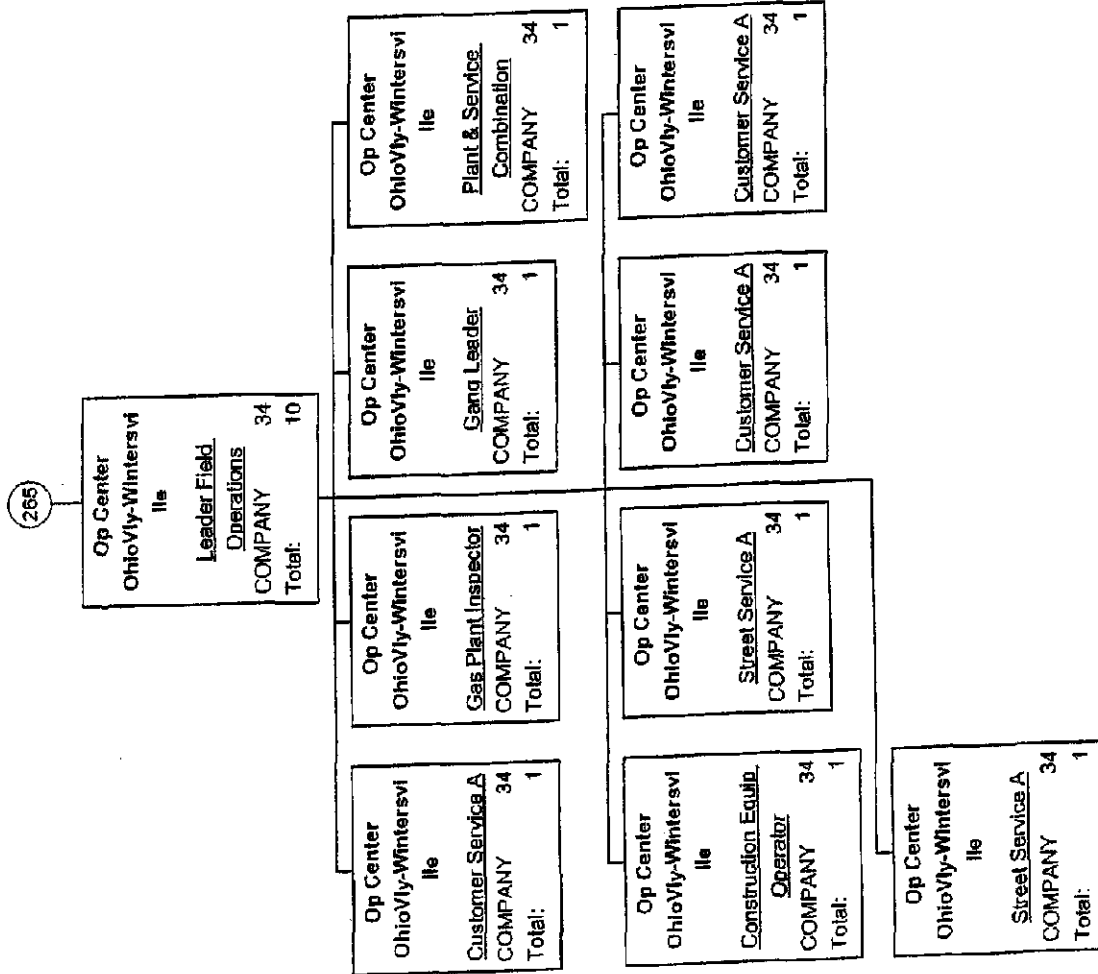


# Op Center OhioVly-Wintersville

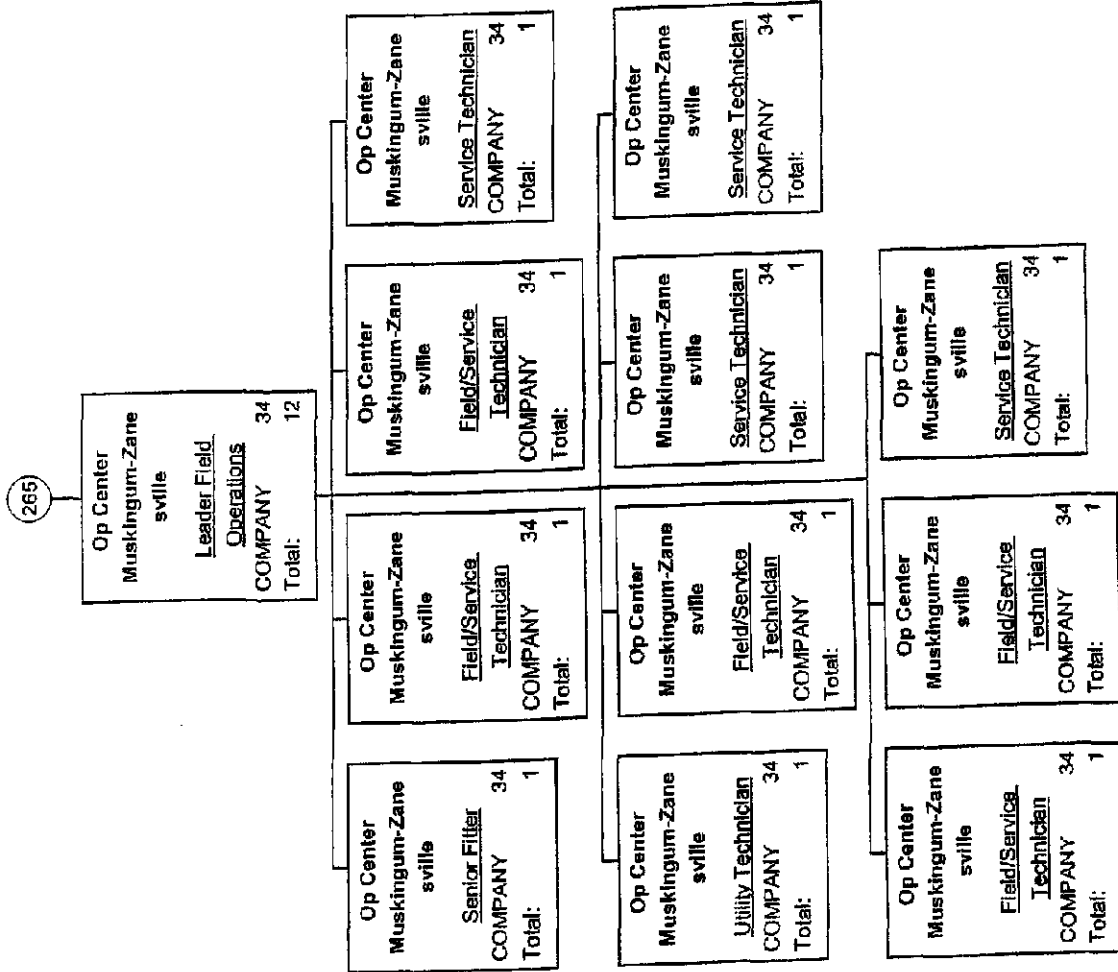
(265)



# Op Center OhioVly-Wintersville

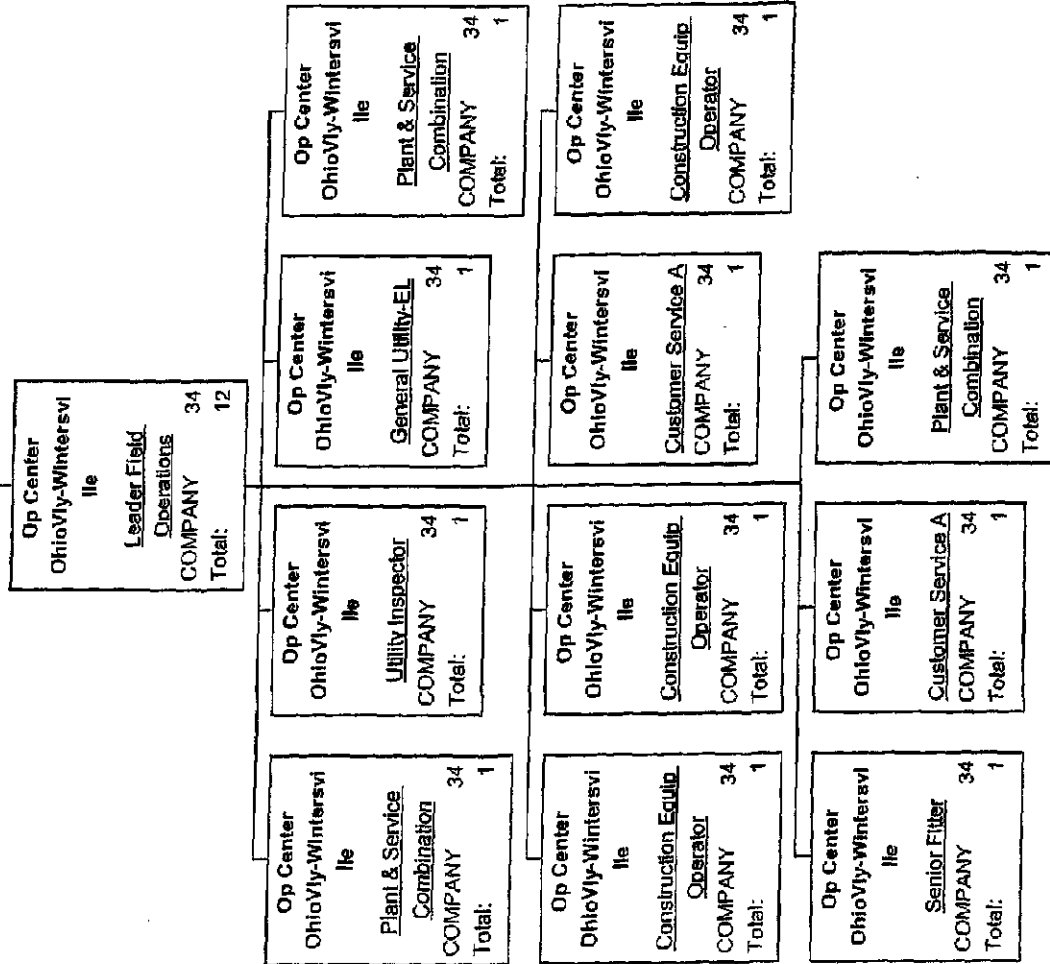


# Op Center Muskingum-Zanesville

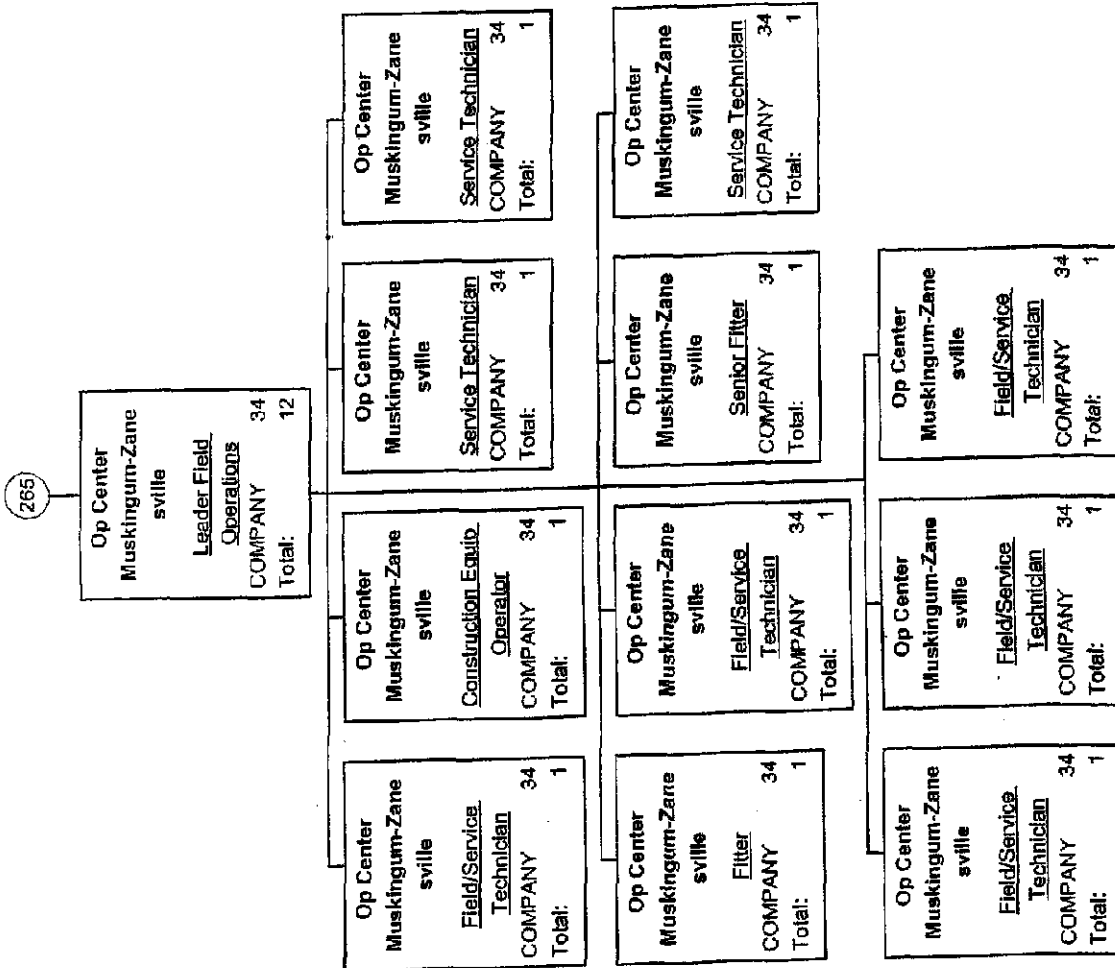


# Op Center OhioVly-Wintersville

(265)

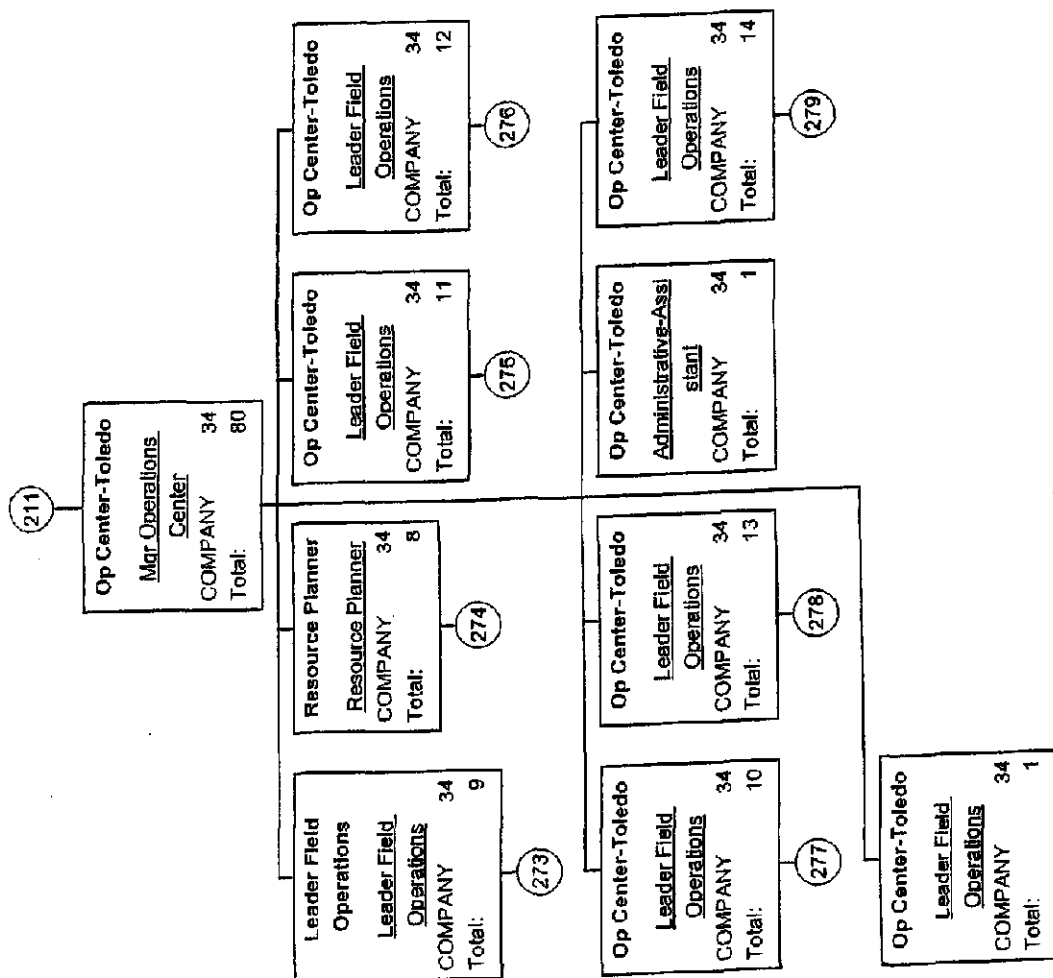


# Op Center Muskingum-Zanesville

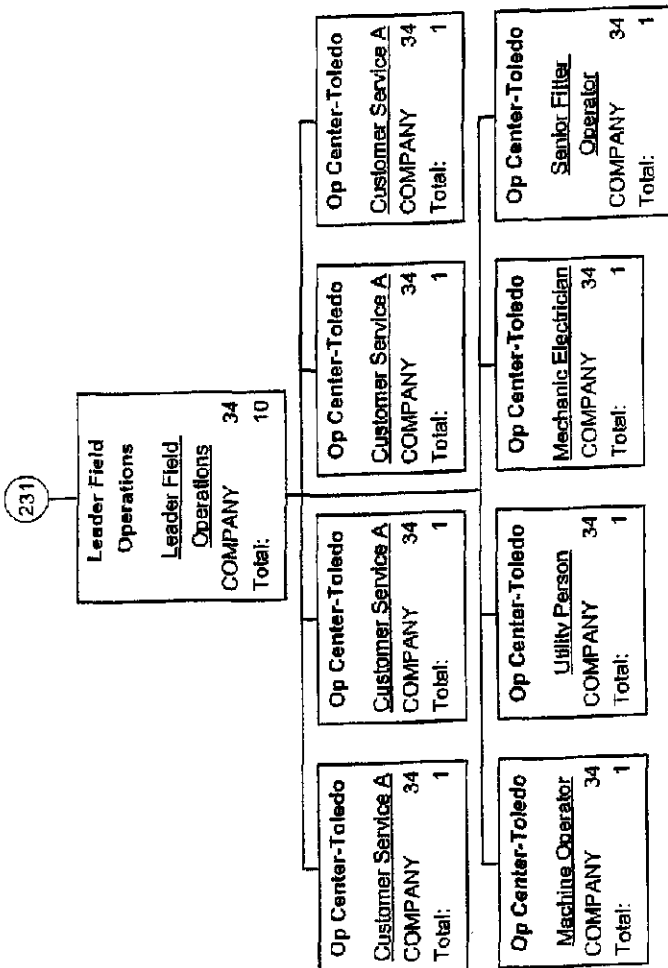




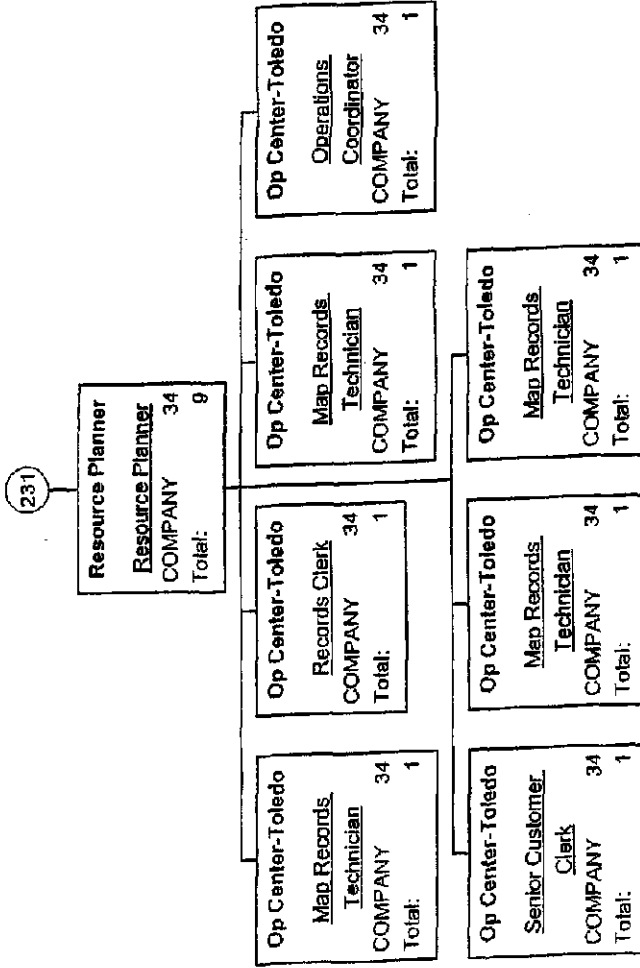
# Op Center-Toledo



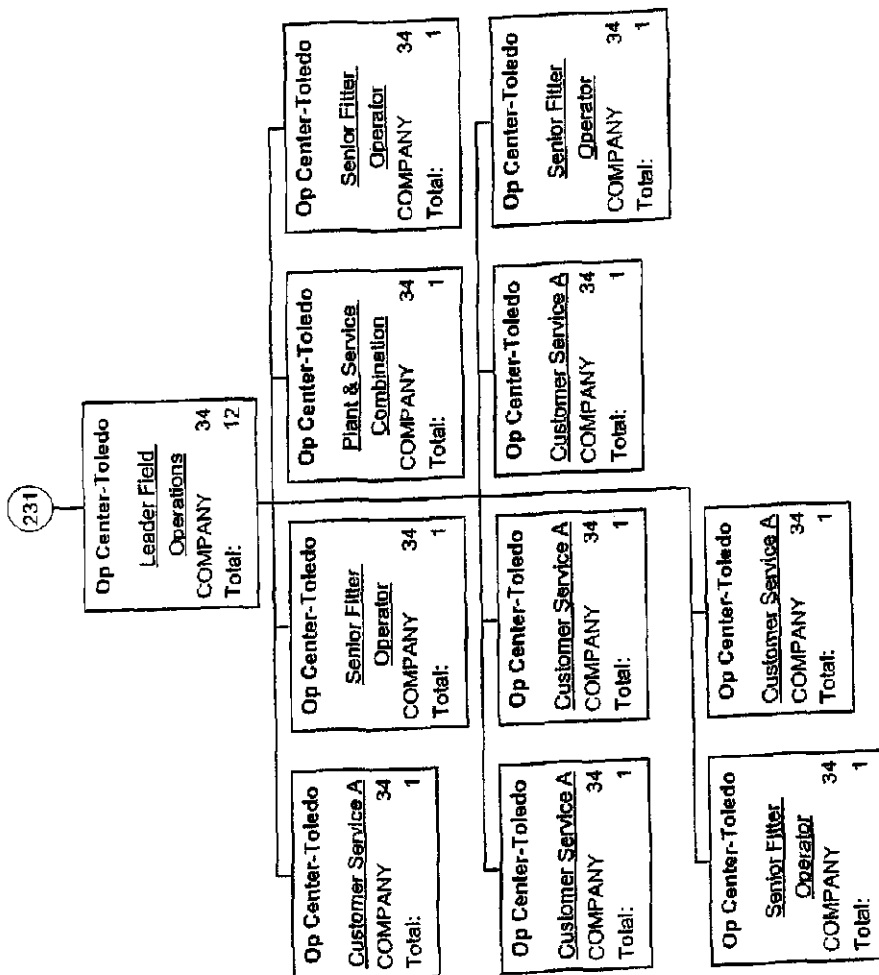
# Leader Field Operations



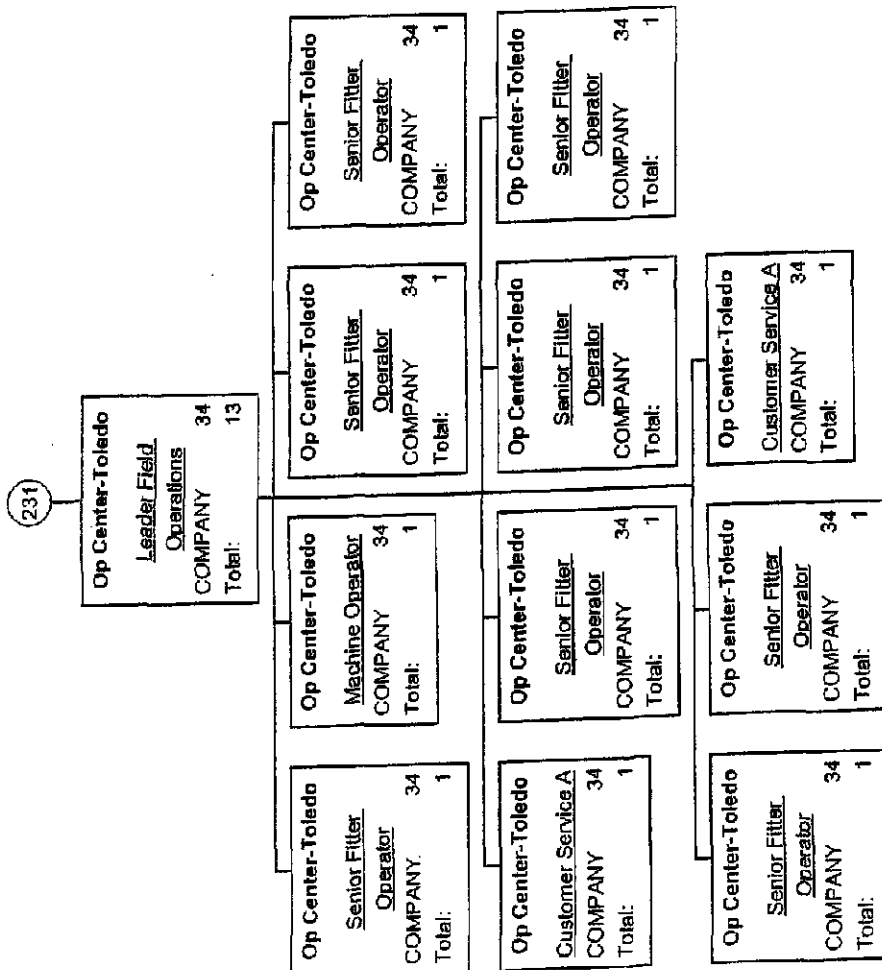
# Resource Planner



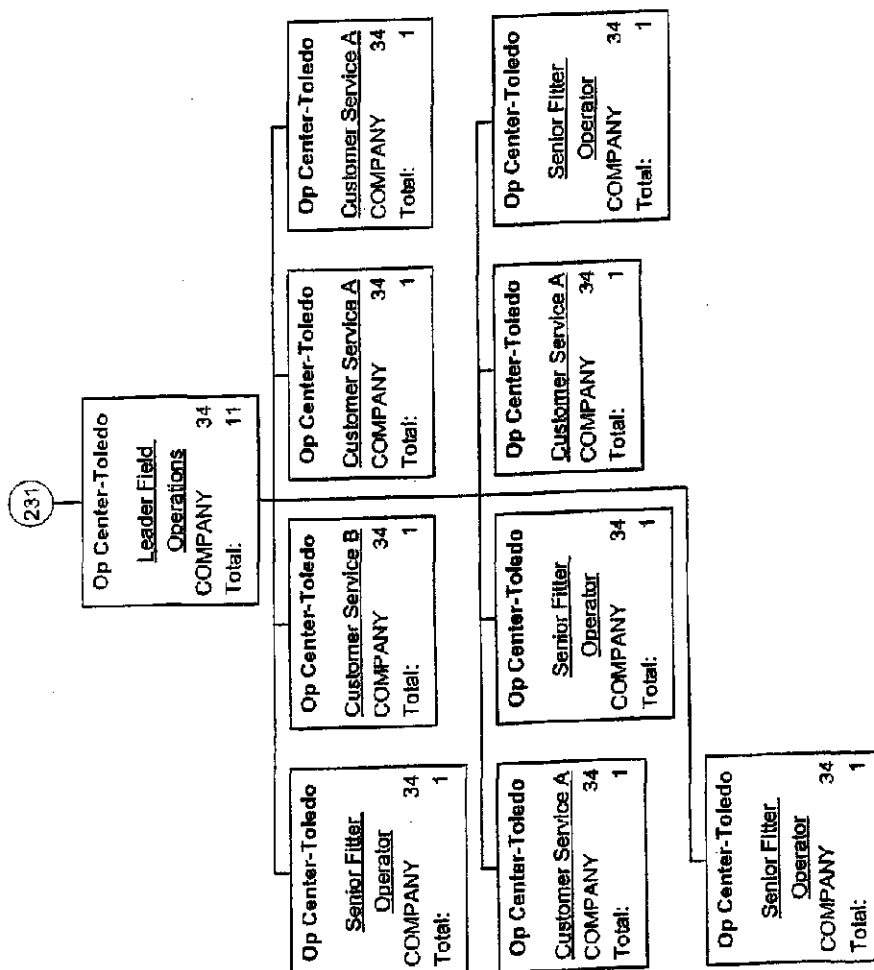
# Op Center-Toledo



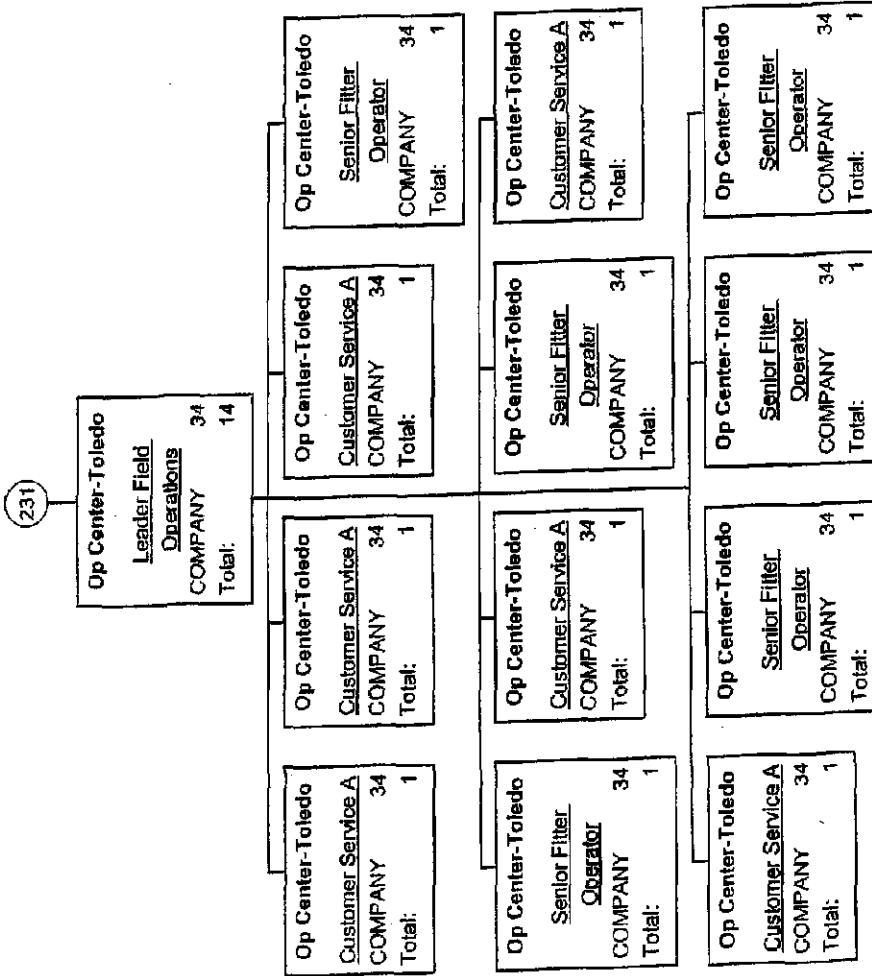
# Op Center-Toledo



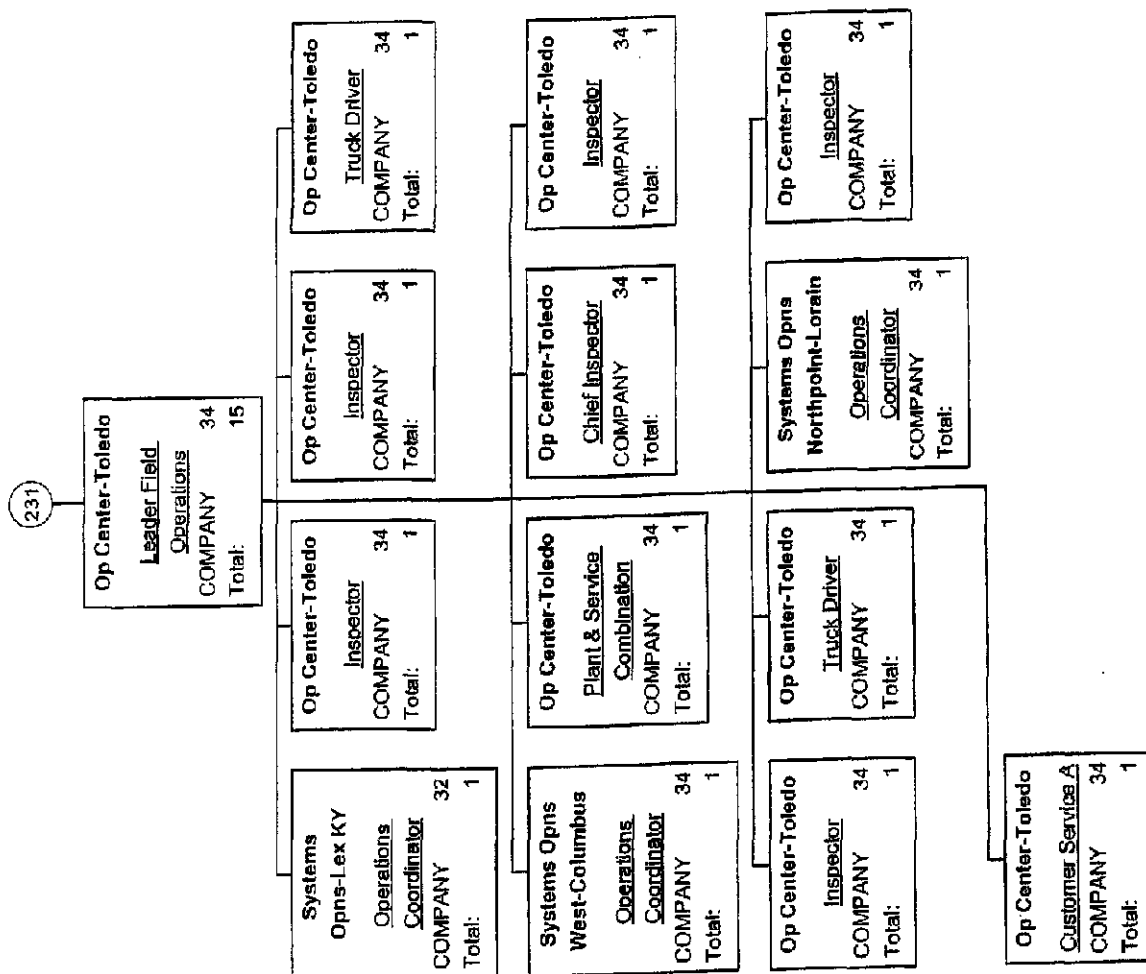
# Op Center-Toledo



# Op Center-Toledo



Op Center-Toledo





Management Policies, Practices and Organization  
Integration Center, Operations Planning, Damage Prevention – S.4.2 (a)(ii)

I. Strategic Planning, Policy, and Goal Setting

The Integration Center, Operations Planning and Damage Prevention departments support the NiSource corporate aspiration of becoming the “Premier Regulated Energy Company in North America” and Columbia’s goal of ensuring safe, reliable and cost-effective natural gas service to its Ohio consumers.

The Integration Center, Operations Planning and Damage Prevention departments are a part of the NiSource Corporate Services Company and therefore, may provide support services to all of the local distribution companies within NiSource. Employees at all levels within these departments directly charge work time and other costs to Columbia and to the other local distribution companies as much as possible. When direct charging is not possible, a specific allocation methodology is utilized. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled “Allocation Bases Utilized by NiSource Corporate Services Company,” which is included in this filing.

More specifically the Integration Center, Operations Planning and Damage Prevention departments support Columbia’s goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the Integration Center, Operations Planning and Damage Prevention departments maintain their focus on four aspects of Columbia’s business: financial, customer, employee, and process.

Each year, Nisource’s Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource’s overall business strategies are carried out by the various responsible business segments or functional unites within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and “Transforming to One” processes.

The goal setting process for the Integration Center, Operations Planning and Damage Prevention departments establish long term objectives and short term initiatives that directly support Columbia’s corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns.

The Integration Center, Operations Planning and Damage Prevention departments are part of NiSource Support Operations, and annually create operating plans that are aligned with the operating plan for NiSource Distribution Operations. Each group is responsible for achieving different metrics within the organization with the objective to ensure financial and operational compliance. For example, the Integration Center has a primary responsibility to meet emergency response and appointments-met metrics.

Annually, Support Operations leadership meets to develop NiSource-wide goals aligned with Distribution Operations goals. Each group then meets with their individual leadership team to establish goals required to support the NiSource operating plan. These goals are then shared with individual employee groups to ensure understanding.

## II. Organizational Structure

The Integration Center, Operations Planning and Damage Prevention departments are led by one Manager of Operations Planning and two Managers of the Integration Center who report to the Vice President of Support Operations. The Vice President of Support Operations reports directly to the Senior Vice President of Distribution Operations, a member of the Corporate Executive Management team. The Operations Planning group consists of three planning leaders. The Integration Center consists of four team leaders, fourteen scheduling leaders, seventeen assigners, thirty-one Operations Coordinators and one assistant. The Damage Prevention group consists of one leader reporting to the Integration Center Manager, six Damage Prevention Coordinators and one Operations Coordinator.

## III. Responsibilities

The Integration Center, Operations Planning and Damage Prevention departments are primarily responsible for ensuring that the right work is executed by the right field resources at the right time. These groups are part of a centralized organization, Support Operations, located in Columbus Ohio. They utilize a state of the art Work Management System, locate screening application and a mobile application required to distribute work to employees throughout the five states with the distribution companies within NiSource, including Columbia's operations in Ohio.

The Operations Planning group is responsible for developing strategic work plans targeted toward meeting compliance, customer satisfaction and financial goals. The work plans will include both work requirements and resource availability and the planning leaders will make decisions to utilize these resources to best achieve these goals.

Using the work plan as a baseline, the scheduling leaders are responsible for scheduling and project management of all work. They will ensure site readiness, facility locates, permits, material availability, and are responsible for the matching of resources (company and contract) to work. A primary responsibility of this group is to ensure compliance and meet commit dates.

The assigners are responsible for same day assignments of work to field resources, prioritizing emergency work assignments, and assuring that all same day work is assigned according to customer and tariff requirements.

The Damage Prevention group has the responsibility to prescreen locate requests for Ohio. This responsibility includes reviewing one call requests and comparing these requests to Columbia base maps, identifying field locate requirements, and assigning of these locates to company or contract resources.

#### IV. Decision-Making and Controlling Process

The decision making process for the Integration Center, Operations Planning and Damage Prevention departments is driven by Ohio Department of Transportation and Public Utilities Commission of Ohio regulations, Columbia tariff and local municipality requirements. Standard Operating Procedures are developed based upon the above requirements, and these procedures are documented and regularly updated. Internal and external audits, compliance reports and comparison to financial goals are conducted on a regular basis to ensure that all requirements are adhered to.

#### V. Internal and External Communications

The Integration Center, Operations Planning and Damage Prevention departments ensure internal communication through regular participation in cross departmental meetings and planning sessions in addition to individual department staff meetings. Daily interaction between field operations and support operations is a primary responsibility of all employees.

From an external perspective, due to our primary focus on emergency response, interaction with community officials, representatives from the Public Utilities Commission of Ohio, customers, and the media occurs daily. In addition, a close working relationship with suppliers and contractors is maintained.

#### VI. Goal Attainment and Quantification

Monthly metrics, customer satisfaction, budget reviews and regular reviews of operating plan status are utilized to ensure that goals are being met. Performance management sessions between managers, leaders and front line workers are utilized to recognize individual contributions toward attaining these goals. These performance management reviews are a primary focus in determining both merit and individual recognition.

# Gas Operations Integration Ctr

(200)

Gas Operations Integration Ctr
Mgr Gas Op Integ Center
COMPANY 012
Total: 19

Gas Operations Integration Ctr	Analyst	012	1
COMPANY			
Total:			

Gas Operations Integration Ctr	Scheduling Leader	34	1
COMPANY			
Total:			

Gas Operations Integration Ctr	Scheduling Leader	34	1
COMPANY			
Total:			

Gas Operations Integration Ctr	Scheduling Leader	34	1
COMPANY			
Total:			

Gas Operations Integration Ctr	Scheduling Leader	34	1
COMPANY			
Total:			

Gas Operations Integration Ctr	Scheduling Leader	34	1
COMPANY			
Total:			

Gas Operations Integration Ctr	Scheduling Leader	34	1
COMPANY			
Total:			

Gas Operations Integration Ctr	Scheduling Leader	34	1
COMPANY			
Total:			

Gas Operations Integration Ctr	Scheduling Leader	34	1
COMPANY			
Total:			

Gas Operations Integration Ctr	Field Performance Analyst	012	1
COMPANY			
Total:			

Gas Operations Integration Ctr	Scheduling Leader	34	1
COMPANY			
Total:			

Gas Operations Integration Ctr	Scheduling Leader	34	1
COMPANY			
Total:			

Gas Operations Integration Ctr	Scheduling Leader	34	1
COMPANY			
Total:			

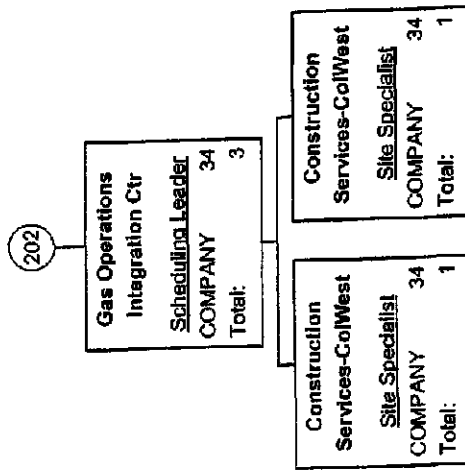
Gas Operations Integration Ctr	Scheduling Leader	34	1
COMPANY			
Total:			

Gas Operations Integration Ctr	Scheduling Leader	34	1
COMPANY			
Total:			

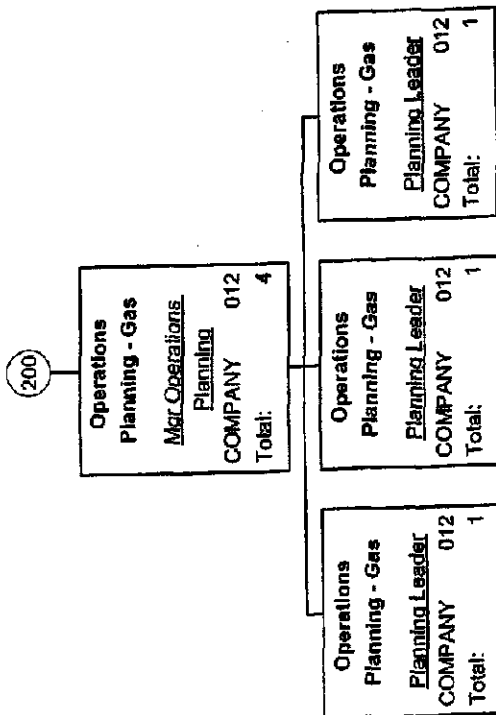
Gas Operations Integration Ctr	Scheduling Leader	34	3
COMPANY			
Total:			

(203)

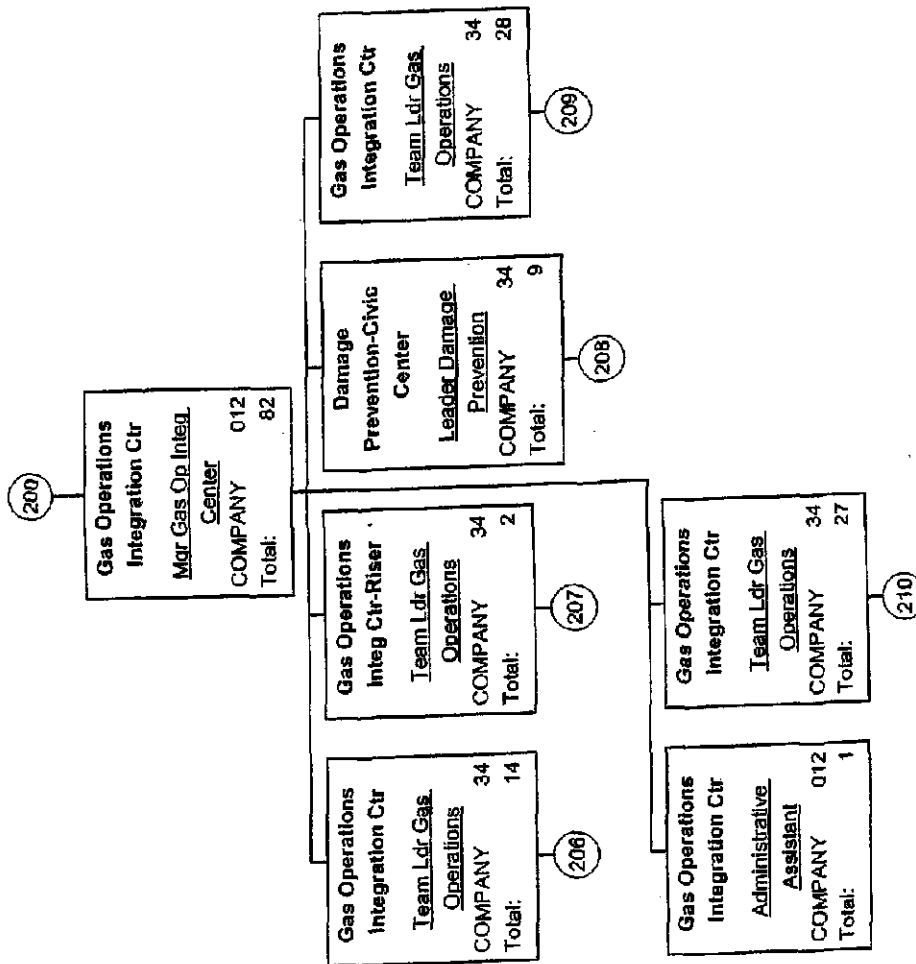
# Gas Operations Integration Ctr

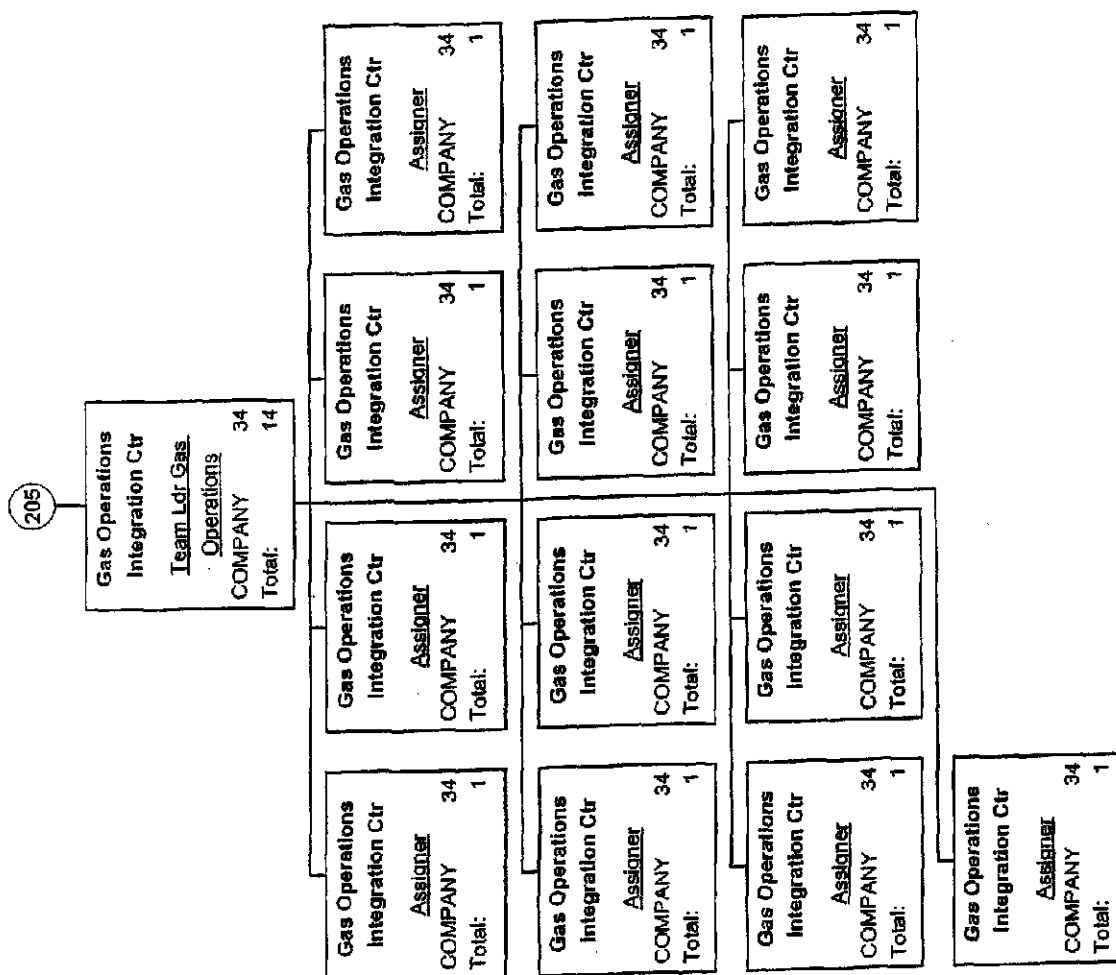


# Operations Planning - Gas



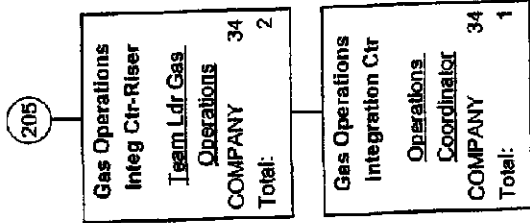
# Gas Operations Integration Ctr



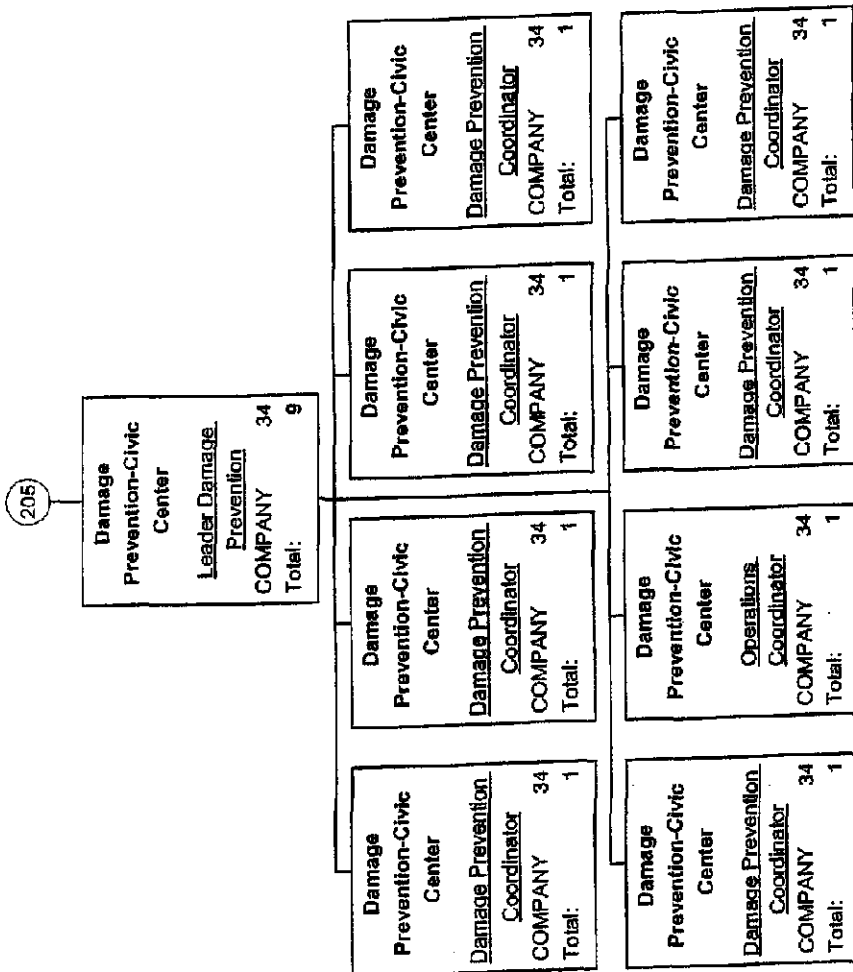
Gas Operations Integration  
Ctr



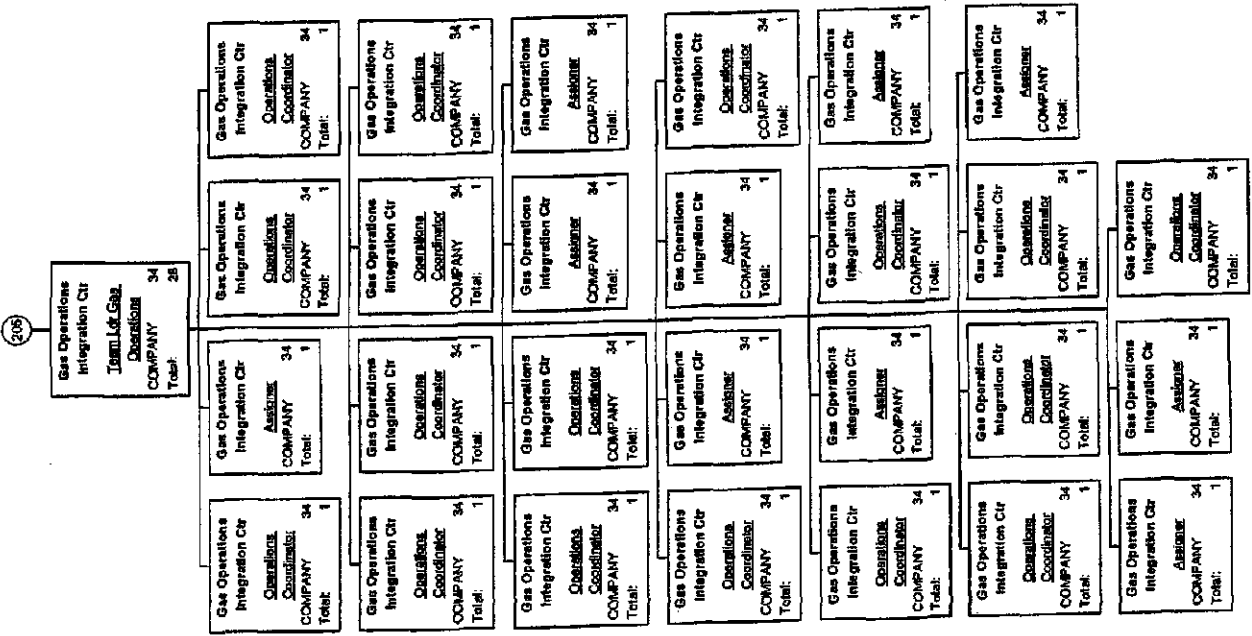
# Gas Operations Integ Ctr-Riser

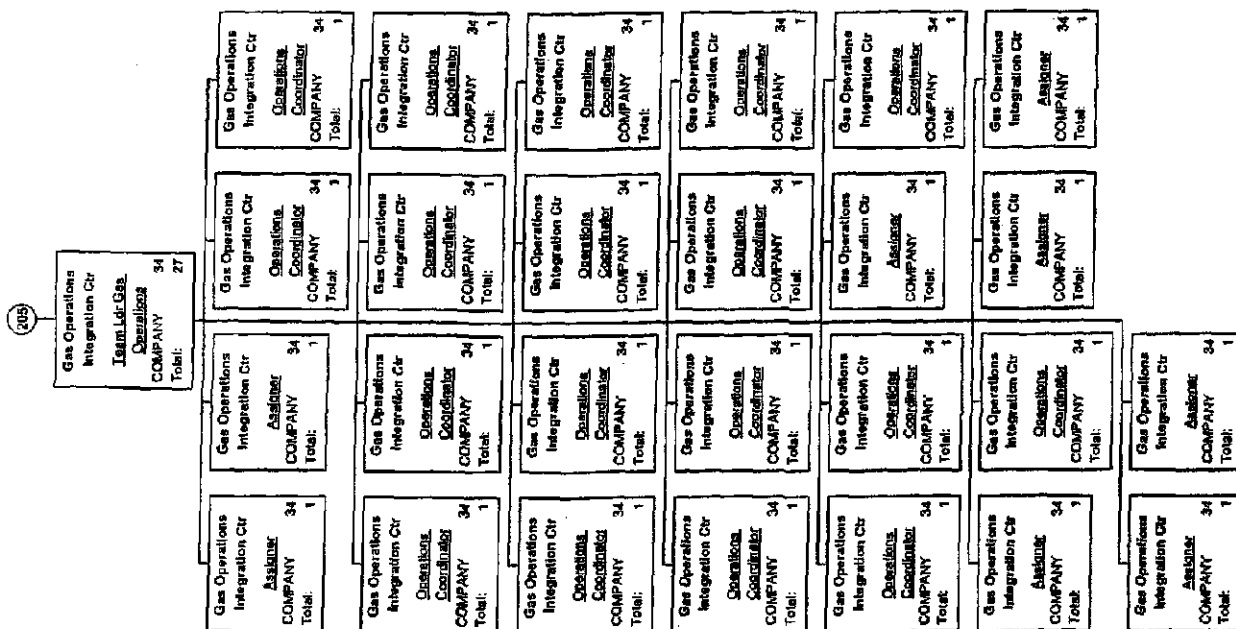


# Damage Prevention-Civic Center



# Gas Operations Integration Ctr





## Management Policies, Practices and Organization

### Training Department – S.4.2 (a)(ii)

#### I. Strategic Planning, Policy, and Goal Setting

The Training Department supports the NiSource corporate aspiration of becoming the “Premier Regulated Energy Company in North America” and Columbia’s goal of ensuring safe, reliable, and cost-effective natural gas service to its Ohio consumers.

More specifically the Training Department supports Columbia’s goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the Training Department maintains its focus on four aspects of Columbia’s business: financial, customer, employee, and process.

Each year, NiSource’s Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource’s overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and “Transforming to One” processes.

The goal setting process for the Training Department establishes long term objectives and short term initiatives that directly support Columbia’s corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. The Training Department’s long term objectives and short term initiatives directly support the Distribution Operations Operating Plan, including Columbia Gas of Ohio. Objectives are established by the Manager of Training, in conjunction with the Vice President of Support Operations and the General Operations Managers in each state. The balanced scorecard measurement tool utilized by Columbia helps to ensure that the Training Department continually assesses its contribution toward the stated objectives and initiatives.

#### II. Organizational Structure

The Manager of the Training Department reports to the Vice President of Support Operations. The Vice President of Support Operations reports directly to the Senior Vice President of Distribution Operations, a member of the Corporate Executive Management team. The Training Department includes forty full-time positions. Six of these positions

are physically located in Ohio, with another seventeen positions providing part-time training support for Columbia Gas of Ohio employees. The department has one Manager, three Training Leaders, two Administrative Assistants, one Support Specialist and thirty-three Technical Trainers.

### III. Responsibilities

The Training Department is responsible for employee development and fulfills this responsibility by providing the necessary knowledge, skills, and abilities required to operate each NiSource Distribution Operations subsidiary. The Department also administers all required regulatory compliance testing and maintains all required compliance training and testing records.

### IV. Decision-Making and Controlling Process

Much of the employee training and testing completed is directed by the Department of Transportation Regulations, 192 CFR §49 and OSHA. In areas where Bargaining Unit Agreements exist, additional contractual provisions direct requirements to train employees. Training is developed in a performance-based or competency-based format to ensure valid, job-related training.

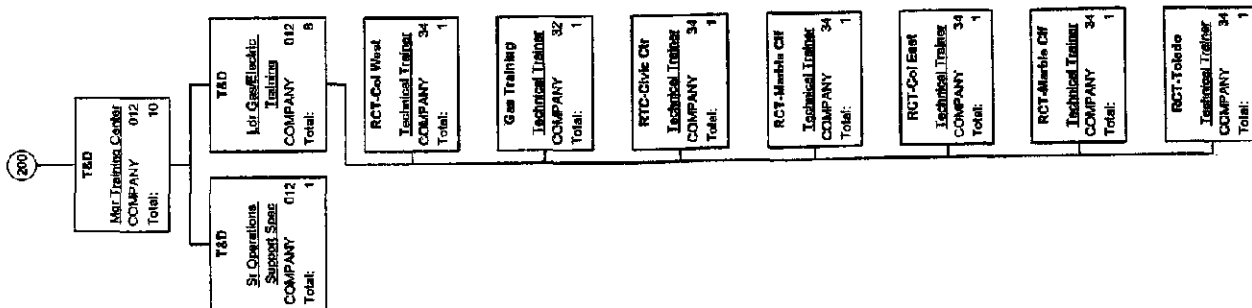
### V. Internal and External Communications

Regular email and telephone communications provide the majority of daily communications within the department. Periodic meetings also occur. Two of the Ohio Trainers also have regular customer contact by staffing a statewide Technical Helpline.

### VI. Goal Attainment and Quantification

The goals established in the performance management process are measured at year-end review sessions. Goals are objective and measurable and both directly and indirectly support Columbia and NiSource goals.

T&D  
T&D



## Management Policies, Practices and Organization Work Management & GIS Administration - S.4.2 (a)(iii)

### I. Strategic Planning, Policy, and Goal Setting

The WM/GIS Administration ("WM/GIS Admin") department supports the NiSource corporate aspiration of becoming the "Premier Regulated Energy Company in North America" and Columbia's goal of ensuring safe, reliable, and cost-effective natural gas service to its Ohio consumers. The department contains COH employees and employees that are part of the NiSource Corporate Services Company. These latter employees, therefore, may provide support services to all of the local distribution companies within NiSource. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled "Allocation Bases Utilized by NiSource Corporate Services Company," which is included in this filing. More specifically the WM/GIS Admin department supports Columbia's goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the department maintains its focus on four aspects of Columbia's business: financial, customer, employee, and process.

Each year, NiSource's Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource's overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and "Transforming to One" processes.

The goal setting process for WM/GIS Admin establishes long term objectives and short term initiatives that directly support Columbia's corporate initiatives. In addition, each long-term objective is matched with one of the four key aspects of the company's business (financial, customer, employee, and process) with which it most closely aligns.

The specific long term objectives and short term initiatives for the WM/GIS Admin organization are established through the Performance Management Worksheet process, which cascades objectives and initiatives down to the department's Vice President from the Senior Vice President of Distribution Operations. This is an iterative consensus process involving data exchange and dialogue. In a similar fashion, the Vice President of WM/GIS Admin cascades long term objectives and short term initiatives down through the organization. During each step in this cascading process, the organizational unit customizes and focuses the actions that they will take to support the achievement of the objectives and initiatives.



The balanced scorecard measurement tool utilized by Columbia helps to ensure that the WM/GIS Admin Department continually assesses its own progress toward the stated objectives and initiatives.

## II. Organizational Structure

The WM/GIS Admin Department is headed a Vice President who reports directly to the Senior Vice President of Distribution Operations, a member of the Corporate Executive Management Team. The department consists of three functional areas. Reporting to the Vice President of WM/GIS Admin are one Executive Administrative Assistant, one Manager of Applications Support, one Manager of Performance Improvement (focused on operational processes, metrics and leadership support) and one Manager of Performance Improvement (focused on O&M budgets and financial analysis).

One Senior Operations Support Specialist, two Columbia application support specialists, as well as other application support specialists supporting other distribution companies within NiSource, report to the Manager of Applications Support. Two Application Specialists and a Data Specialist report to the Senior Operations Support Specialist. One Business Improvement Consultant for NiSource Corporate Services, as well as one consultant for another distribution company within NiSource, report to the Manager of Performance Improvement (operational process focus).

## III. Responsibilities

The WM/GIS Admin department administers the following areas of responsibility for Columbia Gas of Ohio:

1. Overall administration and management of the Work Management/GIS project, the purpose of which is to transform the company's work management processes and systems.
2. Overall administration and management of the O&M budget process for the company's distribution operations organization.
3. Financial analysis support for specific projects and initiatives in the company's distribution operations organization.
4. Support for the technology applications used by the company's field organization to get the work done. This support consists of:
  - System administration
  - Data and report analysis
  - Initial rollout of new technology applications
  - Training (new employee, refresher, advanced)
  - System upgrades
  - Interface with the IT organization on system issues
  - Trouble shooting and user support on questions and problems
  - Metric and benchmarking data support
  - Creation, testing and validation of Sarbanes Oxley rules.
5. Special project team consulting and facilitation support.
6. Strategic and operational planning process support for the company's leaders.

7. Coaching and consulting for the company's leaders in the areas of issue identification, clarification and resolution, effective work teams and employee engagement.
8. Benchmarking and best practices support for the company.

#### IV. Decision-Making and Controlling Process

The decision making and controlling processes for the WM/GIS Admin department are summarized below:

1. For the management and administration of the WM/GIS project, decision making is governed by the laws and regulations related to the contract between the company and the various vendors on the project.
2. For budget administration, decision making is governed by GAAP and regulatory accounting principles.
3. For applications support, decision making regarding the use and access to company data is governed by Sarbanes Oxley rules and the federal affiliate regulations.
4. Day to day spending decisions are governed by various company policies such as the Business Expense Reimbursement & Reporting policy and the Requisition and Disbursement Approval Levels policy.
5. Overarching guidance for all department decision making is provided by the company's ethics policy.

#### V. Internal and External Communications

Internal communication for the WM/GIS Admin department is facilitated by the following:

- Conference calls and face-to-face meetings on key issues as they arise
- E-mail for day-to-day, routine information sharing and exchange
- The MySource Intranet for the communication of issues to the broader organization
- Staff meetings and special event meetings for face-to-face information exchange and the two way discussion of key issues

External communication by the department as needed is managed by the company's communications and governmental affairs departments.

#### VI. Goal Attainment and Quantification

The departmental goals established as part of the Performance Management Worksheet process are a combination of quantitative metrics with specific goals and activity based goals. For example, specific projects are evaluated on the bases of whether a specific project was done on time, within budget and whether the desired outcome was achieved.

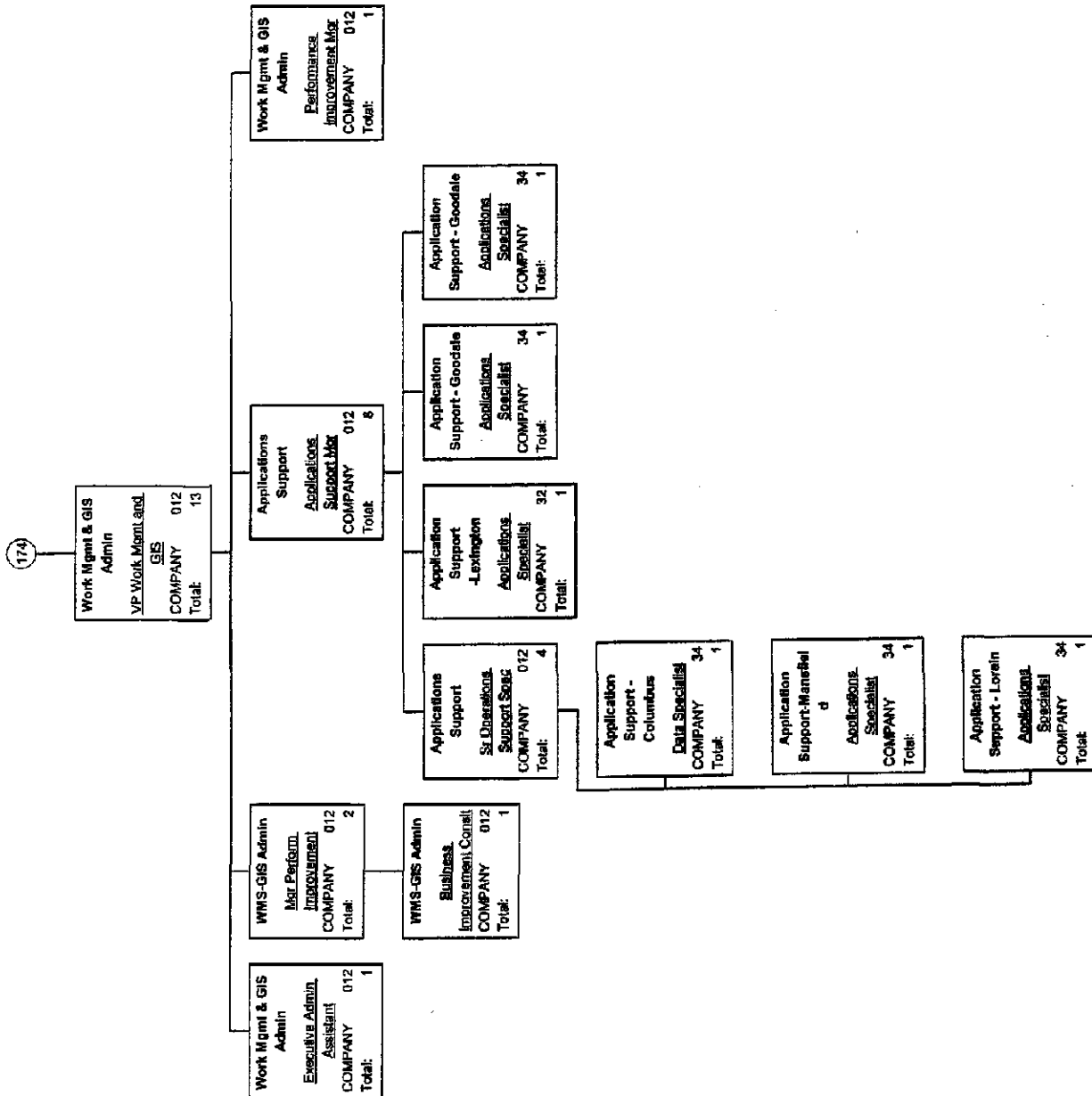
The quantitative metrics with specific numeric goals are summarized below:

- O&M and Capital budget goals---actual results to compare against the goals are obtained from the company's internal O&M and Capital budget systems.
- Customer Satisfaction---actual results to compare against the goal are obtained from an external vendor that conducts a survey of a randomly selected group of customers each quarter.
- Employee Engagement---actual results to compare against the goal are obtained from an external vendor that conducts an annual survey of all the company's employees and provides summarizes of the results.
- Employee Safety---actual results to compare against the goals are obtained from the company's internal safety data bases. These are the Injury and Illness System and the Auto Accident system.
- DOT Compliance---actual results to compare against the goals are obtained from the company's internal work management system.

In addition, for special projects and initiatives, feedback is often obtained from project participants and/or key stakeholders after the fact to determine whether or not the results of the project met expectations.

The attainment of department goals is tied to the achievement of the company's overall goals through the causal linkages established as part of the Performance Management Worksheet development process that was discussed earlier. The department's employees are recognized and rewarded for goal achievement as outlined in the corporation's compensation policy.

# Work Mgmt & GIS Admin



## Management Policies, Practices and Organization Energy Supply Services - S.4.2 (a)(iv), (a)(v)

### I. Strategic Planning, Policy, and Goal Setting

The Energy Supply Services department supports the NiSource corporate aspiration of becoming the "Premier Regulated Energy Company in North America" and Columbia's goal of ensuring safe, reliable, and cost-effective natural gas service to its Ohio consumers. The Energy Supply Services department (ESS) is located within NiSource Corporate Services Company, a service company providing this and other services to the regulated utilities under a service agreement approved by the Securities and Exchange Commission pursuant to the Public Utility Company Holding Act of 1935. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled "Allocation Bases Utilized by NiSource Corporate Services Company," which is included in this filing. With the exception of the Vice President, the ESS personnel that provide service to Columbia also provide services for four other distribution companies within the NiSource corporate organization. The Vice President provides service to all of the NiSource distribution companies.

More specifically, ESS supports Columbia's goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, ESS maintains its focus on four aspects of Columbia's business: financial, customer, employee, and process.

Each year, NiSource's Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource's overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and "Transforming to One" processes.

The goal setting process for ESS establishes long term objectives and short term initiatives, or targets, that directly support Columbia's corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. The department's goals and objectives are determined via the consensus of the ESS Directors and Vice President and are captured in its annual Operating Plan. These same goals and objectives serve as the basis for the development of each ESS employee's Performance Management Worksheet (PMW). The metrics contained within each PMS serve as the basis for measuring and evaluating employee performance within and at the conclusion of

each year. Correspondingly, the balanced scorecard measurement tool utilized by Columbia and by ESS, along with other reporting tools, helps to ensure that ESS as a department continually assesses its progress toward its stated objectives and initiatives.

## II. Organizational Structure

The Vice President of the Energy Supply Services Department reports directly to the Senior Vice President of Energy Distribution and Regulated Revenue, a member of the Corporate Executive Management team. An organization chart for the ESS group that provides services to Columbia is attached.

## III. Responsibilities

The services provided to Columbia by ESS are divided by function under three Directors: a Director of Gas Operations, a Director of Gas Management Services and a Director of Supply Planning.

### Gas Operations

The Gas Operations function supports the provision of safe, reliable and economic gas delivery for Columbia Gas of Ohio's customers. Performing the Gas Operations function requires the maintenance of a Gas Control Center that is staffed 7 days a week / 24 hours per day, which has the ability to monitor and remotely control the flow and pressure of gas at critical points on Columbia's system on a continuous basis. The Gas Operations function also develops a forecast of Columbia's design peak day demand to facilitate the determination of Columbia's supply/capacity portfolio by Supply Planning. This function also forecasts the gas demand to be served by Columbia each day so that sales customer's demand can be met in a reliable manner and to determine Columbia's ability to provide gas balancing services to its transportation customers, as supplies and weather conditions change.

Below the Director level, staffing for Gas Operations includes a Manager - Gas Control, a Chief Gas Controller, ten Gas Controllers, four Analysts and an Administrative Assistant.

### Gas Procurement

The Gas Procurement function negotiates the needed gas supply contracts and manages the nominations of supply related to those contracts as well as the purchase of daily and monthly spot gas supplies. The function also designs and implements Columbia's Gas Price Hedging Program on behalf of the Company's sales customers. Procurement manages Columbia's upstream pipeline capacity and supply portfolio on a daily basis, buying and selling gas, and scheduling gas transportation on upstream pipelines, in a manner that meets the supply requirements of Columbia's customers. The function is responsible for the release of temporarily unused upstream pipeline capacity to third

parties, as well as the management and release of upstream capacity to gas marketers participating in Columbia's Customer Choice program. Gas Procurement reviews, reconciles, and approves for payment, all pipeline capacity and gas supply invoiced to Columbia on a monthly basis. The Procurement group is also responsible for the structure and design of off system sales products, the negotiation and implementation of related transactions, and the invoicing of those off system sales.

Below the Director level, staffing for Gas Procurement includes a Manager – Gas Contracts and Scheduling, a Manager – Gas Purchase Services, a Manager – Energy Trading, two Gas Traders, four Schedulers and five Analysts.

#### Supply Planning

Supply Planning works to develop and maintain the optimum portfolio of pipeline capacity, storage, and peaking supplies appropriate to meet the near term and the longer term seasonal and design day needs of Columbia. Planning determines the annual usage of capacity assets held by Columbia and focuses on lower gas cost solutions, the recovery of gas costs through the regulatory process and improved competitiveness and improved reliability of Columbia's merchant and transportation services. To accomplish this, Planning prepares technical studies, long-term strategic plans for gas supply portfolios and solutions to facility requirements, and makes use of state of the art economic optimization models. Included in the Planning function's responsibilities is the design and development of the operational side of Customer Choice program. Further, the Planning function provides support to Columbia in regulatory proceedings at the state and federal levels through expert witness activities, technical analyses, discussion with regulatory and collaborative groups, and by satisfying mandatory reporting requirements related to gas supply.

Below the Director level, staffing for Supply Planning includes a Manager – Economic Analysis, a Manager – Supply Planning, a Manager – Engineering Services, four Analysts and one Consultant.

#### IV. Decision-Making and Controlling Process

There are several activities that require approvals concerning gas procurement for Columbia. The primary decision makers responsible for procuring Columbia's gas on a daily and monthly basis are the Manager, Energy Trading and the two Natural Gas Traders with oversight and approval by the Director, Gas Management Services. The Manager of Contracts and Scheduling establishes a base contract with each supplier. The base contract is then signed and executed by the Vice President of Energy Supply Services.

Each month Columbia conducts a planning meeting that determines the purchasing strategy for the following month. The short term operational planning (STOP) process is used to forecast the volume of gas that must be purchased from its suppliers. In addition, supply flexibility requirements, capacity release volumes and storage inventory and target levels are

discussed. Representatives from the supply planning, gas operations and the gas procurement groups attend this monthly planning meeting. The Directors of these functions have the authority to approve the decisions made in the monthly planning meeting. The results from the planning meeting are summarized in a report each month.

Each year an extensive Request for Proposals (RFP) for firm gas supplies process is completed by Gas Procurement. In the spring, solicitations are sent to multiple natural gas suppliers that Columbia has determined are reliable and credit-worthy potential gas suppliers and that may have very good delivery capabilities at the receipt points at which Columbia's firm transportation capacity begins. This is a competitive bid process to contract for and fill Columbia's firm transportation capacity requirements and a portion of Columbia's seasonal requirements in the winter months. The Manager of Energy Trading and the two Natural Gas Traders are responsible for negotiating and writing the term contracts resulting from the RFP process. The Manager of Contracts and Scheduling reviews the negotiated contracts and recommends approval by the Director, Gas Procurement, who also has oversight over the RFP process. The Director reviews the completed term contracts and recommends execution of the contracts to the Vice President of ESS, who has signing and execution authority for the term supply contracts.

#### V. Internal and External Communications

Internal communications occur via e-mail, phone and meetings/teleconferences held on a regularly scheduled basis and meetings/teleconferences held on an "as needed" basis. Additionally, information is shared or made available internally via routinely generated reports and via ESS' website which also affords read-only access to Columbia's Supervisory Control and Data Acquisition (SCADA) system as used by Gas Control. External communications are maintained on a regular basis with suppliers, marketers, and interstate pipelines via e-mail, phone and facsimile transmittal. Communications with Commission representatives, auditors and third-party service providers occur on an infrequent, or "as needed" basis via e-mail, regular mail, phone, facsimile and in meetings.

#### VI. Goal Attainment and Quantification

Each of the goals in ESS' Operating Plan is of a long-term nature, encompassing a span of three to five years. For each goal, ESS has established a short term target with supporting initiatives applicable to the current year. These targets and initiatives encompass objectives, linked to Columbia's corporate goals, of the following nature.

A. Financial goals, as they pertain to: a) the procurement and delivery by ESS of Columbia's gas supply, b) ESS' revenue optimization efforts using Columbia's portfolio of contracted interstate pipeline capacity and gas supply, and c) management of ESS' operating budget; each of which is measurable via actual results.



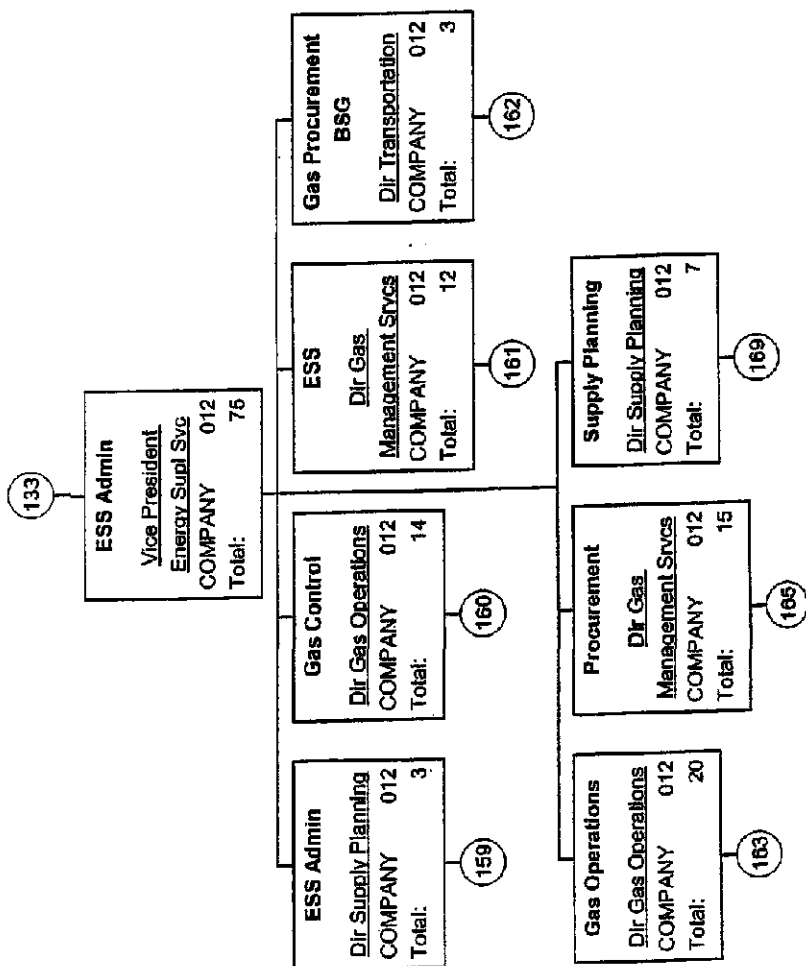
B. Customer services, as relates to a) the support of Columbia's regulatory initiatives; measurable via Columbia's responses to an internal customer service satisfaction survey and the outcome of Commission proceedings, and b) in terms of providing a cost-effective supply of gas to Columbia's customers in a reliable manner; measurable via actual performance.

C. Employee engagement, as captured in and measurable by the Performance Management Worksheet Process and results of employee survey.

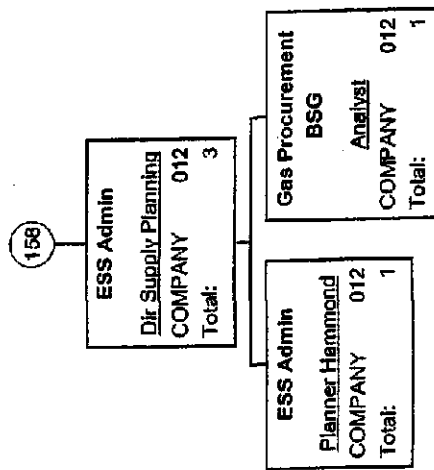
D. Process management, measurable via the actual implementation of new/improved processes and applications that support Columbia's corporate initiatives.

The ESS Managers, Directors, and Gas Traders, are recognized for attaining NiSource and Columbia corporate goals pursuant to an incentive plan that is also related to ESS specific goals. All other ESS employees attain recognition via the corporate incentive plan.

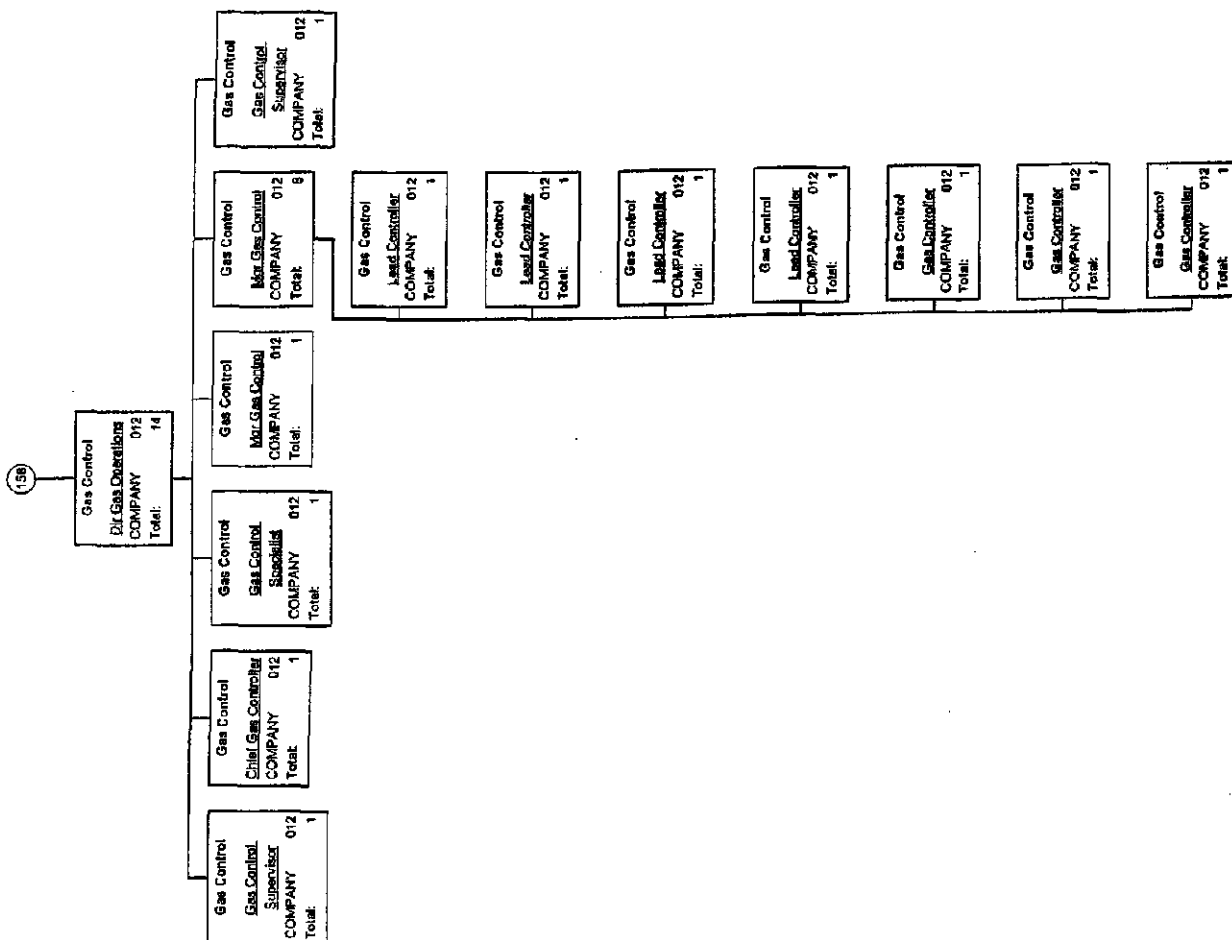
# ESS Admin



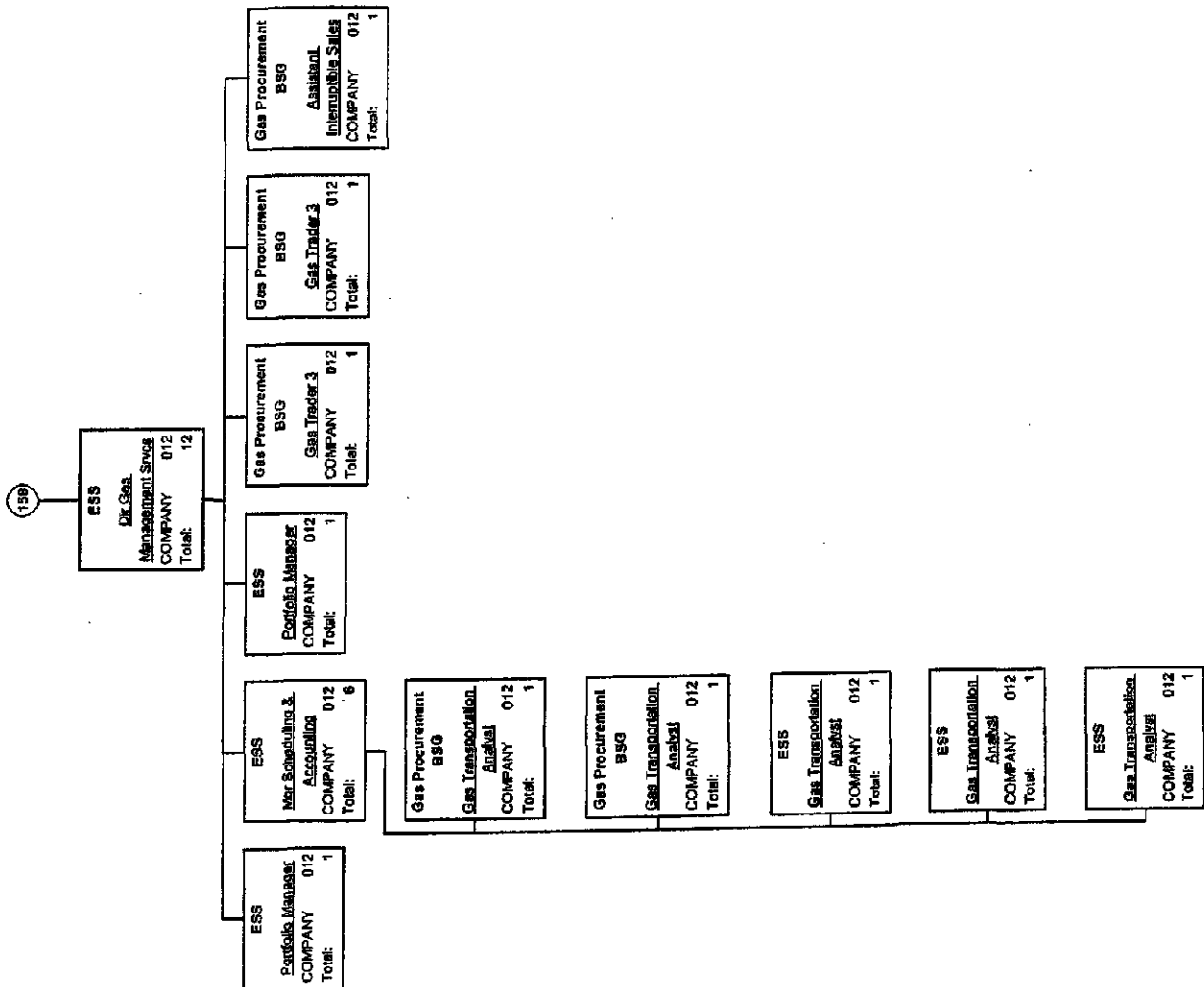
# ESS Admin



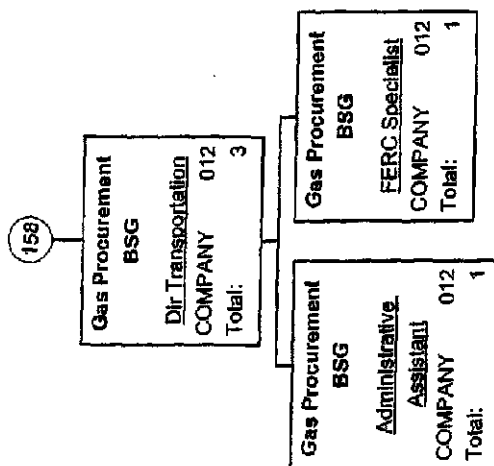
# Gas Control



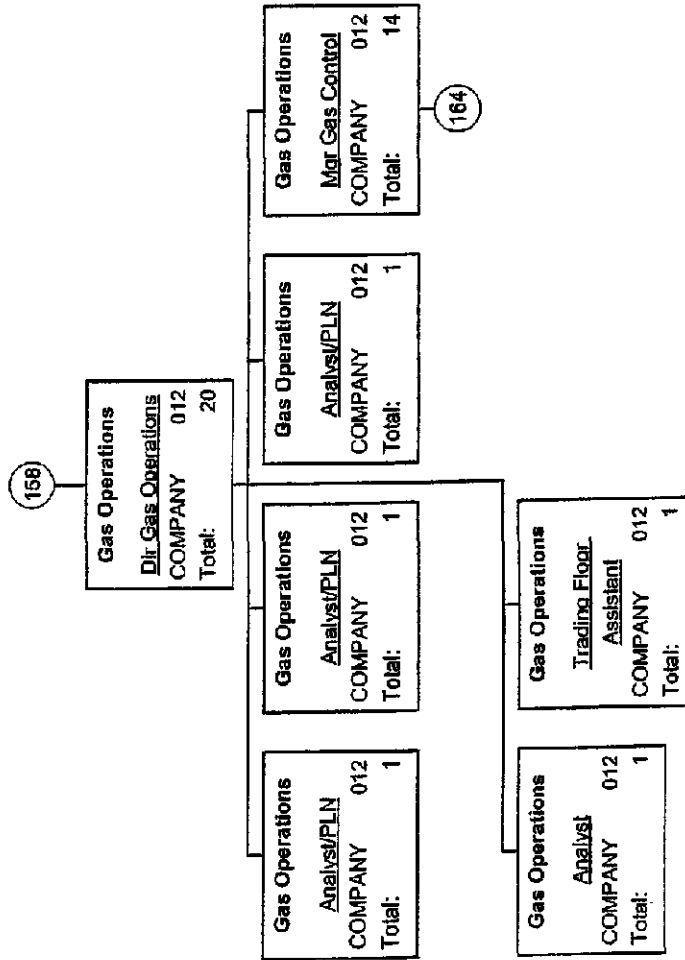
SS3



## Gas Procurement BSG

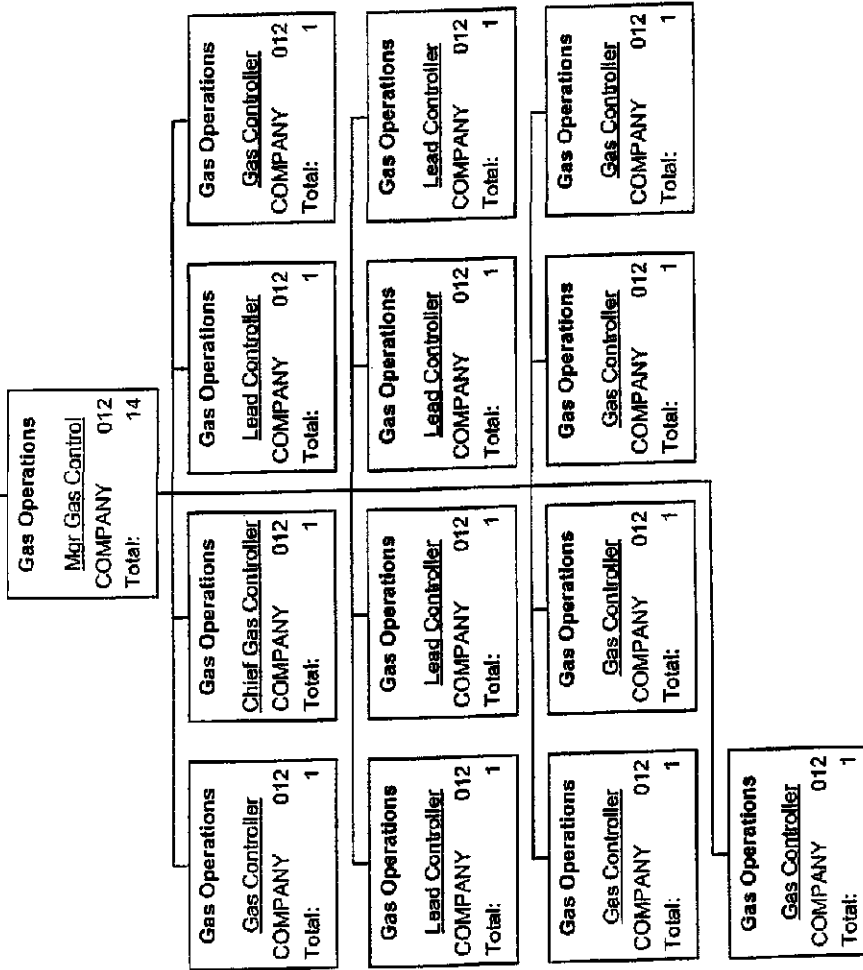


# Gas Operations



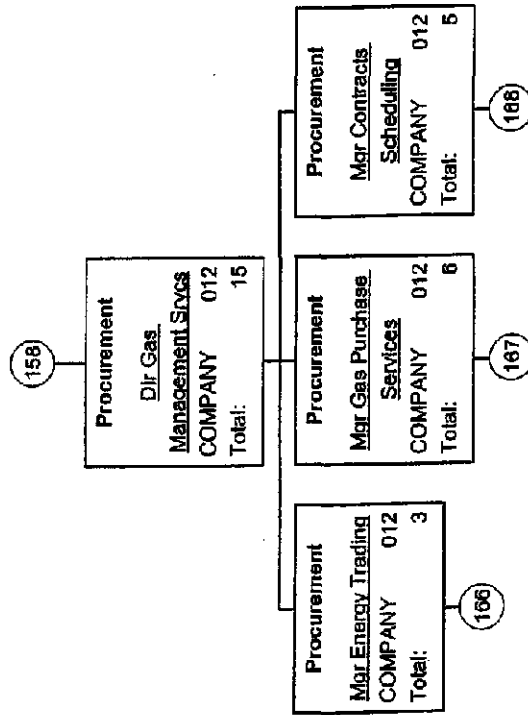
# Gas Operations

163

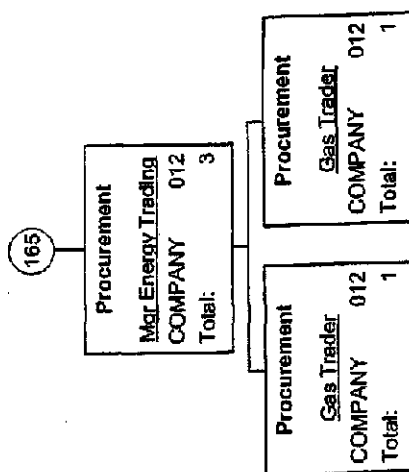




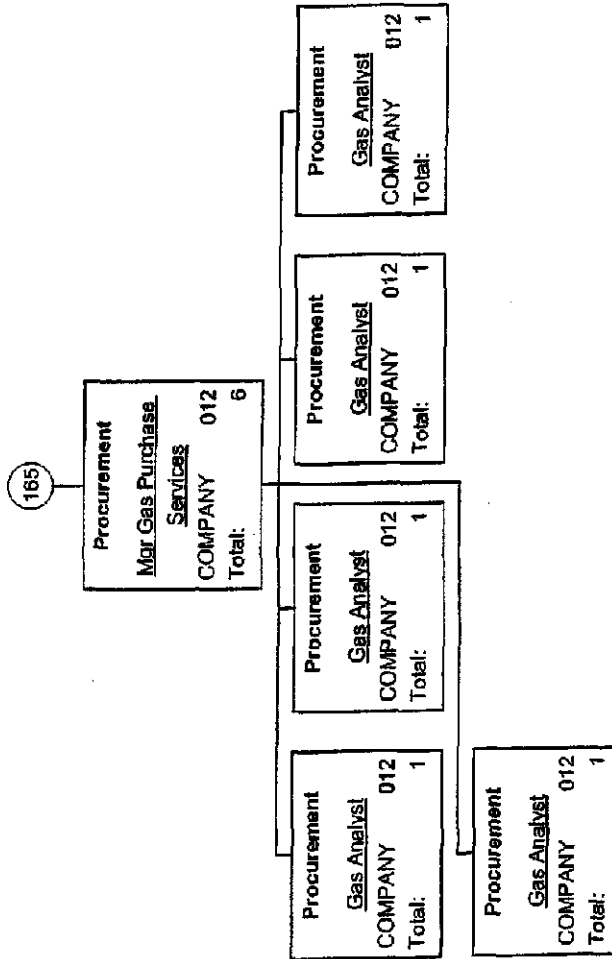
# Procurement



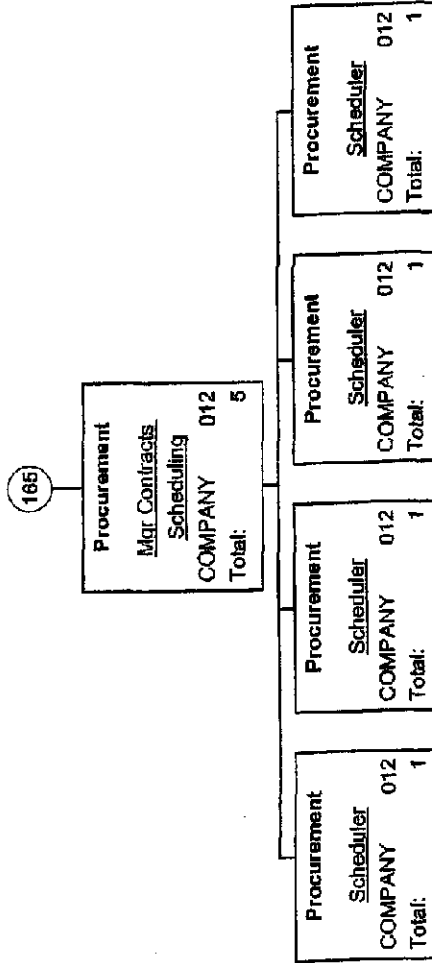
# Procurement



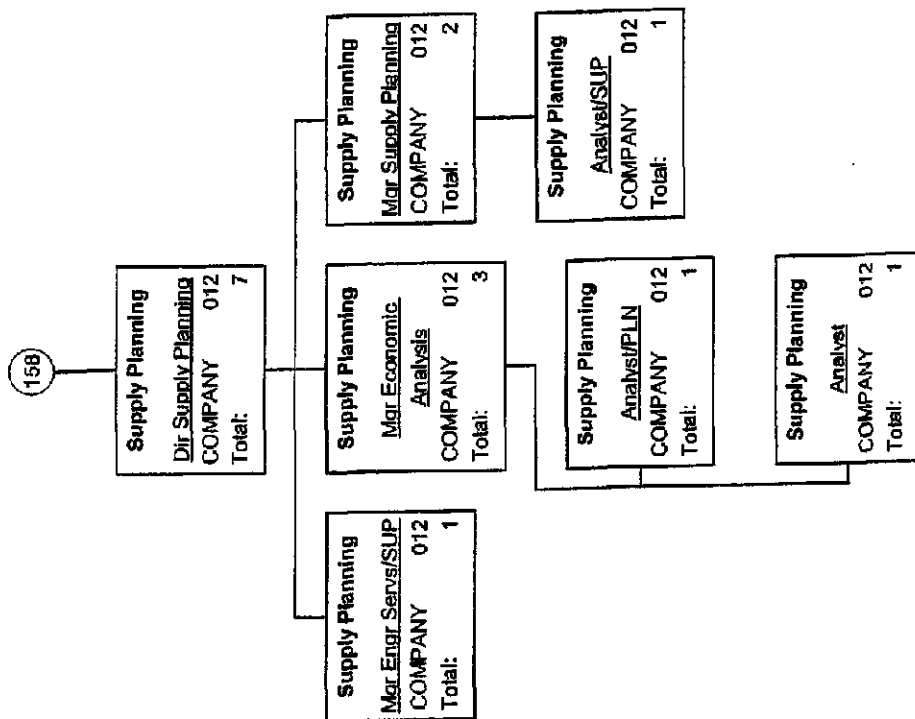
# Procurement



# Procurement



# Supply Planning



## Management Policies, Practices and Organization Large Customer Relations and S.4.2 (a)(iv), (d)(iv)

### I. Strategic Planning, Policy, and Goal Setting

The Large Customer Relations (LCR) department supports the NiSource corporate aspiration of becoming the "Premier Regulated Energy Company in North America" and Columbia's goal of ensuring safe, reliable, and cost-effective natural gas service to its Ohio consumers. The LCR department is a part of the NiSource Corporate Services Company and therefore, may provide support services to all of the local distribution companies within NiSource. LCR employees charge labor and expenses directly to the NiSource distribution company for which they work; therefore, five Major Account Representatives and three Project Development Managers in the LCR department are employed by Columbia and charge their time and expenses directly to Columbia. The Director of the LCR department charges time on a direct basis when practical and on an allocation basis to Columbia and the other local distribution companies within NiSource when a direct charge is not possible. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled "Allocation Bases Utilized by NiSource Corporate Services Company," which is included in this filing.

More specifically the LCR department supports Columbia's goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the LCR department maintains its focus on four aspects of Columbia's business: financial, customer, employee, and process.

Each year, NiSource's Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource's overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and "Transforming to One" processes.

The goal setting process for LCR establishes long term objectives and short term initiatives that directly support Columbia's corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. Goals for LCR are established via an annual planning process, and are aligned with the overall Corporate goals. Once established, these goals are captured in the department Operating Plan and the Personal

Development Worksheets (PMWs) of each LCR employee. The balanced scorecard measurement tool utilized by Columbia helps to ensure that the LCR Department continually assesses its own progress toward the stated objectives and initiatives.

## II. Organizational Structure

The Director of LCR reports to the Vice President of Large Customer Relations and Gas Transportation Management. This Vice President reports to the Senior Vice President of Energy Distribution and Regulated Revenue, a member of the Corporate Executive Management Team. The LCR Department consists of two teams, both reporting to the same LCR Director. One of the LCR teams works for Columbia, and the other team works for the NiSource distribution company in Kentucky. The Columbia team consists of five geographically-assigned Major Account Representatives covering Columbia's largest and most competitively-sensitive commercial and industrial customers. Three Project Development Managers, also geographically assigned, are charged with growth and retention in the residential, small commercial, and light industrial markets in competitive areas.

## III. Responsibilities

The Major Account Representatives are responsible for the management of individually-assigned large commercial and industrial customer and the Project Development Managers are responsible for relationship management with key builders and developers. The LCR group is responsible for margin retention and growth, and for providing a high level of service to its customers, builders and developers. LCR provides a single point of contact for large industrial and commercial customers on a variety of issues including but not limited to service/pressure issues, metering and EFCs, billing and gas transportation related issues and questions, rates and tariffs, Operational Orders and curtailment, added load/new business, and equipment and industry-related technical support.

## IV. Decision-Making and Controlling Process

The Columbia tariff primarily governs the LCR department's decision-making practices along with state statutes and PUCO regulations. The LCR Department works closely with the Legal and Regulatory departments on unique customer issues.

LCR does not perform billing or other customer-related adjustments. A GTS request form is utilized for those transactions. Nor does LCR handle customer payments, with the exception of new business related Aid to Construction or Deposit payments, which are at times received by an LCR representative, but are processed by Operations prior to capital work being performed.

## V. Internal and External Communications

Internal communication is facilitated in a variety of ways, most commonly on an individual basis between an LCR representative and the LCR Director. However, several formats are utilized for broader communication. Monthly staff meetings are held and normally face to face meetings are scheduled on a quarterly basis either as part of a combined NiSource-wide LCR/GTS meeting or a Columbia/Columbia Gas of Kentucky LCR staff meeting. Segment meetings or conference calls for either Major Account Representatives or Project Development Managers are held on an as needed basis, determined by current issues. Additionally, employees are encouraged to attend quarterly NiSource earnings calls. Also, the LCR Director participates in customer calls on an individual basis with all LCR reps during the year.

External communications with customers are made on a daily basis for reasons noted above.

#### VI. Goal Attainment and Quantification

Reporting regarding goal attainment is done on a monthly basis and is reviewed at the LCR Representative and LCR Director level. Upon review, variances are identified and explained

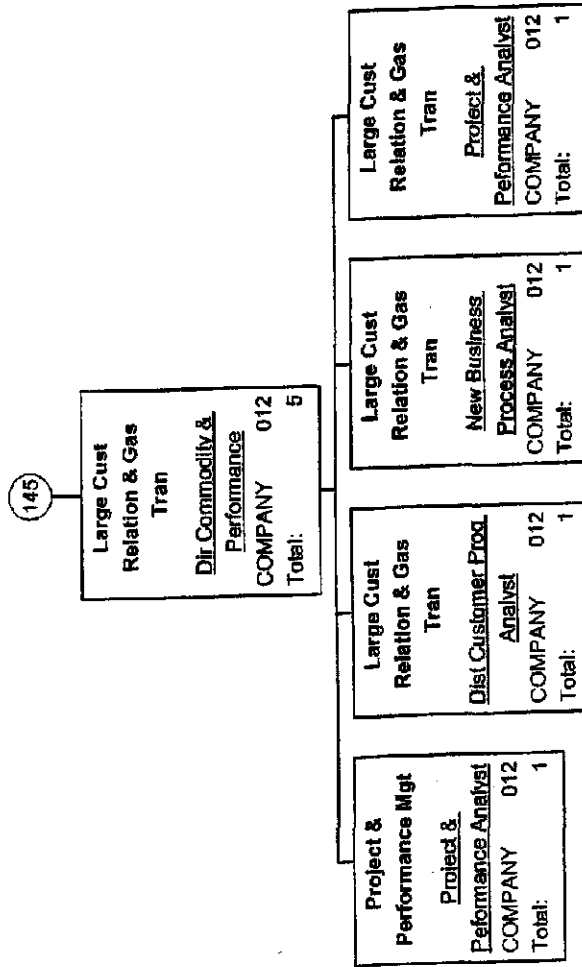
Major Account Representatives have a Sales Incentive Plan that is approved by Total Rewards and audited by Finance and normally paid in the first quarter of the year following the Sales Incentive Plan.

To measure satisfaction, customer satisfaction surveys are performed annually and the results are reviewed by Management and with individual employees.

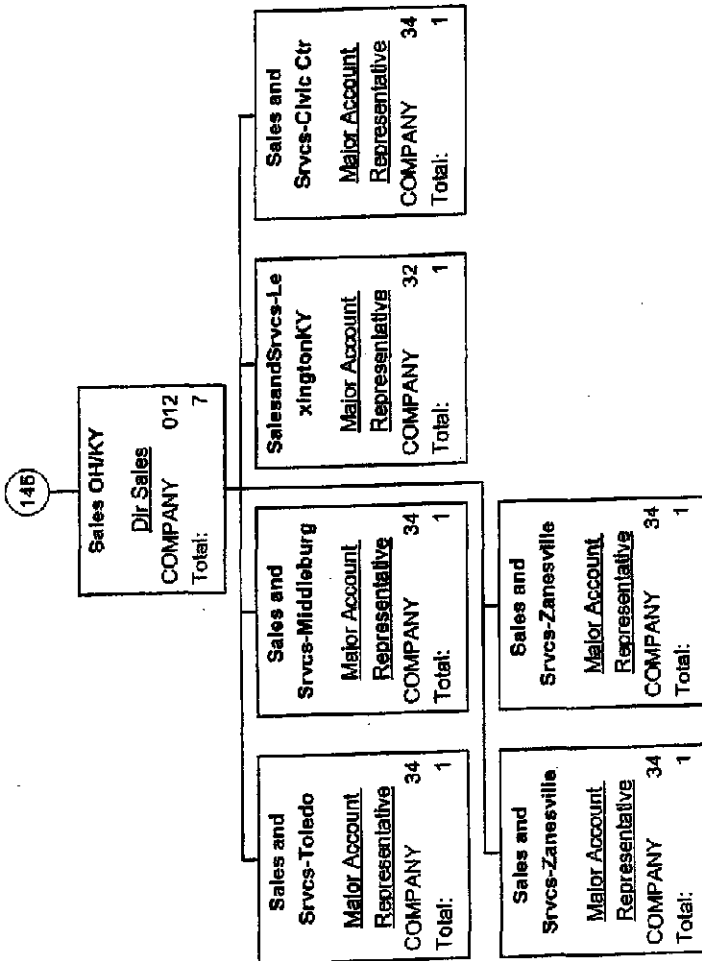
LCR follows the performance management process, and all LCR employees have a Performance Management Worksheet completed and reviewed in accordance with the Columbia performance management process.



# Large Cust Relation & Gas Tran



# Sales OH/KY



**Management Policies, Practices and Organization**  
**Gas Transportation Service, Sales Support & Nominations (GTS Service,**  
**Sales Support & Nominations) – S.4.2 (a)(iv)**

**I. Strategic Planning, Policy, and Goal Setting**

The Gas Transportation Service, Sales Support & Nominations (GTS) department supports the NiSource corporate aspiration of becoming the "Premier Regulated Energy Company in North America" and Columbia's goal of ensuring safe, reliable and cost-effective natural gas service to its Ohio consumers. The GTS department is a part of the NiSource Corporate Services Company and therefore, may provide support services to all of the local distribution companies within NiSource. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled "Allocation Bases Utilized by NiSource Corporate Services Company," which is included in this filing. More specifically, the GTS department supports Columbia's goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the GTS department maintains its focus on four aspects of Columbia's business: financial, customer, employee, and process.

Each year, NiSource's Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource's overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and "Transforming to One" processes.

The goal setting process for GTS establishes long term objectives and short term initiatives that directly support Columbia's corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. Goals for GTS are established via an annual planning process, and are aligned with the overall Corporate goals. Once established, these goals are captured in the department Operating Plan and the Personal Development Worksheets (PMWs) of each GTS employee. The balanced scorecard measurement tool utilized by Columbia helps to ensure that the GTS department continually assesses its own progress toward the stated objectives and initiatives.

**II. Organizational Structure**

The Director of GTS reports to the Vice President of Large Customer Relations and Gas Transportation Service, Sales Support & Nominations. In turn, the Vice President of Sales and Gas Transportation Sales Support & Nominations reports to the Senior Vice

President of Energy Distribution and Regulated Revenue, a member of the Corporate Executive Management Team. A group of managers, analysts, and business representatives report to the Director of GTS. An organization chart is attached.

### III. Responsibilities

GTS is responsible for management of the NiSource Distribution Companies' gas transportation programs and accounts for residential, commercial and industrial customers, and ensuring the Commission approved rules and regulations are being followed. GTS also manages and oversees marketer and customer relationships, marketer and customer city-gate nominations, and pipeline confirmations (Columbia Distribution Companies only). GTS is also responsible for Gas Transportation billing (Columbia Distribution Companies only) and for providing support to the Major Account Representatives. GTS strives to provide a high level of service to its customers and marketers.

### IV. Decision-Making and Controlling Process

Each state's Commission-approved rules and regulations (also known as tariff), and state laws and regulations govern the GTS decision making practices. In addition, GTS must adhere to Sarbanes-Oxley rules and testing requirements.

### V. Internal and External Communications

Gas Transportation Service, Sales Support & Nominations communicates on a regular basis via e-mail and telephone with the following departments: Regulatory, F&A, Rates, ESS, Legal, Large Customer Relations, Corporate Compliance/Auditing (i.e., regarding Sarbanes-Oxley requirements), Corporate Credit, Meter-to-Cash, IT, Tax, and Operations. GTS Employees hold weekly or bi-weekly staff meetings, and also meet as needed when special issues arise.

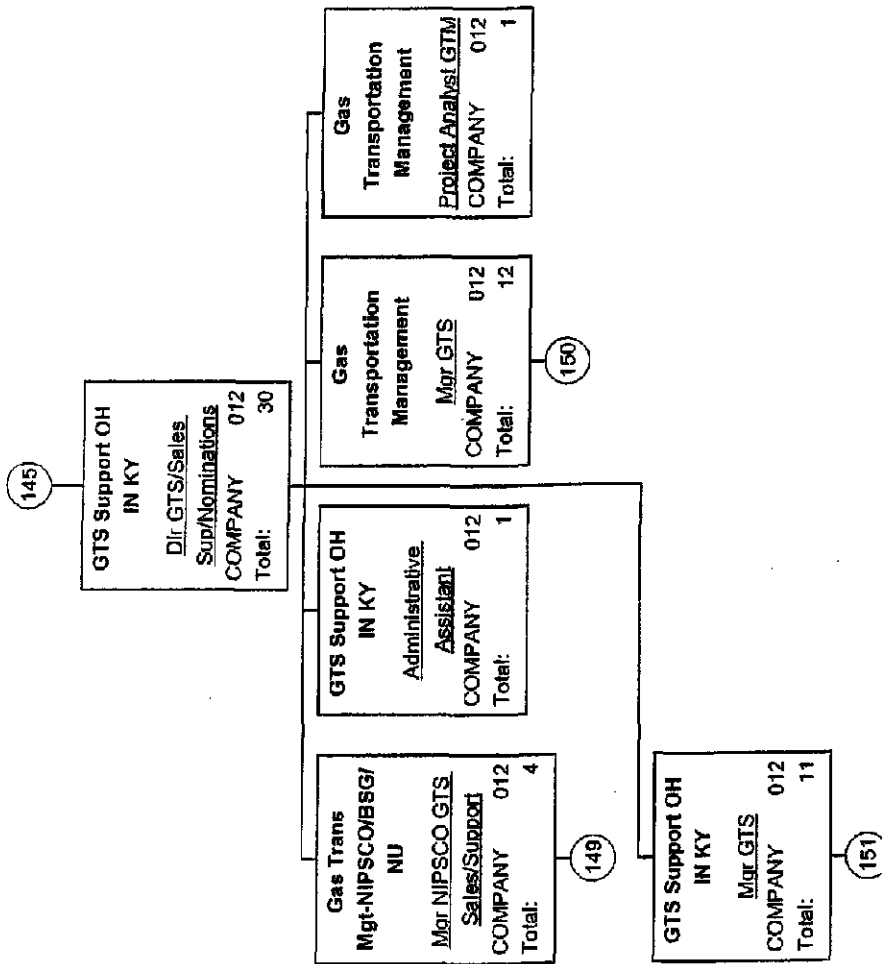
GTS communicates on a regular basis with the following external parties: the Public Utilities Commission of Ohio and other regulatory bodies, marketers/suppliers, energy consultants/brokers, customers, pipeline companies, and auditors. GTS employees communicate with these parties via e-mail, telephone, facsimile, and automatic data exchange/internet means.

### VI. Goal Attainment and Quantification

Goal attainment and employee performance is tracked on a monthly and quarterly basis via the Performance Management Worksheet (PMW) and Development Focus Worksheet (DFW) process to ensure the Operating Plan goals are being met. Adjustments are made as needed to ensure goals are continually aligned with not only Corporate goals, but department goals as well.

GTS employees are included in the Corporate Incentive Plan.

# GTS Support OH IN KY



**Gas Transportation Management**  
**Gas Transportation**  
**Management**

[illegible]

# GTS Support OH IN KY

(14B)

GTS Support OH IN KY
Mgr GTS
COMPANY 012
Total: 11

GTS Support OH IN KY
Nominations Lead Analyst
COMPANY 012
Total: 1

GTS Support OH IN KY
Nominations Analyst
2
COMPANY 012
Total: 1

GTS Support OH IN KY
Nominations Analyst
2
COMPANY 012
Total: 1

GTS Support OH IN KY
Nominations Analyst
2
COMPANY 012
Total: 1

GTS Support OH IN KY
Nominations Analyst
2
COMPANY 012
Total: 1

Gas Transportation Mgt -Choice Team Ldr GTS
COMPANY 012
Total: 5

Gas Transportation Mgt -Choice GTS Analyst 2
COMPANY 012
Total: 1

Gas Transportation Mgt -Choice GTS Analyst 2
COMPANY 012
Total: 1

Gas Transportation Mgt -Choice GTS Analyst 2
COMPANY 012
Total: 1

Gas Transportation Mgt -Choice GTS Analyst 2
COMPANY 012
Total: 1

## Management Policies, Practices and Organization Rate and Regulatory Services - S.4.2 (a)(v) and (c)(ii)

### I. Strategic Planning, Policy, and Goal Setting

The Rate and Regulatory Services department supports the NiSource corporate aspiration of becoming the "Premier Regulated Energy Company in North America" and Columbia's goal of ensuring safe, reliable, and cost-effective natural gas service to its Ohio consumers. The Rate and Regulatory Services department is a part of the NiSource Corporate Services Company and therefore, may provide support services to all of the local distribution companies within NiSource. Employees at all levels within the Rate and Regulatory Services department directly charge work time and other costs to Columbia and to the other local distribution companies as much as possible. When direct charging is not possible, a specific allocation methodology is utilized. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled "Allocation Bases Utilized by NiSource Corporate Services Company," which is included in this filing.

The Rate and Regulatory Services department supports Columbia's goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the Rate and Regulatory Services department maintains its focus on four aspects of Columbia's business: financial, customer, employee, and process.

Each year, NiSource's Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource's overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and "Transforming to One" processes.

The goal setting process for the Rate and Regulatory Services Department establishes long term objectives and short term initiatives that directly support Columbia's corporate initiatives. Each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. As a major business function, the goal setting process for this department is embodied in its Operating Plan. The aspiration for the department is to be a leader in executing energy distribution commercial and regulatory strategies, recognized for innovative, results-oriented, customer driven, collaborative success. The balanced scorecard measurement tool utilized by Columbia helps to ensure that the Rate and Regulatory



Services Department continually assesses its own progress toward the stated objectives and initiatives.

## II. Organizational Structure

The Vice President of Rate and Regulatory Services reports directly to the Senior Vice President of Energy Distribution and Regulated Revenue, a member of the Corporate Executive Management Team. One executive administrative assistant and two directors, one in charge of Rate and Regulatory Services and one in charge of Demand Forecasting and Rate and Regulatory Services, report to the Vice President. The two directors are each aligned with certain of the NiSource local distribution companies. Five managers report to the two directors. Three of the managers are primarily responsible for Regulatory Accounting matters, one is primarily responsible for Regulatory Systems, and one is primarily responsible for Demand Forecasting. Sixteen analysts, senior analysts, and lead analysts report to the three Regulatory Accounting managers. One strategic initiative analyst, one regulatory analyst, one systems analyst, one associate, and one programmer analyst report to the manager of Regulatory Systems. Three senior forecast analysts report to the manager of Demand Forecasting.

## III. Responsibilities

The Rate and Regulatory Services department is charged with providing high quality services in relation to the following functions: analysis, forecasting, technical and rate case support, including the preparation of schedules, exhibits, witnesses, and testimony. The department also prepares gas cost and other compliance filings and manages the processes related to those filings.

## IV. Decision-Making

The Rate and Regulatory Services department utilizes the performance management process to establish the goals and objectives for the department. As a primary support function for the regulatory and financial aspects of Columbia's business, the department often utilizes the regulatory and financial goals of Columbia's president and state regulatory staff to make decisions and to define its focus and role within the organization. The president of Columbia and the Columbia Regulatory Affairs staff, as well as the Rate and Regulatory Services department, report to the Senior Vice President of Energy Distribution and Regulated Revenue. This similar alignment ensures that the Rate and Regulatory Services Department works closely with Columbia staff assigned specifically to Ohio issues. The Rate and Regulatory Services Department offers direct input and support to Columbia staff on a variety of Ohio regulatory issues.

As stated above, the operating plan sets forth the department's objectives and the aspect of the business with which each objective most closely aligns. Key business metrics, short term initiatives, and key milestones and targets are delineated in the operating plan and provide continuing guidance and direction for the decisions that are made within the department.

The Vice President of Rate and Regulatory Services holds weekly meetings with the directors, as well as expanded weekly meetings which include both the directors and the managers of the department. On a quarterly basis, all-staff meetings are held. The department utilizes these staff meetings, as well as quarterly and annual performance reviews, to monitor continually the department's progress toward its stated goals and to discern the need to create new initiatives or targets for its services.

#### V. Controlling Process

The parameters for successful execution of the responsibilities and duties of the Rate and Regulatory Services department come from a variety of sources. The starting point for each member of the department is the assignment profile, which details responsibilities, expectations, and requirements for each particular job.

The Rate and Regulatory Services department strives to ensure that all corporate governance requirements are fully met including Sarbanes-Oxley compliance, as well as SEC and other reporting and disclosure compliance. The department employs an internal coordinator to ensure that the Sarbanes-Oxley requirements are followed, and that the department's processes are documented. Lastly, the department complies with a variety of requirements established by rules and regulations of the Public Utilities Commission of Ohio, and ensures that filings that are made and/or supported by the Rate and Regulatory Services department follow the Commission's expectations in regard to form and content.

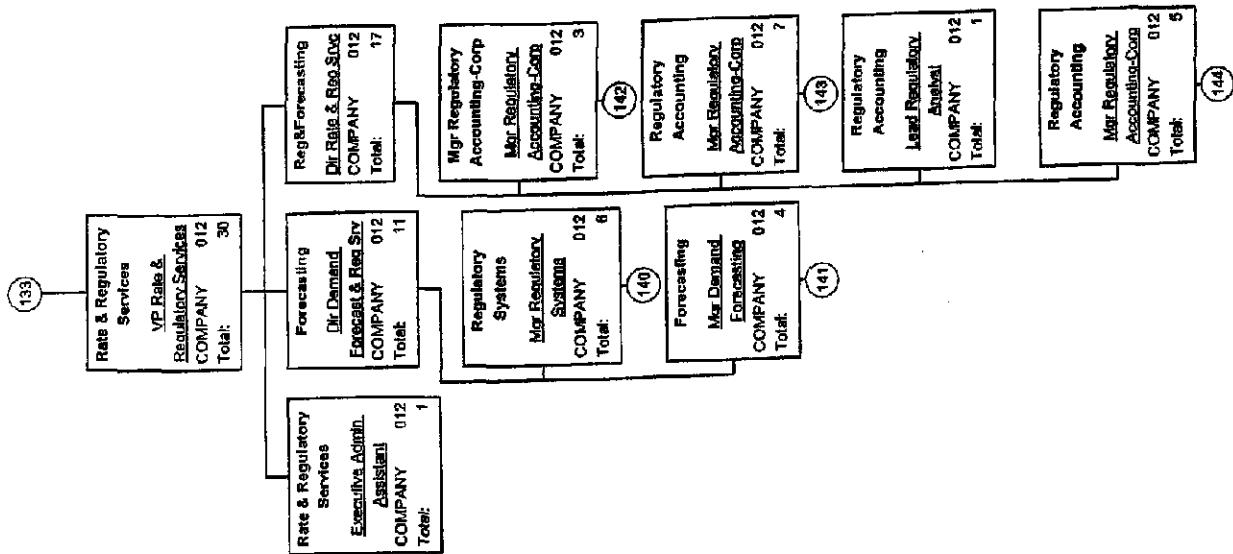
#### VI. Internal and External Communications

The Rate and Regulatory Services department holds regularly scheduled staff meetings to encourage open communication within the department. As a primary support function for many aspects of the organization, the department is also aware of the need to communicate effectively with its internal customers. An internal customer survey is utilized to gauge customer satisfaction with the performance of the department, and to make adjustments and improvements when necessary.

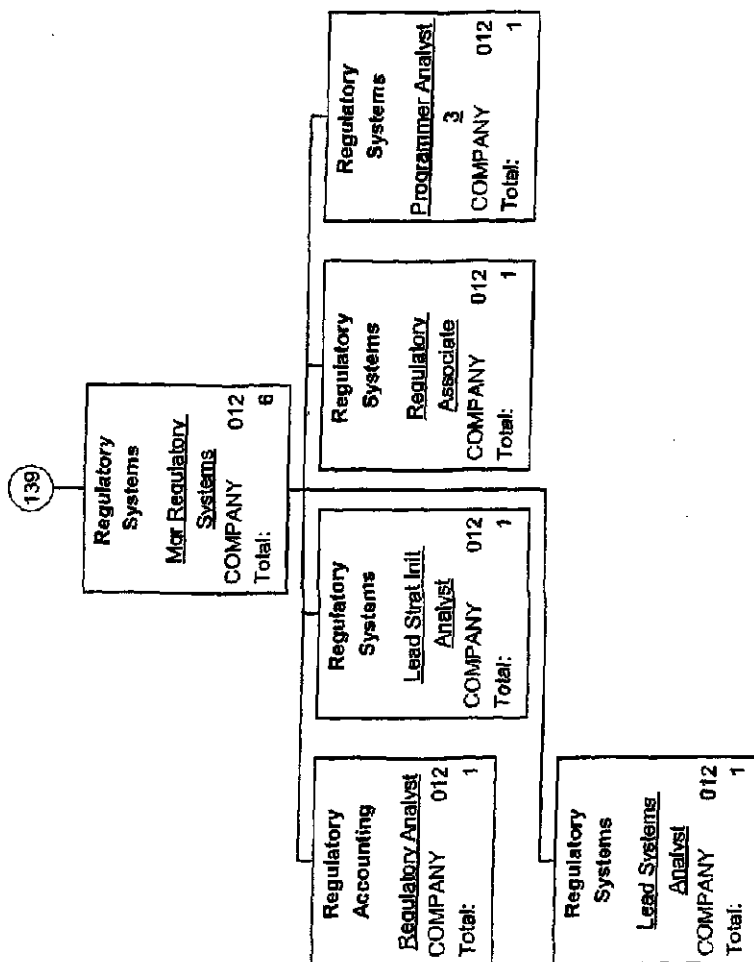
#### VII. Goal Attainment and Quantification

Due to the nature of the responsibilities of the Rate and Regulatory Services department, goal attainment is readily discernible. The department's primary aspiration is to be a leader in executing energy distribution commercial and regulatory strategies, recognized for innovative, results-oriented, customer driven, collaborative success. The department strives to make timely, accurate filings and to provide supporting technical data for Columbia and to ensure the successful prosecution of rate cases and other strategic regulatory programs for Columbia. The department measures the attainment of its goals by the satisfaction of its internal customers and by the success of the regulatory strategies pursued by Columbia and the other NiSource local distribution companies which it supports.

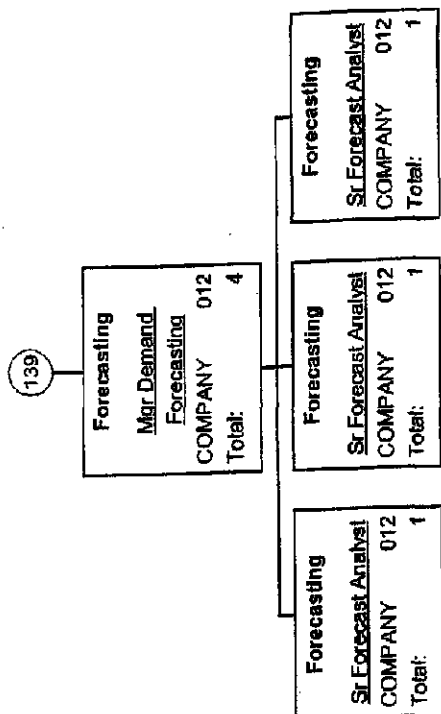
# Rate & Regulatory Services



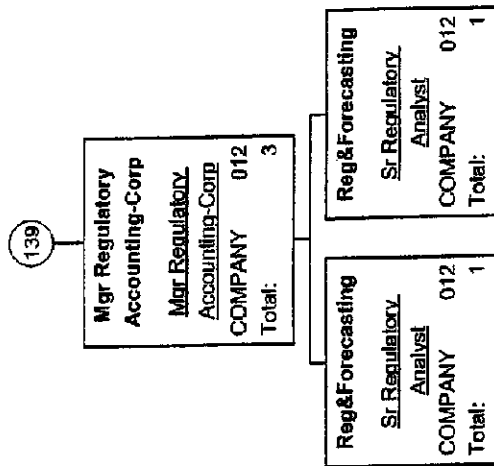
# Regulatory Systems



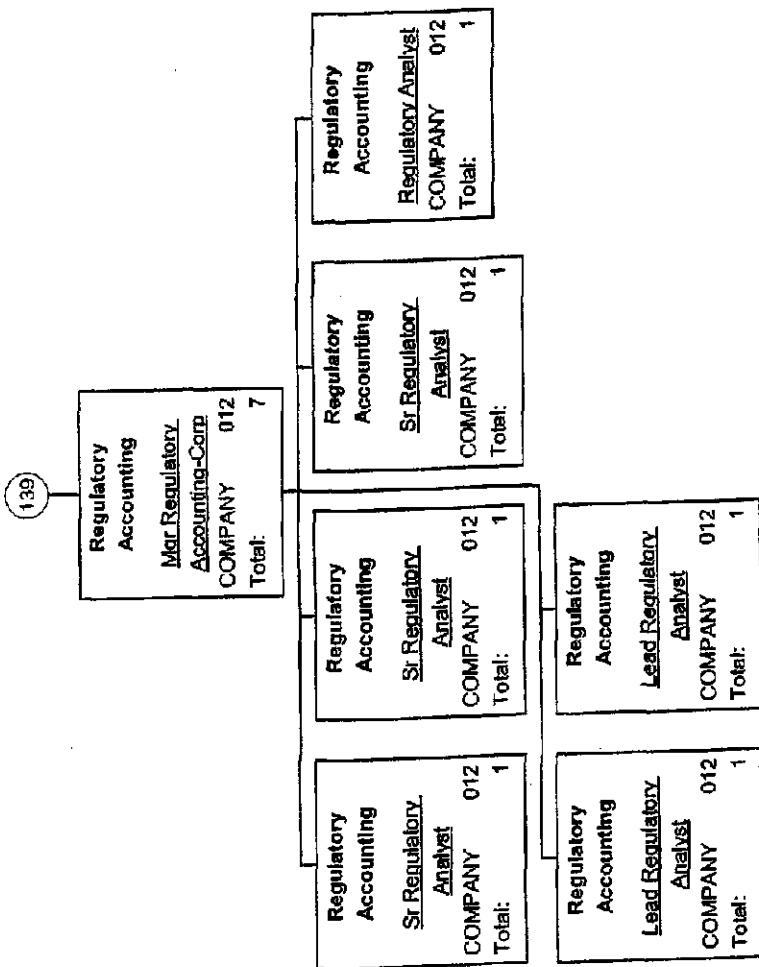
# Forecasting



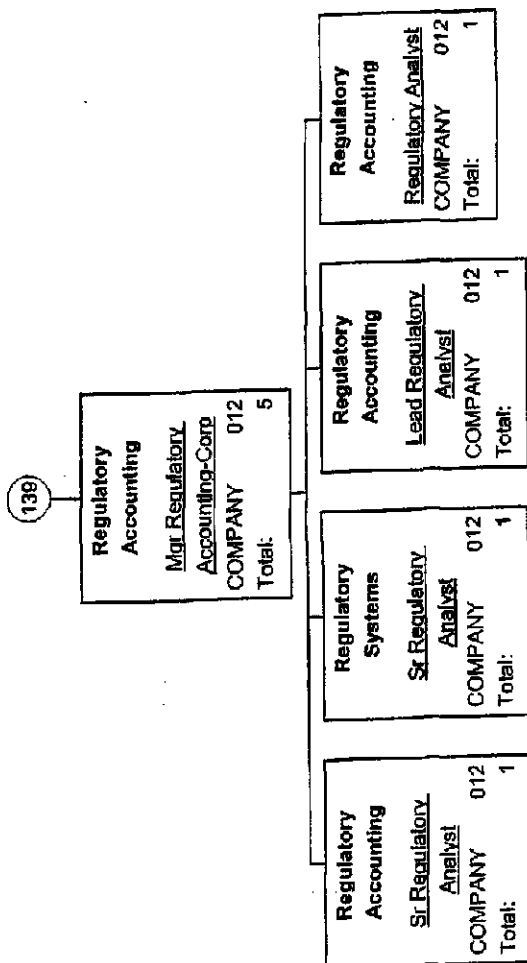
# Mgr Regulatory Accounting-Corp



# Regulatory Accounting



# Regulatory Accounting





Management Policies, Practices and Organization  
Construction Services Section,  
Distribution Operations Department –  
S.4.2 (a)(viii)

I. Strategic Planning, Policy, and Goal Setting

The Construction section of the Distribution Operations department supports the NiSource corporate aspiration of becoming the "Premier Regulated Energy Company in North America" and Columbia's goal of ensuring safe, reliable, and cost-effective natural gas service to its Ohio consumers. The Construction department is a part of the NiSource Corporate Services Company and therefore, may provide support services to all of the local distribution companies within NiSource. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled "Allocation Bases Utilized by NiSource Corporate Services Company," which is included in this filing. More specifically the Construction section of the Distribution Operations department supports Columbia's goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the Construction section of the Distribution Operations department maintains its focus on four aspects of Columbia's business: financial, customer, employee, and process.

Each year, Nisource's Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource's overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and "Transforming to One" processes.

The goal setting process for the Construction section establishes long term objectives and short term initiatives that directly support Columbia's corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. The long term objectives are also linked to the "Capital Allocation Policy" (attached). The balanced scorecard measurement tool utilized by Columbia helps to ensure that the Construction section of the Distribution Operations department continually assesses its own progress toward the stated objectives and initiatives.

## II. Organizational Structure

The organizational chart for the construction department is attached.

## III. Responsibilities

The Construction leaders are in charge of capital projects such as the Accelerated Mainline Replacement Program, New Business line extensions, Mandatory Relocations, Betterment Projects and Riser Replacements. The Construction Department is also responsible for natural gas pipeline system improvements and tariff-driven capital projects.

## IV. Decision-Making and Controlling Process

Decisions made within the Construction Department are based on the following criteria:

- Customer Safety
- Reliable Delivery of Natural Gas
- Capital Allocation Policy (attached)
- Cost Benefit Analysis
- Engineering Analysis

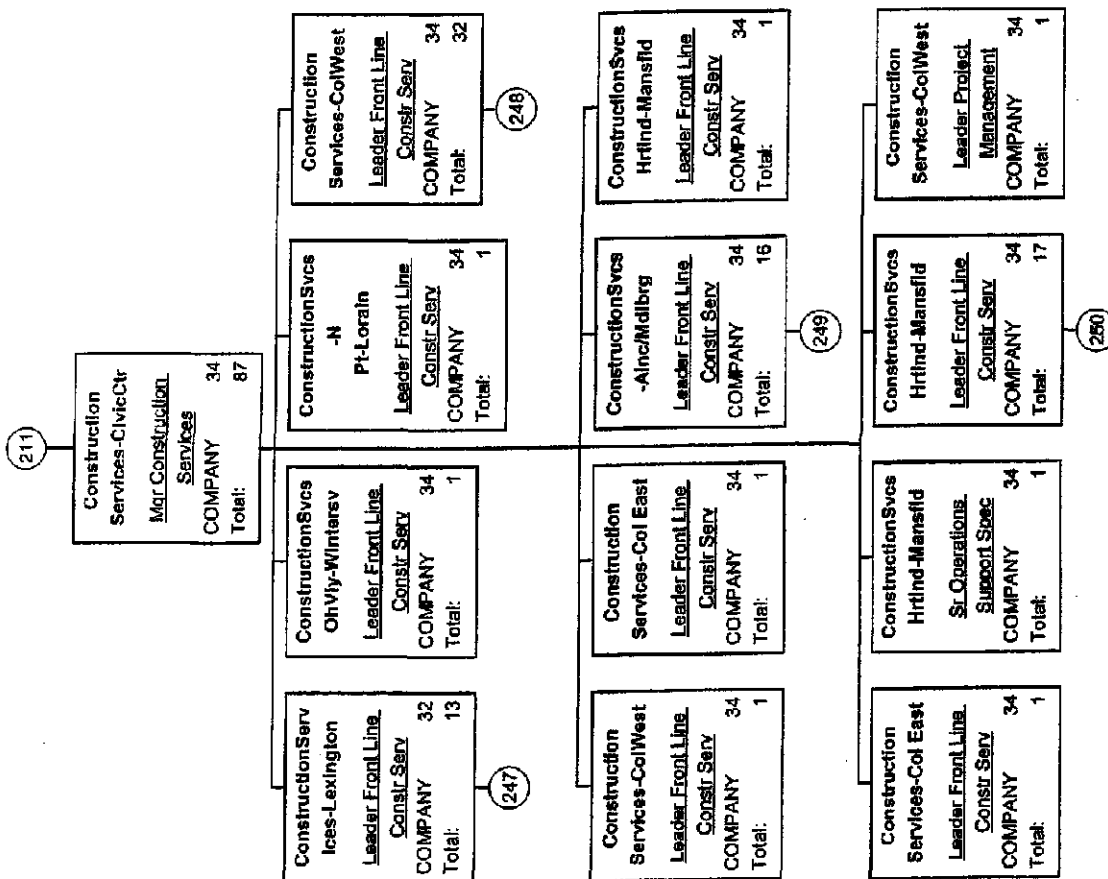
## V. Internal and External Communications

The Construction Department communicates internally by face to face meetings, monthly meetings, e-mail, safety meetings and via cell phones. Our external communications consist of face to face meetings with customers and contractors. We also have regular contact with suppliers via e-mail and telephone calls. We also interact through PUCO Commission representatives via audits and various reports.

## VI. Goal Attainment and Quantification

Goals within the Construction department are linked to the overall corporate goals. Departmental goals reflect safety, quality customer service and cost control measures.

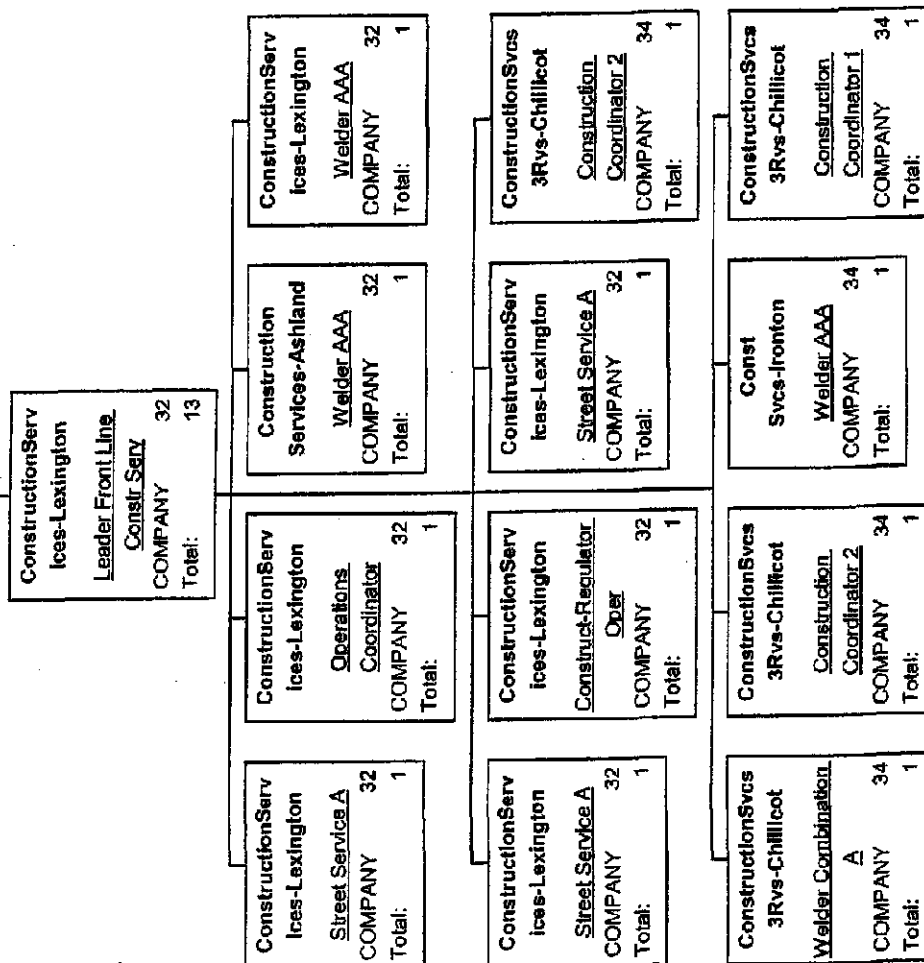
# Construction Services-CivicCtr



# ConstructionServices-Lexingt

on

(246)



162

## ConstructionSvcs-Alnc/Mdlb

rg

(246)

ConstructionSvcs -Alnc/Mdlbrg Leader Front Line Const Svcy 34 COMPANY 16 Total:		ConstructionSvcs -Alnc/Mdlbrg Construction Coordinator 2 34 COMPANY 1 Total:		ConstructionSvcs -Alnc/Mdlbrg Construction Coordinator 2 34 COMPANY 1 Total:	
ConstructionSvcs Lerie-Findley Welder Combination A 34 COMPANY 1 Total:		ConstructionSvcs s-Mekngm-Znsvll Construction Coordinator 1 34 COMPANY 1 Total:		ConstructionSvcs -Alnc/Mdlbrg Construction Coordinator 2 34 COMPANY 1 Total:	
ConstructionSvcs -Alnc/Mdlbrg Construction Coordinator 2 34 COMPANY 1 Total:		ConstructionSvcs -N Pt-Lorain Construction Coordinator 2 34 COMPANY 1 Total:		ConstructionSvcs s-Mekngm-Znsvll Construction Coordinator 2 34 COMPANY 1 Total:	
ConstructionSvcs -Alnc/Mdlbrg Construction Coordinator 1 34 COMPANY 1 Total:		ConstructionSvcs OhVly-Wintersv Welder Combination COMPANY 34 Total:		ConstructionSvcs -N Pt-Lorain Construction Coordinator 1 34 COMPANY 1 Total:	
ConstructionSvcs -N Pt-Lorain Construction Coordinator 1 34 COMPANY 1 Total:		ConstructionSvcs -Alnc/Mdlbrg Construction Coordinator 2 34 COMPANY 1 Total:		ConstructionSvcs -Alnc/Mdlbrg Welder Combination A 34 COMPANY 1 Total:	
ConstructionSvcs -N Pt-Lorain Construction Coordinator 2 34 COMPANY 1 Total:		ConstructionSvcs -Alnc/Mdlbrg Construction Coordinator 2 34 COMPANY 1 Total:		ConstructionSvcs -Alnc/Mdlbrg Construction Coordinator 2 34 COMPANY 1 Total:	

# ConstructionSvcsHrtInd-Man sfl

246

ConstructionSvcs HrtInd-Mansfld Leader Front Line Constr Serv COMPANY 34 Total: 17			
ConstructionSvcs LErie-Findley Construction Coordinator 2 COMPANY 34 Total: 1	Construction Services-Toledo Construction Coordinator 2 COMPANY 34 Total: 1	ConstructionSvcs LErie-Findley Construction Coordinator 2 COMPANY 34 Total: 1	ConstructionSvcs LErie-Findley Welder Combination A COMPANY 34 Total: 1
ConstructionSvcs LErie-Findley Welder Combination A COMPANY 34 Total: 1	Construction Services-Toledo Welder Combination Coordinator 1 COMPANY 34 Total: 1	Construction Services-Toledo Welder Combination Coordinator 1 COMPANY 34 Total: 1	Construction Services-Toledo Welder Combination A COMPANY 34 Total: 1
Construction Services-Toledo Construction Coordinator 2 COMPANY 34 Total: 1	ConstructionSvcs LErie-Findley Welder Slopel Combination COMPANY 34 Total: 1	ConstructionSvcs LErie-Findley Welder Slopel Combination COMPANY 34 Total: 1	Construction Services-Toledo Construction Coordinator 1 COMPANY 34 Total: 1
Construction Services-Toledo Construction Coordinator 1 COMPANY 34 Total: 1	Construction Services-Toledo Construction Coordinator 2 COMPANY 34 Total: 1	Construction Services-Toledo Construction Coordinator 2 COMPANY 34 Total: 1	ConstructionSvcs HrtInd-Mansfld Welder Combination A COMPANY 34 Total: 1

## Management Policies, Practices and Organization Market Research Department – S.4.2 (a)(ix), (d)(iv)

### I. Strategic Planning, Policy, and Goal Setting

The Market Research department supports the NiSource corporate aspiration of becoming the "Premier Regulated Energy Company in North America" and Columbia's goal of ensuring safe, reliable, and cost-effective natural gas service to its Ohio consumers. The Market Research department is a part of the NiSource Corporate Services Company and therefore, may provide support services to all of the local distribution companies within NiSource. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled "Allocation Bases Utilized by NiSource Corporate Services Company," which is included in this filing. More specifically the Market Research department supports Columbia's goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the Market Research department maintains its focus on four aspects of Columbia's business: financial, customer, employee, and process.

Each year, NiSource's Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource's overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and "Transforming to One" processes.

The goal setting process for Market Research establishes long term objectives and short term initiatives that directly support Columbia's corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. Goals for the Market Research Department are set by the Market Research manager in collaboration with the Retail Services Marketing Director and Vice President through the NiSource performance management process. The balanced scorecard measurement tool utilized by Columbia helps to ensure that the Market Research Department continually assesses its own progress toward the stated objectives and initiatives.

### II. Organizational Structure



The Market Research Department consists of two employees, a Manager and an Analyst. The Market Research Manager reports to the Marketing Director in the Retail Services Department.

### III. Responsibilities

The Market Research Department:

- Conducts surveys of consumers and businesses, focus groups, and utilizes other market research techniques to obtain and compile primary research data;
- Prepares Requests for Proposals (RFP's), develops selection criteria and evaluates proposals for projects to be performed by outside vendors;
- Manages relationships with market research vendors;
- Recommends data for strategic marketing plans and prepares formal presentations;
- Identifies market information needs and formulates research plans to meet those needs;
- Collaborates with program planners to design and evaluate marketing plans and programs designed to achieve specific targets and goals;
- Reviews, evaluates and interprets the results of market research studies;
- Assists other marketing sections with the development of new, or the modification of existing, marketing programs;
- Communicates available research findings to marketing and sales staff.

### IV. Decision-Making and Controlling Process

Decisions are made by internally established avenues and guided by The Code of Market Research Standards as established by the Marketing Research Association, Inc.

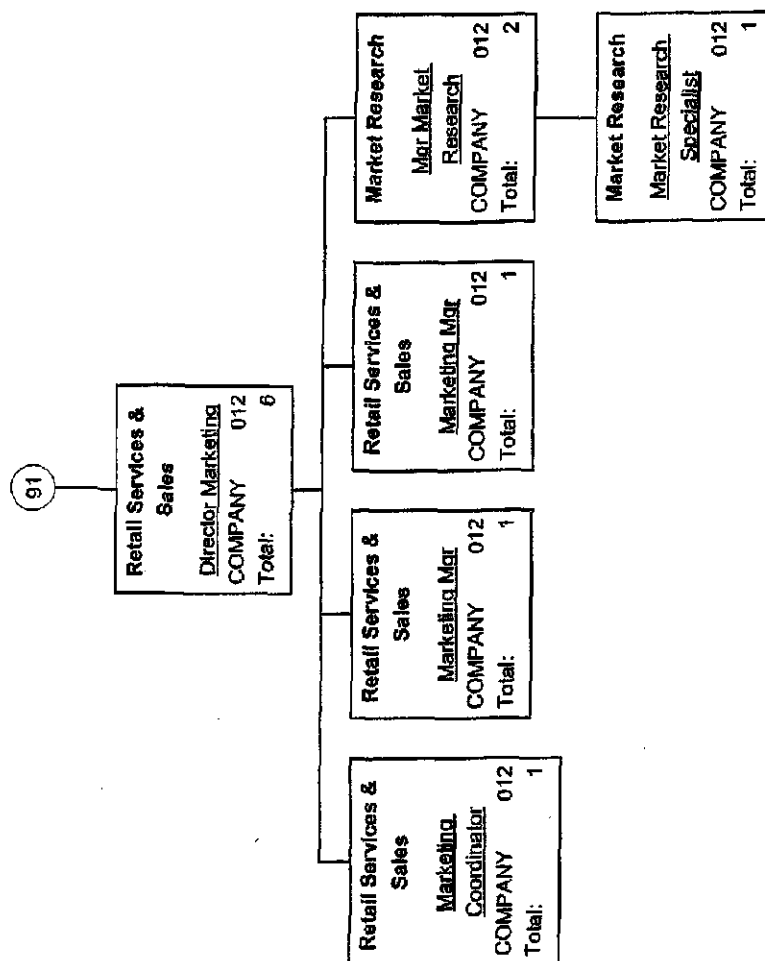
### V. Internal and External Communications

Internal communications for the Market Research Department are facilitated by email and a weekly conference call involving all Department heads.

### VI. Goal Attainment and Quantification

Goals for the Market Research Department are set annually in accordance with the performance management process set forth by NiSource Management. Progress toward attainment of these goals is reported at mid-year and year end. Employees are recognized for achievement of goals at year end in the form of a bonus payment as determined by the annual NiSource Corporate Incentive Plan.

# Retail Services & Sales



## Management Policies, Practices and Organization Environmental, Health & Safety Department - S.4.2 (a)(x)

### I. Strategic Planning, Policy, and Goal Setting

The Environmental, Health & Safety (EH&S) Department supports the NiSource corporate aspiration of becoming the "Premier Regulated Energy Company in North America" and Columbia's goal of ensuring safe, reliable, and cost-effective natural gas service to its Ohio consumers. The EH&S Department is a part of the NiSource Corporate Services Company and therefore, may provide support services to all of the local distribution companies within NiSource. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled "Allocation Bases Utilized by NiSource Corporate Services Company," which is included in this filing. More specifically the EH&S Department supports Columbia's goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the EH&S Department maintains its focus on four aspects of Columbia's business: financial, customer, employee, and process.

Each year, NiSource's Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource's overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and "Transforming to One" processes.

The goal setting process for EH&S establishes long term objectives and short term initiatives that directly support Columbia's corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. Objectives and initiatives are established annually at multiple levels within the department. The EH&S leadership formulates objectives each year that are in alignment with the Corporate strategy and long term regulatory trends. Additionally, EHS works in concert with Columbia and the other distribution companies to develop short and long term objectives based on:

- NiSource's EH&S Policy, including its commitments to continual improvement, legal compliance, prevention of pollution and waste minimization;
- pending or applicable EH&S legal and other requirements;
- significant EH&S aspects and their impacts on Columbia;
- financial, operational and business requirements;
- known views of interested parties;
- past safety performance; and

- Information from leading indicators of performance.

This coordinated effort results in EH&S-related objectives and targets that are incorporated into the annual business plans of EHS and Columbia through its formal Environmental and Safety Management Systems.

The balanced scorecard measurement tool utilized by Columbia helps to ensure that the EH&S Department continually assesses its own progress toward the stated objectives and initiatives.

## II. Organizational Structure

The NiSource EH&S Department is comprised of seventy-one professionals who support all companies within NiSource. It is led by the Senior Vice President & Environmental Counsel who delegates responsibility to two Directors who oversee six functional areas within EH&S. These functional areas include: Auditing, Health & Safety, Field Services, Remediation, Permitting, and Corporate Programs. These functional areas are described in more detail in the next section.

## III. Responsibilities

In addition to defining the structure and responsibilities for each of its own functional areas, EH&S and Columbia have undertaken an effort to define the EH&S responsibilities of all employees. Through this EH&S Management System, management and employee responsibility for compliance with applicable EH&S regulatory requirements is identified and defined. To track the vast array of tasks that are required to comply with legal and other requirements, task management tools (i.e. Maximo, Task Manager) are used to assign responsibility for performing the tasks to specific individuals. This formal management system was initially certified pursuant to ISO 14001 by independent outside auditors. Subsequent to that initial certification, the Auditing group below reviews the system for conformance with the ISO standard.

**Auditing** - The auditing group acts independently and assesses NiSource's internal operations and its EH&S vendors, ensuring that all applicable regulations are being followed throughout the organization. The group has adopted a risk-based approach to structuring the frequency and scope of its audits. Audit schedules are based on the regulatory complexity and risk associated with individual operating units.

**Corporate Health & Safety** - The Corporate Health & Safety group oversees and provides Enterprise-wide coordination of safety improvement efforts, regulatory monitoring, and agency safety enforcement response. The Corporate Health and Safety group also works closely with individual EH&S Coordinators, the Distribution Companies Health and Safety Counsel and business managers to provide support and guidance on issues such as regulatory interpretation, ergonomics, industrial hygiene, and exposure monitoring. It assists the various business segments in developing new programs and better, more effective safety compliance strategies.

**Corporate Programs** - The Corporate Programs group is responsible for establishing programs and procedures and designing tools that help ensure compliance and create efficiencies (i.e. Title V compliance tracking, Injury & Illness tracking, Agency Inspection database, Land Rights Transfers, etc.) across NiSource.

**Field Services** - This EH&S function is an integral link between Operations and EH&S in ensuring compliance. EH&S compliance is ensured at the operating facility level by geographically dispersed EH&S coordinators. These coordinators are knowledgeable of the operations, provide support to operations personnel, and are responsible and accountable for day-to-day compliance. The ongoing communication between these coordinators and Columbia personnel ensures that regulatory activities are being monitored and addressed on a continuing basis.

**Permitting** - The EH&S Permitting group is comprised of EH&S professionals who specialize in regulatory review and securing environmental permits for Columbia and other NiSource Companies to conduct their business. This group is responsible for reviewing, summarizing, communicating and, when needed, providing comments to applicable facilities on state and federal environmental regulations and legislation. Facility specific environmental permits are negotiated, acquired, reviewed, and implemented in conjunction with the affected facility. NiSource operations require several types of permits including: wetlands permits, air permits, wastewater discharge permits, solid waste management permits, erosion control permits, etc.

**Remediation** - NiSource has identified a significant number of historic contamination (mainly former manufactured gas plant) sites throughout its service territory. The Remediation group is responsible for identifying and addressing environmental obligations associated with land contamination. In performance of these duties, the group manages contractors, oversees the investigation of these sites and the remedial activities, addresses any associated risk to human health and the environment, and ensures that these activities are performed in accordance with applicable regulations. Typical remedies range from simple removal with off-site disposal to elaborate containment measures.

#### IV. Decision-Making and Controlling Process

The EH&S Department has worked with Columbia to develop an inventory of its activities and to identify the EH&S aspects and impacts (e.g. air emissions, hazardous waste, wastewater discharges, common health and safety exposures to their employees, the potential for spills, natural resource impacts, emergency response issues, etc.) associated with those activities. The potential risks (financial, legal, public relations, etc.) associated with the identified EH&S aspects and impacts were also identified and quantified. This information was then used to rank and prioritize the aspects and impacts for management awareness and decision-making.

The EH&S Department meets at least monthly with Columbia to review issues related to ongoing activities, balanced scorecard progress and trends in safety performance. Decisions are made mutually within the overall framework of the formal EHS Management System.

Additionally, the EHS Department has established several formal processes for all NiSource Companies. These processes include:

- Auditing
- The purchase, sale or leasing of property
- Assessing hazards of work procedures
- Personal Protective Equipment Assessments
- Financial reporting
- Safety incidents
- Vehicle accidents

#### V. Internal and External Communications

NiSource has processes in place throughout the organization to ensure that external communications regarding specific compliance issues are handled appropriately between the designated Communications Department representatives and EH&S.

- The NiSource.com external website's Environmental section describes the EH&S Department's commitment to sustainability, annual EH&S performance/metrics, NiSource's Climate Change Policy, and the Environmental Challenge Fund.
- Incident reporting procedures have been established to ensure compliance and that in the event of an emergency, all of the appropriate parties (internal and external) have been contacted. Additionally, spill hotlines have been put in place throughout the organization for the reporting of spills or other environmental releases.
- Internal EH&S communications are facilitated via staff meetings which are held at the various departmental levels on a regular (typically monthly) basis. These meetings take place for the purposes of decision making and planning, discussing staffing needs and budgetary matters, providing project updates, and discussing any issues of concern that impact the department or functional area.
- Communication of employee concerns regarding worker health and safety matters are addressed through Local Safety Committees, which are comprised of local management, EH&S department representatives, and hourly employees.
- The **EH&S Community** within MySource is an internal webpage which contains EH&S policies/procedures, access to various systems/tools, general departmental information, team updates, etc.
- The **Regulatory Issues Tracking Report** is posted within in the EH&S Community and summarizes the most critical regulatory issues that are currently being tracked by the EH&S Department. They may also involve ongoing legislative and/or

administrative EH&S-related activities at the State or Federal level that may have a substantial effect on NiSource.

## VI. Goal Attainment and Quantification

**EH&S management plans** are put in place to meet the objectives and targets. These plans identify:

- action steps;
- responsible persons at all relevant functions and levels;
- required resources;
- reasonable achievement schedules; and
- monitoring and evaluation measures.

Progress toward meeting objectives is recorded on a quarterly basis and reported by EH&S to the Operations leadership.

**EH&S performance metrics** reflect the priorities and values of NiSource and are used to track the reduction in environmental impacts of our business over the last several years. These metrics focus primarily in generation and delivery of energy products, the reduction of legacy equipment and land contamination, and our commitment to the sustainability of our business and to the safety of NiSource employees.

A quarterly **EH&S field services performance measurement scorecard** was implemented in 2007 to measure performance results in the following areas:

- Compliance
- Routine activities that demonstrate internal and external compliance with regulatory requirements.
- Governance
- Those field implemented EHS activities which manage a specific EHS risk but are not required by regulations
- Projects /Initiatives
- Long/short term objectives which are measurable and actionable

Performance plans for EH&S employees are tied to objectives and initiatives. During periodic performance evaluations, supervisors review progress on the performance plans. These results then are a factor in annual merit salary increases, promotions, annual incentive awards and spot awards.

## Environmental, Health and Safety Policy

### Mission Statement

NiSource and its companies will pursue a strong environmental, health & safety program that prioritizes environmental, health & safety responsibilities and achieves environmental, health & safety excellence.

#### To that end, we pledge to:

- Seek proactive management opportunities for improved environmental, health & safety results while complying with environmental, health & safety laws and regulations and other applicable requirements.
- Improve environmental, health & safety performance through regular self-assessment and performance measurement/targeting.
- Ensure that all employees understand their role in and responsibility for achieving superior environmental, health & safety performance.
- Pursue innovative activities, products, research and investments that provide a healthy, accident-free workplace and a sustainable, quality environment for future generations.
- Integrate and enhance environmental, health & safety considerations into all business activities.
- Demonstrate and promote pollution prevention, environmental preparedness, waste minimization and recycling.
- Work with government and other organizations to establish programs that safeguard the community and workplace and protect the environment.
- Foster an open dialogue with employees and the public on Corporate environmental, health & safety programs and policies.
- Promote the wise use of energy as a good investment for customers and the environment.

#### To that end, all personnel are responsible for:

Understanding the environmental, health & safety impacts, hazards and risks associated with their jobs and for following the proper procedures to minimize or eliminate those impacts, hazards and risks.

Immediately notifying their supervisors of any workplace injury, any circumstance that might result in a dangerous situation, or any environmental incident so that necessary and appropriate timely preventative and corrective action can be taken to resolve the issue.



# Climate Change Policy

Whereas, economic, social and environmental values and considerations are integrated with NiSource business activities;

Whereas, climate change is an issue on which there is considerable debate and concern;

Whereas, NiSource companies engage in activities to reduce potential risks and pursue opportunities associated with the climate change issue; and,

Consistent with its Environmental Health and Safety Policy, NiSource intends to both reduce the carbon intensity of its operations and provide products that are a solution for reducing our nation's greenhouse gas emissions. Accordingly, NiSource will meet the energy needs of its customers and address global climate change challenges with business activity compatible with sustained economic growth.

To these ends, NiSource will find effective and efficient ways to:

- Inventory greenhouse gas emissions from all relevant NiSource companies' operations.
- Increase the efficiency with which NiSource companies generate, transport and distribute energy products.
- Reduce the carbon intensity of our energy products.
- Promote the role that clean, highly efficient generation can serve in achieving our nation's energy and environmental objectives.
- Advocate that power generation projects that increase the efficiency in converting fuel to useful energy products should be recognized in climate registries and environmental regulations.
- Encourage our customers to use natural gas wisely; including using highly efficient on-site energy systems, such as combined heat and power.
- Develop objectives and targets that advance NiSource and customer efforts to meet these positions.
- Measure the progress that NiSource and our customers are making in meeting these positions.

See Carbon Disclosure Project document for further information on NiSource's Climate Strategy.

Adopted May 10, 2004  
Environmental Health and Safety Committee  
NiSource Board of Directors

---

# **T**he Sustainable Approach – Charting our Progress

---

NiSource is a holding company with headquarters in Merrillville, Indiana, whose operating companies engage in virtually all phases of the natural gas business from transmission and storage to distribution as well as electric generation, transmission, and distribution to the market and installation of on-site generation. With 7,400 employees, our core operating companies provide energy to approximately 3.8 million customers located within the high-demand energy corridor that runs from the Gulf Coast through the Midwest to New England.

The creative spark that animates our subsidiaries and guides our approach to managing our core business is sustainability, a concept that reconciles environmental protection and health & safety with other business activities and the communities that support us. Sustainability – the practice that integrates long-term economic, environmental, social and risk management aspects into business strategies – requires an outlook focused far beyond the traditional corporate or regulatory compliance or the allure of short-term financial gain.

Achieving sustainability requires a re-visioning of several fundamental elements of business operation to create a new relationship between environmental protection, health & safety and profitability. It requires the integration of economic, environmental and social considerations into all areas of corporate decision making as well as the flexibility to make use of a wide range of technological and market-based solutions. And it requires the ability to team with others to accomplish results.

Consistent with the sustainable approach, NiSource's corporate EH&S policy requires us to manage emerging issues proactively with good corporate stewardship. Our success in meeting this challenge is demonstrated by NiSource's inclusion in the annual Dow Jones Sustainability World Index (DJSI World) on five occasions. Organizations selected for inclusion in this prestigious index are broadly recognized as the sustainability leaders in their respective industries. Our journey and our accomplishments on the path toward sustainability are further chronicled in this Progress Report.

## **I**ntegrating Environmental, Health and Safety Awareness Throughout the Company



In the early 1990's NiSource established a Board-level committee comprised of members from the Board of Directors that meets twice annually to address environmental, health and safety and sustainability matters, including climate change. The primary function of the Committee is to assist the Board of Directors and management in overall EH&S program oversight. At each meeting, the Senior Vice President and Environmental Counsel presents information on existing and emerging EH&S matters, including climate change.

As part of NiSource's commitment to sustainability, we initiated a program in 1997 to employ environmental management systems, certified to the ISO 14001 Standard, in our operations. In October 1998, NiSource's subsidiary, NIPSCO, became the first North American utility to certify all its facilities under this system. We subsequently recognized the need to expand our management systems to include health and safety impacts and have now developed a corporate standard for management systems that fully integrates environmental as well as health & safety impacts into our business operations. In 2003, we began the initiative to institute this management system model in all of our business segments by the end of 2005. All NiSource operating subsidiaries have now implemented and certified their management systems.

Evaluating our environmental, health & safety aspects and the significance of their impacts – and determining to what extent these impacts can be controlled – helps allocate our resources where they are most needed to protect the environment and our employees and suggests opportunities for new ventures grounded in the principles of sustainability.

## Flexibility Leads to Inventive Solutions

Businesses seeking to achieve sustainability need regulatory, operational, and organizational flexibility to apply business and customer solutions. Providing businesses flexibility brings to bear the considerable resources and ingenuity of the private sector to develop innovative technologies and processes to solve complex environmental problems. Flexibility to take a regional or global view of environmental challenges adds an important dimension to the range of possibilities. By providing businesses with the flexibility to determine where and when technologies and other remedies can best be applied, all can benefit from the greatest overall gains in environmental quality with the least amount of economic disruption. In our efforts to promote sustainability, NiSource has taken advantage of market-based regulatory programs, worked with partners, and entered into voluntary programs to address environmental issues. The market-based approach has been an important success story in efforts to reduce sulfur dioxide (SO<sub>2</sub>) emissions by allowing utilities the flexibility to determine how best to meet required reductions. By installing a flue gas desulfurization ("scrubber") facility at Bailly Generating Station, NIPSCO took advantage of one such market-based approach. This led to our becoming the first utility to meet SO<sub>2</sub> standards for Phase I generating units under the Acid Rain Provisions of the Clean Air Act. Currently, NiSource is working with other energy companies to urge a market approach that recognizes the benefit of energy efficiency to reduce multiple pollutants.

Solving environmental control problems requires the organizational flexibility to work with others. Reducing SO<sub>2</sub> emissions at NIPSCO's generating stations has been a prime example of successful collaborative efforts. Through commercial partnerships, NIPSCO has reduced SO<sub>2</sub> emissions to meet U.S. EPA standards and has replaced the generation of a difficult-to-manage waste stream with the production of a useful product, gypsum for wallboard, from all NIPSCO scrubbers located at our Bailly and R.M. Schahfer Generating Station.

Voluntary partnership programs also provide the flexibility to seek sustainable solutions by reaching out to link businesses, organizations, and trade associations. These partnership efforts are formed to help provide the foundation for sustainable rulemaking or to solve environmental issues without laws and regulations through voluntary goals and commitments to achieve measurable environmental results.

NiSource participates in several voluntary emissions reporting and reduction programs. SF<sub>6</sub>, Natural Gas Star, EPA, CHP Partnership programs are designed to encourage and document voluntary efforts in reducing greenhouse gas (GHG) emissions. Recently, NiSource joined the U.S. EPA Climate Leaders partnership. This is a voluntary government-industry partnership that challenges companies to develop long-term comprehensive climate change strategies and set GHG emissions reduction goals. Partnership requirements include preparation of an emissions inventory, inventory management plan, and setting GHG emissions reduction goals.

## The Power of Partnering

Our business fundamentals are based on working with other businesses and building working relations with key stakeholders in our service territories. Today's operating issues are highly complex, requiring the management of compelling interests such as economic growth, social responsibility, and environmental stewardship. Through partnership opportunity, NiSource is better able to meet these challenges.



*Indiana Dunes National Lakeshore*

NiSource routinely enters into partnership arrangements. The partnerships NiSource is most proud of are those with our customers and employees working together. Such partnerships include those being pursued by NiSource Energy Technologies (NET), a NiSource subsidiary that designs and installs distributed generator systems. NET was recently recognized for its exemplary projects that are innovative, comprehensive, thoroughly documented, and demonstrate significant and measurable results.

Through NET, NiSource is partnering with major commercial customers to help increase the energy efficiency of their operations through distributed generation projects. This reduces their energy costs and

provides NiSource with alternative ways to meet the energy demands of its customers without constructing additional generating capacity. The NET business model is a great showcase of how partnering works and protects natural resources through efficient use of natural gas to generate electricity for on-site consumptive purposes.

The energy efficiency programs offered by various NiSource gas distribution subsidiaries such as Bay State Gas, Northern Utilities, and Columbia Gas of OH and PA are other examples of how NiSource companies partner with its customers by providing technical and financial assistance to homeowners and businesses to help them identify and implement energy efficiency measures such as the installation of insulation, high efficiency furnaces, and other energy saving appliances. These demand side energy programs further encourage the efficient utilization of natural gas in homes and business throughout our service territory.

NiSource regularly partners with community and non-governmental organizations that share NiSource's commitment to environmental goals such as enhancing biodiversity, preserving habitat, and restoring impaired properties as discussed in the following section on Revitalizing Urban Areas and Natural Habitats.

## Reducing Environmental Impacts



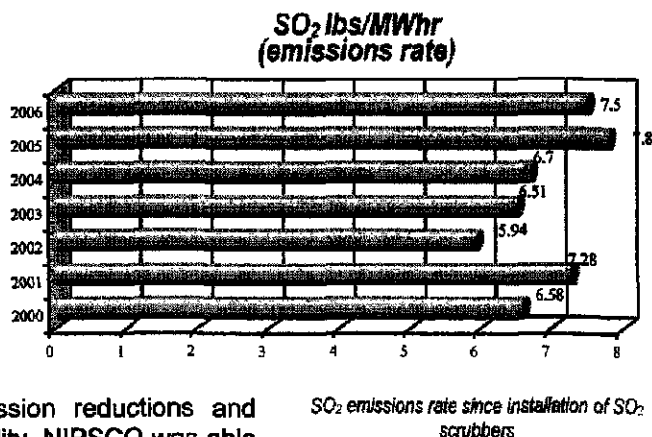
### Reducing Emissions and Creating a Co-product

NIPSCO, NiSource's regulated electric utility, was required to reduce SO<sub>2</sub> emissions to meet requirements set forth by the Clean Air Act. In doing so, it became the first utility to meet the first phase of the SO<sub>2</sub> standards with pollution control technology. NIPSCO achieved this distinction through a unique demonstration project whose partners included the US Department of Energy (DOE) and Pure Air, a joint venture of Air Products and Chemicals Inc., and

Mitsubishi Heavy Industries America, Inc. Together the partners designed and installed an advanced flue gas desulfurization (AFGD) system at NIPSCO's Bailly Generating Station.

The system works by the AFGD scrubber removing SO<sub>2</sub> from the waste gas. The SO<sub>2</sub> then reacts with limestone in the scrubber to produce synthetic gypsum. The synthetic gypsum becomes a co-product of our operations, which is later sold for use in wallboard at a local plant. Thus, rather than creating a waste, the technology creates a marketable product as it controls emissions.

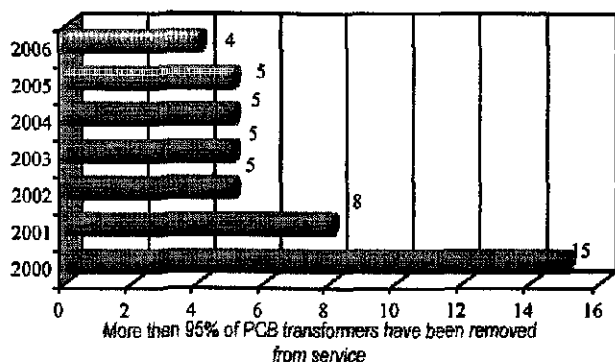
Faced with the same regulatory requirements at the R. M. Schahfer Generating Station, similar chemical principles were deployed to meet emission reductions and produce a synthetic gypsum co-product. At this facility, NIPSCO was able to work with the nearby wallboard plant to create a "direct coupled" operation whereby the gypsum is fed directly to the plant. This is one of only a few such "direct coupled" operations of its kind in the United States. To date, almost 50% of NIPSCO's coal-fired generation capacity is equipped with SO<sub>2</sub> scrubbers. NIPSCO's SO<sub>2</sub> emission rate is one of the lowest of any Indiana utility.



## Reducing PCBs and Mercury

Polychlorinated Biphenyls (PCBs) is a chemical historically used in the electric industry as a dielectric fluid. NIPSCO has set a voluntary goal of removing virtually all PCBs from our transmission and distribution systems. NIPSCO is the only utility in the United States to commit to such a plan with EPA. NIPSCO has already removed over 95% of PCB transformers from its systems. The few remaining significant transformers are no longer in use and their removal will be addressed as part of future considerations for the D. H. Mitchell Generating Station. With approximately 125,000 transformers in NIPSCO's system, testing each piece of equipment for PCBs was deemed financially and physically impractical. Therefore, NIPSCO developed a testing program that considered in-service dates, location, and manufacture information to determine which transformers are likely to contain PCBs.

**Percent of PCB Transformers Remaining in Electric Service Territory**



Historically, mercury was used in equipment that regulated the flow of natural gas and in customer meters. Mercury-containing equipment is no longer installed and most of the older equipment is no longer in service, but a small percentage remains in use. In 2000, NiSource companies began a proactive initiative to remove mercury-containing equipment from service in our customers' homes. We are committed to this initiative until all mercury-containing equipment is removed from service.

## Greenhouse Gas, Climate Change and the EPA Climate Leaders Program

Some greenhouse gases occur naturally in the atmosphere, while others result from human activities. Naturally occurring GHGs include water vapor, CO<sub>2</sub>, methane, nitrous oxide, and ozone. Certain human activities, however, add to the levels of most of these naturally occurring gases. Each GHG differs in its ability to absorb heat in the atmosphere. NiSource has long been an industry leader on issues related to GHGs and participates in several voluntary industry-government partnerships like those discussed in this report.

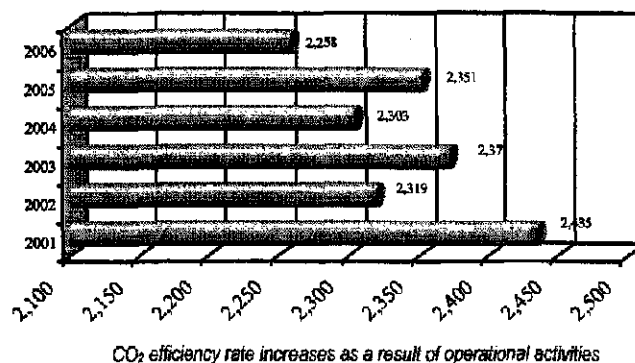
Climate change represents a significant business opportunity for NiSource and its subsidiaries because natural gas is a key "bridge" to future low or non-emitting fuel as affordable alternative technology is developed and deployed. Shifting natural gas usage to higher efficiency generation can dramatically improve the nation's greenhouse gas (GHG) profile. It is likely to play a significant role in shaping the domestic power sector fuel mix.



Accordingly, NiSource intends to continue operating one of the nation's largest delivery systems for natural gas. Key elements of NiSource's growth strategy include expansion and commercial growth in its natural gas pipeline and storage businesses, as well as regulatory and commercial initiatives. These growth strategies are consistent with the NiSource Environmental Health and Safety and Climate Change Policies that collectively pledge to "...provide products that are a solution to reducing our nation's greenhouse gas emissions...and address global climate change challenges with business activity compatible with sustained economic growth."

In December of 2003, NiSource committed to become a Partner in the EPA voluntary Climate Leaders government-industry program. This program encourages companies to develop long-term comprehensive climate change

**CO<sub>2</sub> Lbs Emissions per MWhr**  
(NIPSCO & WHITING CLEAN ENERGY)



strategies and to set GHG emissions reduction goals. Thus far, NiSource has adopted a formal Climate Change Policy that was approved by our Board and has completed a baseline emissions inventory. NiSource recently met with the US EPA Climate Leader representatives for the purpose of discussing its GHG reduction strategy. The strategy has three proactive themes: changing our electric portfolio; developing a path for GHG measurement and reporting in the natural gas sector; and, looking beyond our internal footprint for exponentially greater gains (our gas customers' footprint is several times larger than our internal gas footprint). NiSource is working to improve NiSource companies' and customers' energy efficiency by 7% by 2012. [For further information on NiSource's climate strategy, view the Carbon Disclosure Project document also found in the Environmental Section of the NiSource website.]

## Innovative Projects and Reducing CO<sub>2</sub> Emissions

As a charter member of DOE's Climate Challenge, NiSource has implemented cost effective methods for reducing carbon dioxide (CO<sub>2</sub>) emissions. NiSource has already reported CO<sub>2</sub> reductions of more than 34 million equivalent tons since 1990. Although CO<sub>2</sub> is not a regulated pollutant, it is considered to be a "GHG" that contributes to global warming. Increasing the efficiency with which NiSource companies (NIPSCO and Whiting Clean Energy) generate electricity is an expressed goal of our Climate Change Policy.



Typical Compressor Station

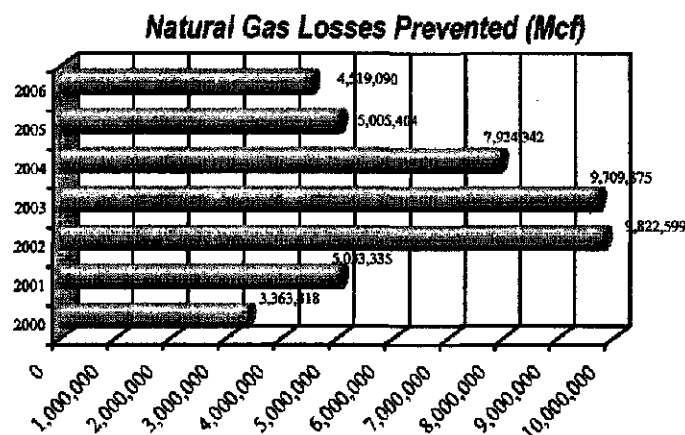
Other examples of our past endeavors to reduce GHG emissions reported to the Climate Challenge Program are: development of approximately 1000 MW of large on-site combined heat and power projects that significantly improved large customers' energy efficiency; Utilitree, an electric utility sponsored program that involved international CO<sub>2</sub> emission reduction projects in Belize, Malaysia and the United States; a fuel switching project from lignite coal to natural gas in Decln in the former Czech Republic; and a biomass test-burning project that utilized wood chips to displace some of the coal burned in our electric generating stations.

## EPA's Natural Gas STAR Program and Reducing Methane Emissions

Natural Gas STAR is an Environmental Protection Agency (EPA) program designed to encourage voluntary reductions in the emission of methane by natural gas distribution companies, transmission companies, and exploration and production companies. NiSource's commitment to this program is exemplary. Our commitment to the program goes beyond simple participation. EPA has recognized Columbia Gas and Columbia Gulf Transmission as Natural Gas STAR Transmission Partner of the Year for 2000, 2001 and 2004; Bay State Gas as the Distribution Partner of the Year in 2000; and Columbia Gas of Ohio in 2003 as the Distribution Partner of the year. All of the NiSource-Columbia blended distribution companies were named Partner of the Year in their section for 2004. These awards demonstrate outstanding performance in reducing methane emissions, identifying and implementing new emission-reducing practices, and supporting Natural Gas STAR Program outreach activities. These NiSource companies were selected from more than 80 program partners across the natural gas industry.

Our participation in Natural gas STAR is dual purpose. One, it reduces our methane emissions footprint and two, contributes toward containing operating costs. The NiSource affiliates that participate in the

Natural Gas STAR program have implemented many of the recommended Best Management Practices as well as drafting a few of their own.



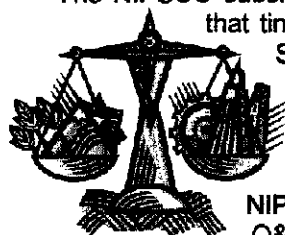
All of the NiSource operating companies participate in EPA's Natural Gas STAR program.

Reduction activities implemented the use of portable compressors to de-gas pipelines prior to doing maintenance; replacement of transmission and distribution pipe; replacement of high-bleed pneumatic devices; installation of dry seals on compressor engines, and the redesign of blowdown and emergency shutdown facilities and practices.

Since 1993, the NiSource companies have reported to the EPA's Natural Gas Star Program savings of over 51 billion cubic feet (Bcf) of methane or 20 million tons CO<sub>2</sub> equivalent emissions. NiSource achieved these results through the integration of the Natural Gas STAR program into everyday operations. These reductions in methane emissions have the same environmental benefit as planting 5 million acres of forest or taking over 3 million cars off the road for one year.

## EPA's Sulfur Hexafluoride Program and Reducing SF<sub>6</sub> Emissions

Many things are beneficial in one setting and detrimental in another. Such is the case with the compound sulfur hexafluoride (SF<sub>6</sub>). Enclosed in electrical equipment, SF<sub>6</sub> is an effective gaseous dielectric that allows for the safe transmission and distribution of electricity. Yet, when SF<sub>6</sub> is released to the atmosphere, it is a highly persistent GHG. It is this second characteristic that has prompted the EPA to work with electric power providers to launch the voluntary SF<sub>6</sub> Emissions Reduction Partnership for Electric Power Systems. The partnership provides a forum for EPA and the electric power industry to work together to reduce SF<sub>6</sub> emissions to technically and economically feasible levels.



The NIPSCO subsidiary joined this voluntary partnership on October 1, 1999. The company has since that time developed an SF<sub>6</sub> Handling Policy designed to help guide the company's use of SF<sub>6</sub>. This SF<sub>6</sub> Handling Procedure was prepared to provide our operations' personnel with proper handling procedures to minimize the release of SF<sub>6</sub> subsequent to its handling. NiSource, using 1997 as a base year, agreed to a 25% reduction goal by the year 2005. We have, however, surpassed this goal as the SF<sub>6</sub> emissions in the year 2003 were 51% below base year emissions. This emission reduction goal at NIPSCO was achieved through a capital equipment replacement program, improved O&M procedures, and by using the SF<sub>6</sub> recycling carts whenever possible.

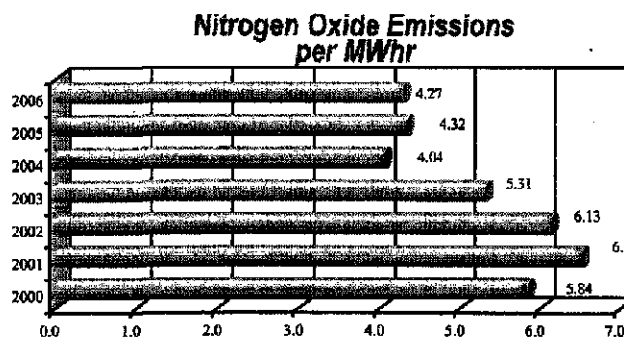
## Ground-Level Ozone Solutions

Ground-level ozone is an air pollutant that causes human health problems and damages crops and other vegetative cover. It is a primary contributor of urban smog. Peak ozone levels typically occur during hot, dry, and stagnant summer-like conditions.

Ozone is created as the result of a chemical reaction between nitrogen oxides (NO<sub>x</sub>) and volatile organic compounds (VOC) in the presence of sunlight. Motor vehicle exhaust and industrial emissions, gasoline vapors, and chemical solvents as well as natural sources emit NO<sub>x</sub> and VOC that contribute to form ozone.

NiSource is active with its initiatives to lower NO<sub>x</sub> emissions to help reduce regional ozone formation and is a member of Partners for Clean Air, a coalition committed to improving air quality through voluntary action. As such, we notify employees on the afternoon prior to an Air Pollution Action Day. The notification includes a "Top Tip List" of simple actions we can all take to reduce ozone pollution.

From 1995 to 2004, NIPSCO has reduced annual NO<sub>x</sub> emissions from its generating stations by more than 55%. As a participant in U.S. EPA's "NO<sub>x</sub> Early Election" program, NIPSCO accelerated the installation of low NO<sub>x</sub> burners in its wall and tangentially fired pulverized coal generating units. These units comprise approximately 55% of our generating



NIPSCO, NiSource's regulated electric utility, has reduced their nitrogen oxide emission rate by approximately 50% since 1990.

capacity. In addition, we have added over-fire air systems to reduce NO<sub>x</sub> at three of our generating stations.

Because ozone formation is a regional problem that requires a regional solution, the Indiana Department of Environmental Management developed new NO<sub>x</sub> reduction rules in June 2000 to meet U.S. EPA regional NO<sub>x</sub> reduction requirements. NIPSCO has implemented additional NO<sub>x</sub> reduction measures at its generating stations to comply with these rules. These measures include the installation of Selective Catalytic Reduction NO<sub>x</sub> reduction technology at each of our active generating stations at a capital cost of more than \$250 million.

---

## Revitalizing Urban Areas and Natural Habitats

---

**R** Prudent management and restoration of land resources improves our quality of life and regional economic viability. NiSource's enhancements to the quality of lands in our service territory range from managing our own properties and rights-of-way, restoring natural resources, and revitalizing contaminated urban properties.

### Restoring Ecosystems Emphasizes Partnership

NiSource employees work closely with local partners, government and non-government agencies, bringing interests together for the purpose of identifying and working to protect biodiversity. We have been tracking our successes for nearly ten years and have enhanced over 7,000 acres of land.

The NiSource Columbia Gas Transmission Company affiliate recently partnered with the Pennsylvania Department of Conservation and Natural Resources to plant 500 trees near the Donegal compressor station. The plantings were focused in the riparian area of Dutch Fork Creek to provide shade cover and riffle rest areas for the stream's trout population. The same affiliate has also partnered with the West Virginia Division of Natural Resources to improve their fisheries management program. These efforts have focused on native musky, bass, bluegill, catfish and trout species and management of their habitats.

NiSource recently partnered with The Nature Conservancy to combat the spread of invasive plant species in several Northwest Indiana nature preserves. These efforts will lead to better control of invasive species which will enable native plants to thrive, increase the number and abundance of native plants and the animals that depend on them, and improve the overall quality of the natural communities by bringing them closer to their pre-settlement condition.

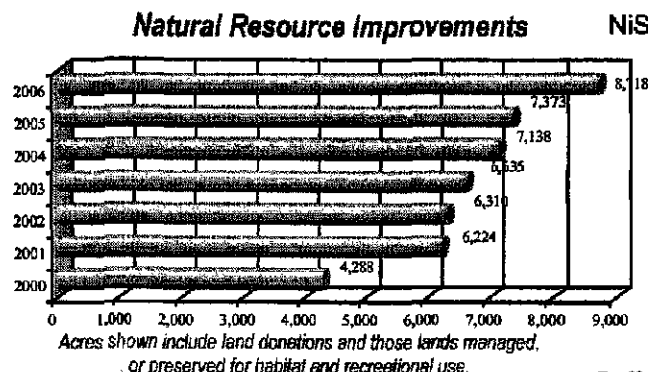
Similarly, NiSource has formally "classified" hundreds of acres as "wildlife habitat" and "forest" under state established programs. The results have been substantial; not only successfully managing high quality habitat, but also establishing highly stable conditions able to withstand cyclical drought and extreme weather

### Recent Environmental Awards

- 2007 - The "James D.P. Farrell Brownfields Project of the Year" award received by the City of Brockton from the Environmental Business Council of New England
- 2006 - American Council of Engineering Companies Grand Conceptor award received by MACTEC for engineering the Lewiston Phase II project.
- 2004 - NiSource Corporate Services recipient of the "Partners in Common Sense Conservation" Award from the Indiana Wildlife Federation
- 2004 ENERGY STAR CHP Award and certificate of recognition, NiSource Energy Technologies
- 2004 Transmission Natural Gas STAR Partner of the Year, Columbia Gas and Columbia Gulf Transmission and Distribution Natural Gas STAR Partner of the Year NiSource Distribution Operations
- 2003 Natural Gas STAR Partner of the Year, Columbia Gas of Ohio
- 2002 recipient of the Kelley Green Award from Indiana University's Kelley School of Business
- 2001 and 2000 Natural Gas STAR Transmission Partner of the Year, Columbia Gas and Columbia Gulf Transmission
- 2000 Natural Gas STAR Distribution Partner of the Year, Bay state Gas.
- 2000 named "Outstanding Corporation" by the Indiana Greenways and Trails Association
- 1999 - NiSource received the National Blue Heron Award from the North American Waterfowl Management Plan Committee

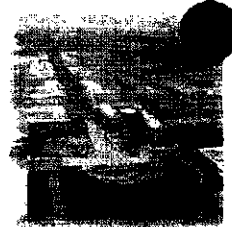


conditions. NiSource has received many honors for its contributions toward preserving biodiversity and environmentally sound business practices.



NiSource has also demonstrated its

commitment to sustainable development by pioneering the construction of Lake Erie Land's construction of Coffee Creek Center, a 640-acre mixed development in Chesterton, Indiana that has over 200 acres of greenspace integrated into a series of mixed-use commercial and residential neighborhoods. In doing so, LEL has established the



Coffee Creek Watershed Conservancy, a local not-for-profit organization, to oversee the management of the Coffee Creek riparian area and associated greenspace to date. Stream restoration has taken place on over 4,000 linear feet of Coffee Creek. The restoration benefits not only the local fauna, but also the steelhead trout that utilize the stream in the spring and fall.

## P

### reserving Cultural Resources

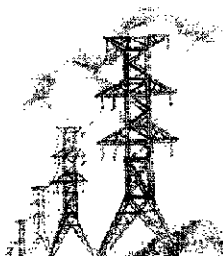
Historic resources – archaeological remains and standing structures – are a finite and non-renewable resource. These below- and above-ground resources represent the physical remains of our collective past, contribute to our sense of national identity, and have proven valuable for their role in education, leisure, and tourism. Cultural resources make a positive contribution to our sense of place, especially those communities threatened by change and development. On occasion, these resources may also contain important evidence from critical moments in American history.

Given their fragile nature and vulnerability to damage and destruction, cultural resources management is essential to ensure the preservation and study of historic buildings and archaeological sites. Whether we study Native American hunters, pioneer farmers, Civil War soldiers, or late 19<sup>th</sup> century industrialists, there is much to learn from our collective heritage embodied in cultural resources. Decisions about the future are often based on the lessons we learn from the past from those who came before us. In the end, cultural resources are not about the study of artifacts, bricks, or mortar, but more so about people and their everyday lives. Archaeological resources and standing structures are the cultural heritage of the American people and they are worth preserving.

## M

### anaging Rights-of-Way

NiSource seeks opportunities to preserve biodiversity along its Right-of-Ways (ROWs) and in its service territories. Gas and electric transmission rights-of-way play an important ecological role by connecting fragmented natural areas. NiSource manages thousands of miles of electric and gas transmission ROWs east of the Mississippi River. Integrated Vegetation Management (IVM) is an important part of maintaining ROWs. IVM incorporates a variety of vegetative controls including mechanical, chemical, and biological, aimed at controlling target species of tall trees. IVM also works well to enhance the abundance of lower growing desirable vegetation. It is a cost effective, environmentally sound, and safe way to manage ROWs. The NiSource IVM program also has created some exceptional habitat areas for threatened and endangered species.



NiSource affiliate NIPSCO is working with the Save the Dunes Conservation Fund on an innovative land management project designed to increase biodiversity and provide wildlife corridors within the electric distribution ROW. In addition, NIPSCO has created a Habitat Conservation Plan/Safe Harbor Agreement to improve and restore additional Karner Blue Butterfly habitat in Indiana. The Karner Blue Butterfly is a threatened and endangered species.

Several partnerships on the Columbia Gas Transmission Company (TCO) ROWs have been established in the eastern United States. TCO has partnered with the National Turkey

Federation and Rocky Mountain Elk Foundation to provide wildlife food plots and habitat areas on gas pipeline ROWs. These plots improved ROW accessibility while providing quality habitat for wild turkey and elk.

## Brownfield Redevelopment Creates Benefits for Everyone

Brownfields are abandoned, inactive or underutilized industrial and commercial properties whose redevelopment may be affected by environmental contamination, either real or perceived, or other barriers such as back taxes or liens. When these barriers are removed and redevelopment proceeds, benefits are created for everyone in the community – local citizens and government, the developer, other businesses and the new employer. NiSource is contributing to this winning effort by proactively managing and remediating its own properties and facilitating redevelopment of others in its various service territories.

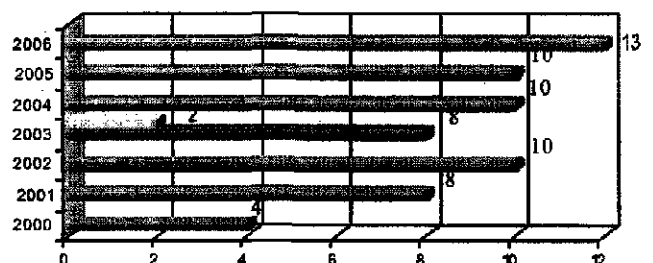
The NiSource remediation program represents such a proactive management and remediation strategy with active investigation and remediation at sites in nine states. The Program invests heavily in community relations with a stakeholder outreach process at each site. This allows the company to address site risks, where they exist, in a manner that is protective and consistent with current and future uses at a site. Recent successes include:

- In cooperation with the City of Exeter and surrounding land owners, including Phillips Exeter Academy, NiSource finished off the remedial work at its Exeter MGP Site in New Hampshire by creating a small urban park on the site.
- Under one of the first Pennsylvania Act 2 redevelopment initiatives the York MGP site was remediated by the company and turned over to a redevelopment commission that built a multi-building office park on the former multi-acre MGP site. Efforts completed by the redevelopment commission included the rehabilitation of the main operational MGP building into a Professional engineering building.
- As part of the remediation underway at the Lewiston MGP property in Maine, NiSource and the City of Lewiston recently dedicated a riverfront park. NiSource is capping other portions of the site with parking lots that will support City redevelopment of abutting mill buildings. This site also won an engineering award for the innovative remedial approaches used at the MGP site.
- At the Brockton MGP in Massachusetts, the company has worked with local, state and federal authorities to develop a large portion of the site into a solar generating station in what is being called a Brightfields Project. The site went into operation in late in 2006.
- At the Portsmouth MGP site in Virginia the company has completed a multi-year remediation effort. The Fort Nelson Park will be the last link in a Historic Trail developed by the city to celebrate the Naval History of the Region. The company secured from the Navy and Coast Guard a number of large marine artifacts to display at the park, including World War II era mounted guns. The park is being operated by the City of Portsmouth.



\* In 2002, based on prior investigation results in which no significant MGP issues were identified, NIPSCO considered the Rochester and Old Frankfort MGP sites complete. In 2003, IDEM requested that NIPSCO include those sites in a Multi-site VRP agreement, accordingly, NIPSCO will conduct a formal characterization under IDEM Voluntary Remediation Program for Rochester and Old Frankfort.

**Former Manufactured Gas Plant Sites Cleaned or Remediated**



*As a result of NiSource Companies' program for investigating historical former manufactured gas plant sites, clean up is proceeding at those sites in need of remediation.*

The company is currently working with the City of Northampton, a hotel developer and other interested stakeholders to remediate and re-develop a former Massachusetts MGP site into a multi-story hotel. The efforts to remediate the MGP will be completed by mid-summer with hotel construction to follow in a busy urban setting with apartments, office complexes, restaurants and shops abutting the remedial project in this historic town center.

- In Northern Indiana the company is working with the City of Elkhart to abandon gas utility facilities, remediate formally inaccessible MGP residuals beneath a road that is to be closed that will together facilitate redevelopment of a river corridor in the city. This project also includes the construction of a multi-story hotel adjacent to previously remediated areas of the MGP.
- At the Hammond MGP site and Old Fort Wayne GMP sites in Northern Indiana, the company is working with City and private land owners to remediate sites that ultimately will support green space and local business initiatives.

NiSource subsidiaries actively manage their real estate holdings in each service territory or operating area with a commitment to sustainable development. All NiSource affiliates have implemented stringent standards for buying and selling real estate assets with all transactions going through some levels of environmental review. NiSource has been involved in a few brownfield redevelopment initiatives to include three green spaces and a multi-story office complex redevelopment.

The NiSource NIPSCO subsidiary joined forces with the local business environmental and economic development leaders to form the Northern Indiana Center for Land Reuse (NICLR). NICLR was formed as a not-for-profit corporation that connects businesses and developers with community, financial, and government resources to stimulate redevelopment especially of brownfield properties. As a part of the redevelopment process, NICLR was formed to render project management services for redevelopment, as well as tools that promote brownfield redevelopment.

## Environmental Challenge Fund

NiSource supports local efforts to preserve and protect the natural environment together with like-minded non-profit organizations in our service territories by funding efforts to preserve and protect the natural environment through the Environmental Challenge Fund (ECF). These efforts also create educational and recreational opportunities. The fund was established in 1995 through a combination of employee donations and contributions from the NiSource Charitable Foundation.



*Karner Blue Butterfly*

As our company grew and the success of the ECF continued, a decision was made to make grants available throughout our service territory. In 2002, we formed six new Advisory Boards in Ohio, Massachusetts, Pennsylvania, Virginia, West Virginia and Indiana. Each board is composed of community stakeholders and local NiSource employees who work together to award grant monies to like-minded environmental projects. To date, the Fund has donated in excess of one million dollars for 300 projects throughout our service area. The Fund has aided in the restoration of forests, wetlands, dune and swale areas, critical prairie habitat, and the establishment of environmentally focused learning centers.

## Wetland Banking Benefits the Urban Area

Wetlands are a valuable natural resource because they clean water, recharge water supply, reduce the risk of flood, and provide for fish and wildlife habitat. In addition, they are of aesthetic benefit, provide recreational opportunity, and are ideal sites for research and education. Construction projects that have unavoidable impacts to wetlands may be required to undertake mitigation projects to create new wetland areas. Mitigation is becoming a common condition of permits issued under State and Federal law. Wetland mitigation banking is a means for compliance with permit requirements by providing a mechanism for the establishment of new wetland areas or "banks" in advance of an anticipated loss. Wetlands established in a mitigation bank provide "credits" that can be sold to permit applicants or used by the bank sponsor to meet permit conditions. Lake Erie Land Company (LEL), a subsidiary of

NiSource, has established a 223-acre wetland bank in Lake Station, Indiana. The wetland bank will be held in perpetuity. The long-term plan is for the wetland bank to become part of the Indiana Dunes National Lakeshore when all the wetland credits are sold.



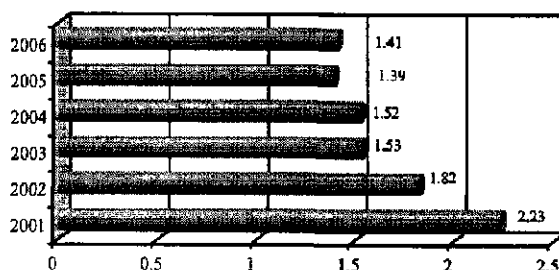
## Protecting Worker Health & Safety

Identifying new and better ways to protect the health and safety of its employees is a core commitment at NiSource. NiSource recognizes that its employees are one of its greatest assets and that a safe and healthy work force is integral to meeting its business and financial goals. NiSource routinely establishes goals to reduce worker injuries and illness throughout the organization. Accomplishing these goals requires management and employee support, commitment, and involvement in creating a culture in which safety and productivity are mutual partners.

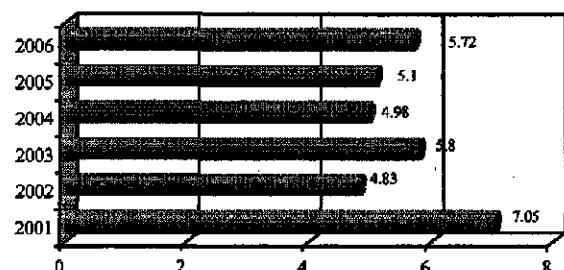
NiSource managers and employees set consistently high standards and expectations for safety performance. In an effort to achieve continual improvement, many subsidiaries have implemented progressive new approaches to reduce workplace injuries and create a total safety culture, including the implementation of behavior-based safety processes and the plan to establish fully integrated certified environmental, health & safety management systems in all of our operations by 2007.

Efforts to improve worker health and safety have resulted in record numbers of hours worked without a lost time injury at several of our facilities and recognition from industry/government associations for achieving incident rates below the industry average for various business segments. These and other benchmarking opportunities provide valuable insight into the practices that are working well within our organization, but more importantly, they provide opportunities to identify best practices that can further improve our performance in pursuit of safety excellence.

**OSHA Days Away from Work Rate\***



**Total OSHA Recordable Incidence Rate**



### Recent Safety Awards

- 2006 – American Gas Association (AGA) Accident Prevention Certificates – Columbia Gas of Virginia, Columbia Gas of Maryland, and Columbia Gulf Transmission
- 2006 – AGA Safety Achievement Award – Columbia Gulf Transmission
- 2005 – AGA Accident Prevention Certifications - Columbia Gas of Virginia and Northern Indiana Fuel and Light
- 2005 – AGA Safety Best Practices - Columbia Gas of Maryland for ISO/OHSAS management system registration
- 2004 – AGA Accident Prevention Certificate - Columbia Gas of Pennsylvania, Columbia Gas of Virginia, Columbia Gas of Maryland, and Columbia Gulf Transmission.
- 2004 - Indiana Energy Association Koselke Safety Award NIPSCO
- 2003 - AGA Accident Prevention Awards - Columbia Gas of Maryland, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Virginia, Columbia Gas and Gulf Transmission.
- 2002 - AGA Safety Achievement Award - Columbia Gulf Transmission, Columbia Gas Transmission and Granite State Gas Transmission
- 2000 Indiana Gas Association R.D. Koselke Award for Safety Excellence, NIPSCO

---

# **E**nvironmentally Sustainable Business Growth Opportunities

---



## **N**ational Environmental and Energy Needs

Sustainability offers a context to understand how corporate assets and business direction are aligned with national environmental direction and social needs. The energy sector has a significant role in addressing both national environmental and energy challenges. While the electric power sector has reduced its impact on acid rain deposition, ozone formation and fine particulate generation, the sector remains a large stationary source contributor to environmental challenges. The national electric power sector also accounts for nearly 35% of the nation's GHG footprint.

The nation is also faced with the need to address significant energy needs, including adding new base-load power generation to replace aging coal and nuclear facilities, providing additional clean power in urban load centers, making investments in an aging energy delivery system, and providing more reliable and varied power quality products to support a more computerized economy. NiSource's diverse assets provide flexibility and growth opportunities that can contribute solutions to the nation's environmental and energy needs.

## **NiSource Assets**

NiSource is a diversified energy corporation with a moderately sized power generation company and substantial assets for transporting, storing and delivering natural gas. Over the last decade NiSource has transitioned its generation assets towards a more sustainable profile. These changes includes NIPSCO ceasing operations of one of its four coal-fired generating stations. Since the D.H. Mitchell electric generating station ceased operations in late 2001, NiSource has been securing cleaner external power commitments and/or internal generation.

The acquisition of additional natural gas assets in the Northeast and Mid-Atlantic states has transformed NiSource's asset mix and geographic profile. A key element of NiSource's growth strategy is to expand its natural gas pipeline and storage businesses to build on one of the nation's largest delivery systems for natural gas. This growth strategy is outlined in the 2005 NiSource Annual Report and is consistent with the NiSource Environmental Health and Safety and Climate Change Policies that collectively pledge to "...provide products that are a solution to reducing our nation's greenhouse gas emissions...and address global climate change challenges with business activity compatible with sustained economic growth."

## **R**ole for Natural Gas in Meeting National Environmental and Energy Needs

Natural gas is the cleanest burning fossil fuel and has been described as a key "bridge" to a future lower carbon intensive energy infrastructure. Natural gas has unique benefits that include direct end user efficiencies, highly efficient distributed power generation and supplemental fuel for intermittent renewable technologies. This role may increase as more affordable alternative technology is developed and deployed. Shifting natural gas usage to such higher efficiency generation can dramatically improve the nation's GHG profile while conserving a natural resource. With the domestic power sector comprising about a third of the nation's GHG inventory, climate change may shape energy and environmental policies that encourage efficient natural gas usage.

NiSource developed business activities and has taken a national leadership role advocating clean energy alternatives and reasonable public policy. NiSource is a board or executive member of the US Combined Heat and Power Association, Business Council for Sustainable Energy, Interstate Natural Gas Association of America and American Gas Association Climate Committees. These organizations are working with EPA, DOE and others to help shape concepts important to any domestic action to reduce GHG, including recognition of energy efficiency in both end usage and power generation, incorporating a significant role for efficient distributed power generation, and increasing cleaner base-load generation.

## Asset Flexibility

With the broad geographic reach of its natural gas assets and with natural gas being used more commonly for power generation, NiSource has diversified the risks associated with variants in weather patterns. Extreme weather conditions may result in temporary operational outages and in some cases may result in property damage. Such outages can also reduce customer usage revenues and increase operating costs. (Electric delivery wires are typically more vulnerable to storm damage than below ground natural gas pipelines.) Although the unusually active 2005 hurricane season impacted NiSource operations and increased natural gas price volatility, the NiSource pipelines did not suffer material impact and its storage assets contributed to a reliable energy delivery infrastructure.



Weather conditions can also affect energy prices and high-energy costs in wholesale and retail markets and can have an adverse effect on demand. To minimize overall price volatility, NiSource has a strategy to hedge a certain percentage of our energy purchases. With one of the nation's largest natural gas storage networks, NiSource uses its extensive natural gas storage position to moderate the effect of higher winter season commodity prices and provide greater reliability for natural gas supply. NiSource's strategic investments over the last decade to diversify its natural gas assets to various geographic regions mitigate weather risk and provide a robust supply system that can move gas to areas in need of supply. Finally, NiSource continues to promote efficient, on-site generation that provides greater electric reliability.

## Sustainable Products

Over the last decade, NiSource companies have developed and deployed energy products that utilize the advantages of a gaseous fuel in highly efficient energy technologies. These products offer customers various attributes including predictable energy costs, better power quality and increased reliability. In addition, these technologies have a much lower carbon profile than coal based centralized generation. NiSource was one of the first utility companies to promote the development of large, on-site combined, heat and power (CHP) projects designed to provide significant improvements in customer energy efficiency. That affiliate, Primary Energy, developed and constructed projects in conjunction with energy intensive industry located in Indiana. These projects were constructed between the late 1990s and early 2000s. The high energy efficiency rate of these new plants significantly improved the overall GHG emission rate from all NiSource companies' generation. The projects provide approximately 1,000 megawatts of generating capacity as well as steam for internal use at co-located industrial facilities. Although NiSource has divested Primary, the projects are all in operation and continue to provide low carbon intensity energy and reliable electric power in Northwest Indiana.

Also, NiSource Energy Technologies (NET) has pioneered highly efficient distributed generation systems for commercial and small industrial customers. NET's business is focused on research and development sales and market development, and investment in emerging technologies. In the future, NET's products could play a significant role in achieving various energy and environmental objectives, including reduced carbon emissions. Some of NET's successes include:

- Installation of the nation's first energy microcogeneration system at a Walgreen's store in Northwest Indiana;
- A collaborative effort with a Hilton Garden Inn in Northwest Indiana and the Department of Energy to design a modular package system for the hotel industry; and
- The US EPA's Combined Heat and Power Partnership has recognized NET for its "superior environmental performance".

The NiSource NET subsidiary will continue to play a role in furthering DG and CHP technologies as part of a national transformation into a more sustainable, lower carbon intensive footprint. These technologies can improve generation efficiency and NiSource is committed to promoting them both inside and outside of its electric service territory.

## Policy Choices to Reduce Energy Carbon Intensity

Customer choice and energy demand greatly relates to a national goal to reduce GHG emissions. The NiSource entire customer GHG footprint is approximately 6 times larger than NiSource's internal natural gas footprint. In meeting this demand with reduced carbon intensity, the wise use of natural gas for power generation will dramatically improve the nation's GHG profile. Therefore, consistent with its climate change strategies, NiSource intends to promote the role that clean, highly efficient generation can serve in achieving our nation's energy and environmental objectives, including regulatory frameworks that favor efficiency in converting fuel to more energy products. In addition, natural gas conservation trackers can provide incentives to promote customer usage efficiency.

With existing experience with market-based environmental trading programs under the Clean Air Act, NiSource has focused on urging clean generation and energy efficiency to be cornerstone policies for any trading program to achieve sustainable GHG reductions. For example, in a letter to CCX on December 2, 2002, NiSource explained the importance of incorporating a significant role for lower carbon intensive power generation:

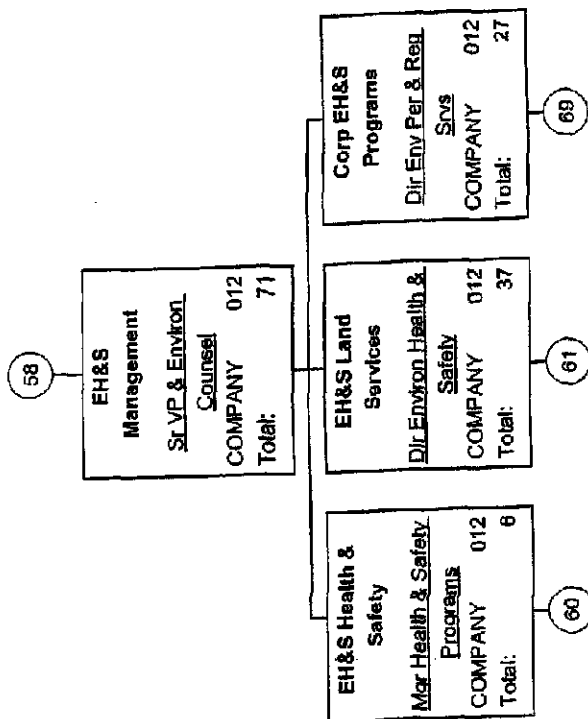
"As discussed during the design phase, the CCX does not provide any components to recognize the role that supply-side energy efficiency projects can play to achieve greenhouse gas reductions. Increasing energy efficiency, including new generation technology, is the only practical solution on the generation side to achieve the desired results. Without the incorporation of a significant role for new energy efficient generation technology, the CCX is missing a necessary component."

In addition, NiSource has participated in the Regional Greenhouse Gas Initiative (RGGI) to urge that northeast states recognize generation efficiency and incorporate a significant role for clean generation, including the smaller, highly efficient on-site generation to conserve natural resources and reduce GHG emissions.

NiSource's internal emissions reduction opportunities may produce emissions allowances that can be either banked for future use or sold into a cap and trade program. For example, NiSource is proposing that RGGI states recognize methane reduction projects as offset projects within its mandatory cap and trade program. NiSource is actively working to assure that any promulgated regulatory programs recognize the role of natural gas toward solving the nation's GHG issues and focus on sectors that can most effectively address GHG reductions and integrate with a global response. In the interim, NiSource will continue to monitor and advocate that projects which increase the efficiency in converting fuel to useful energy products be recognized in climate registries and environmental regulations.

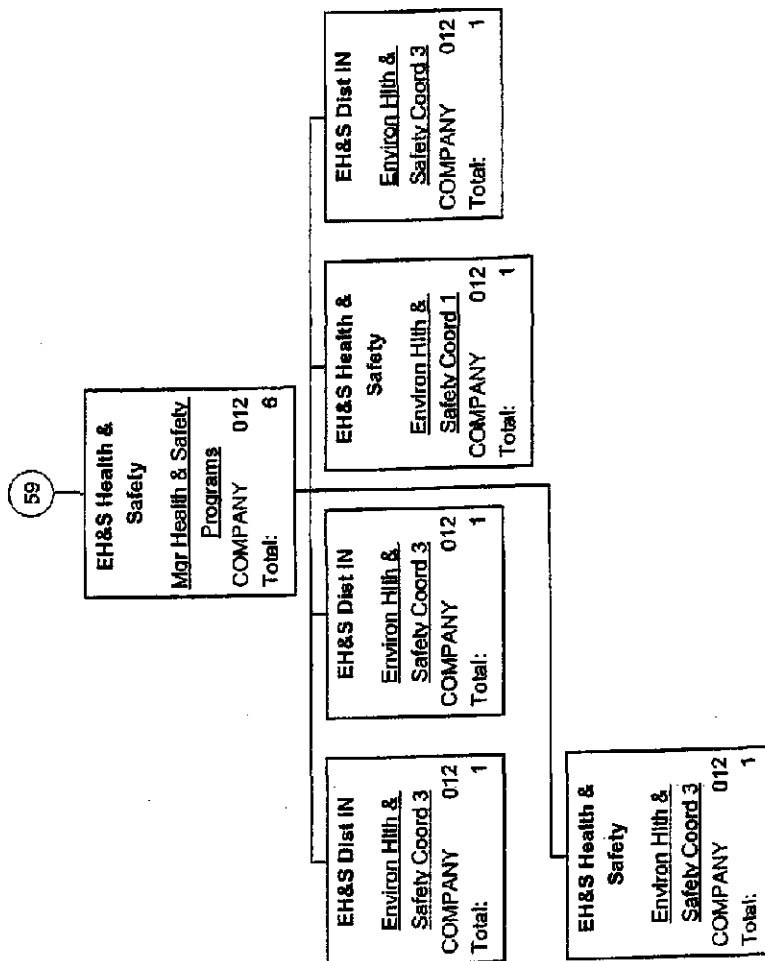


# EH&S Management

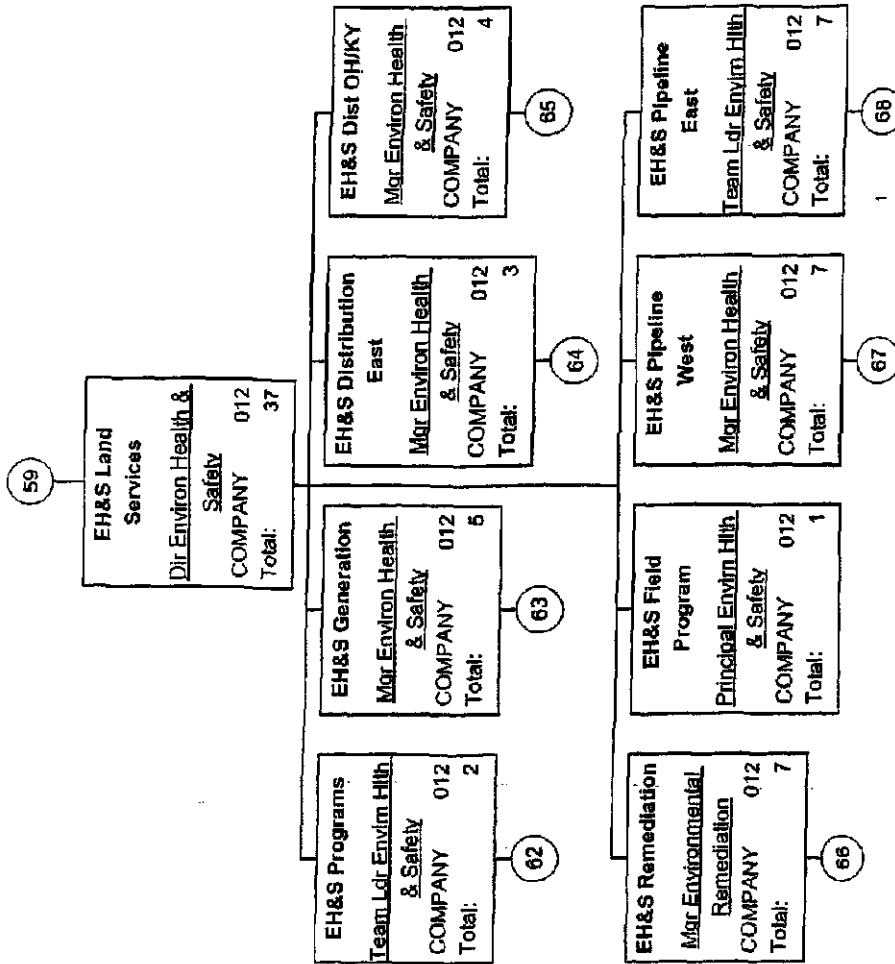




# EH&S Health & Safety



# EH&S Land Services



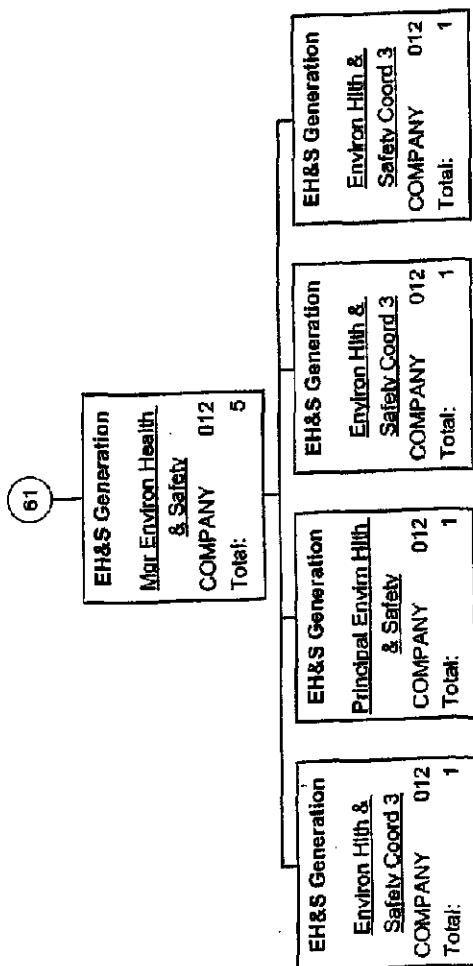
# EH&S Programs

61

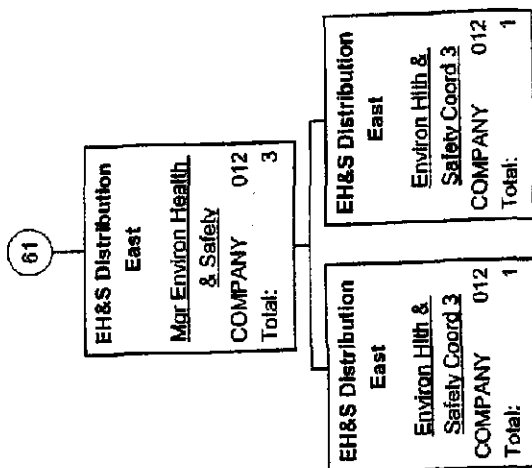
EH&S Programs		
Team Ldr Envrnm Hlth		
& Safety		
COMPANY	012	
Total:		2

EH&S Programs		
Program Ldr Envrnm		
Hlth&Safety		
COMPANY	012	
Total:		1

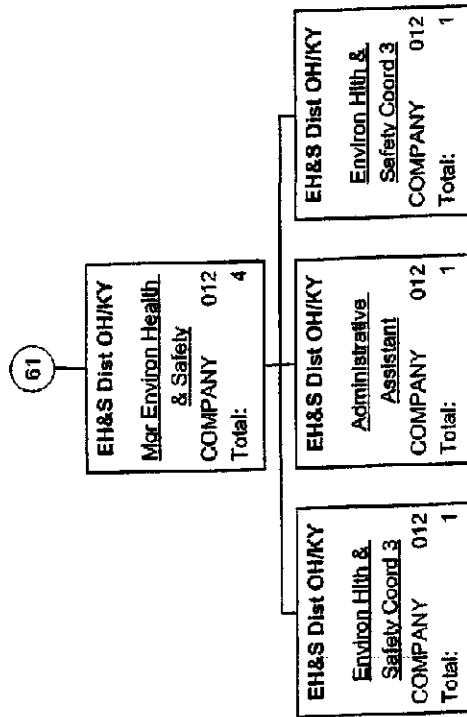
# EH&S Generation



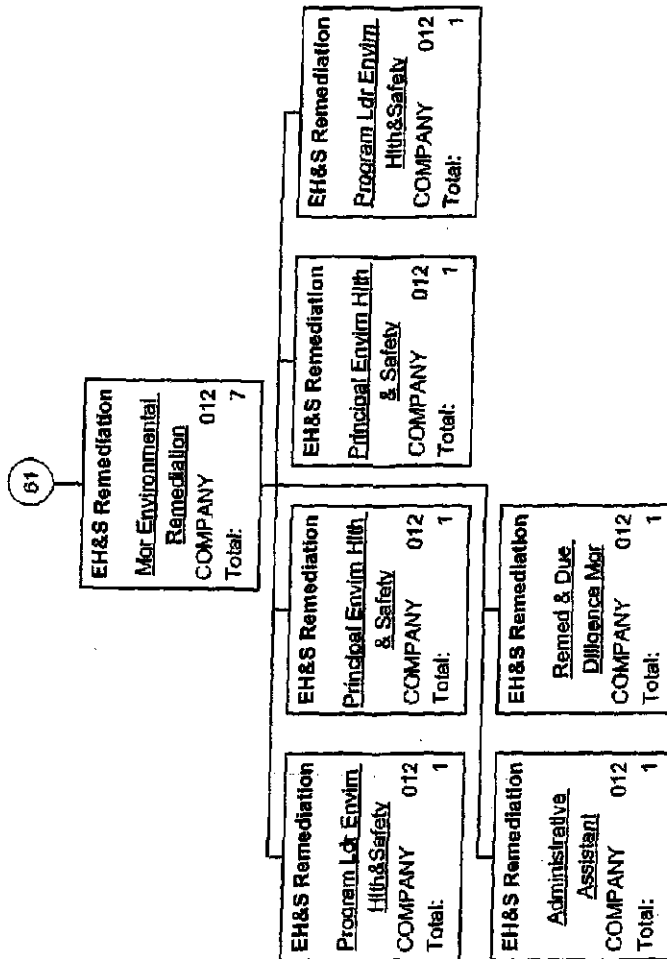
# EH&S Distribution East



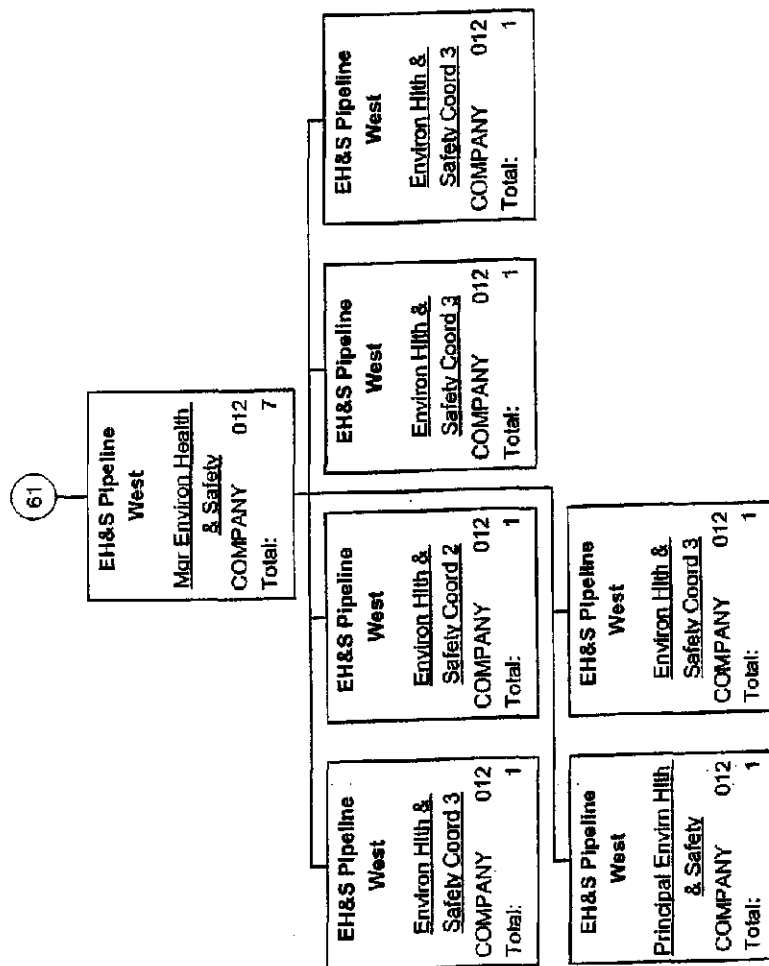
# EH&S Dist OH/KY



# EH&S Remediation

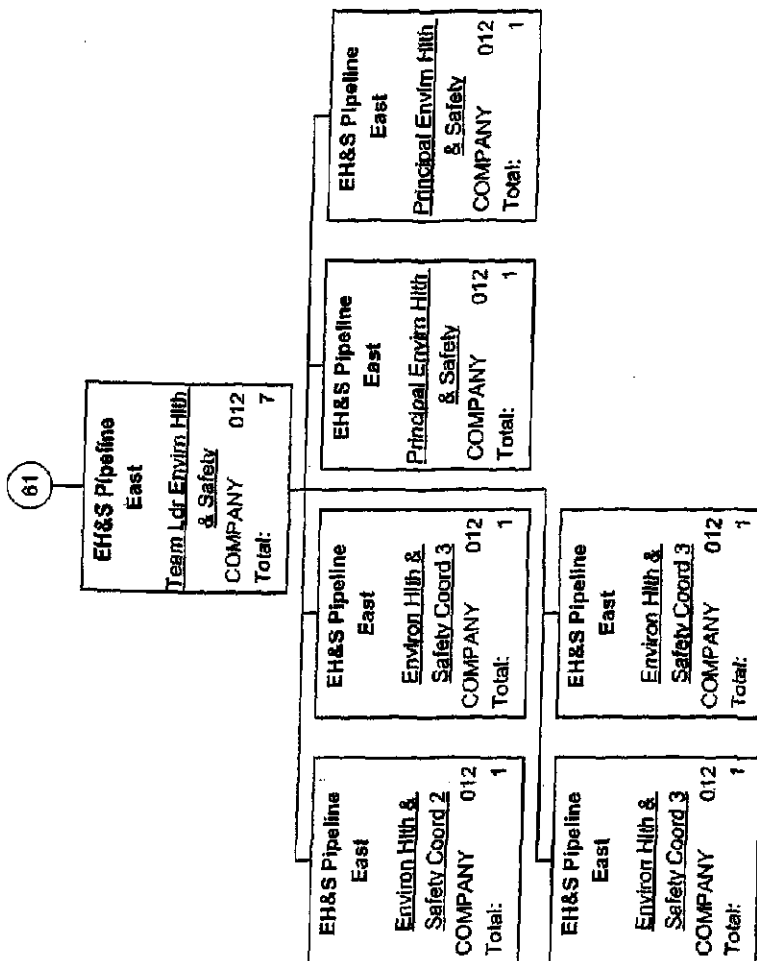


# EH&S Pipeline West

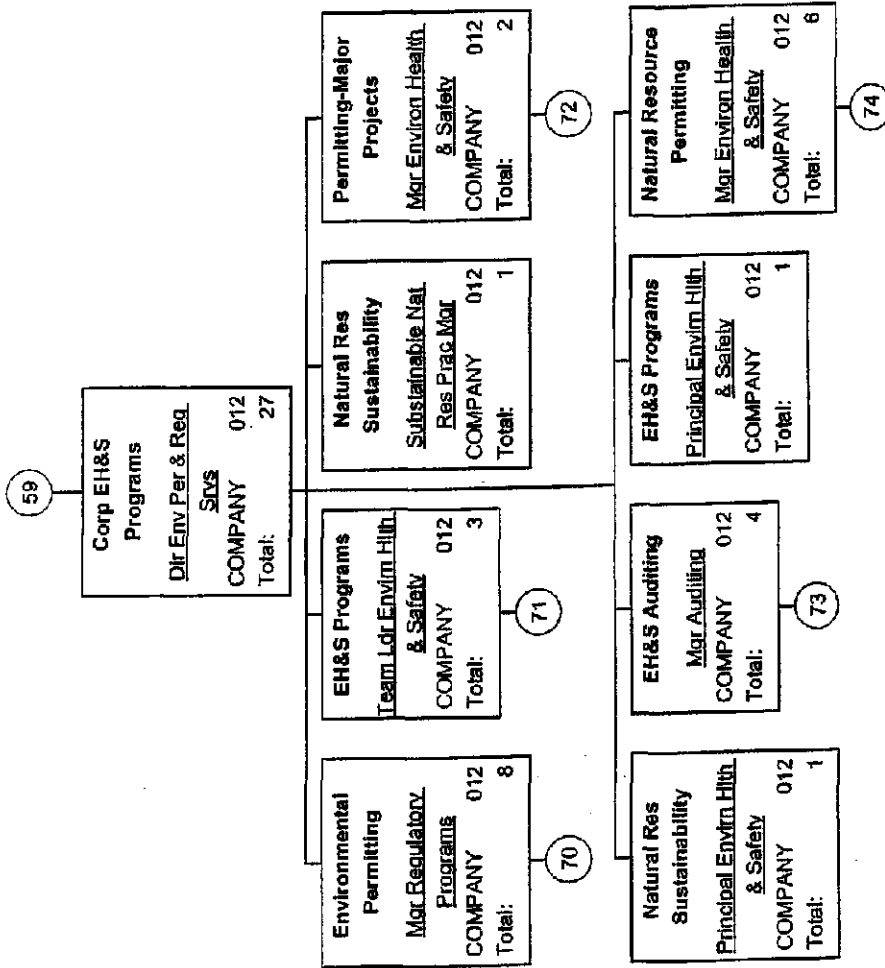




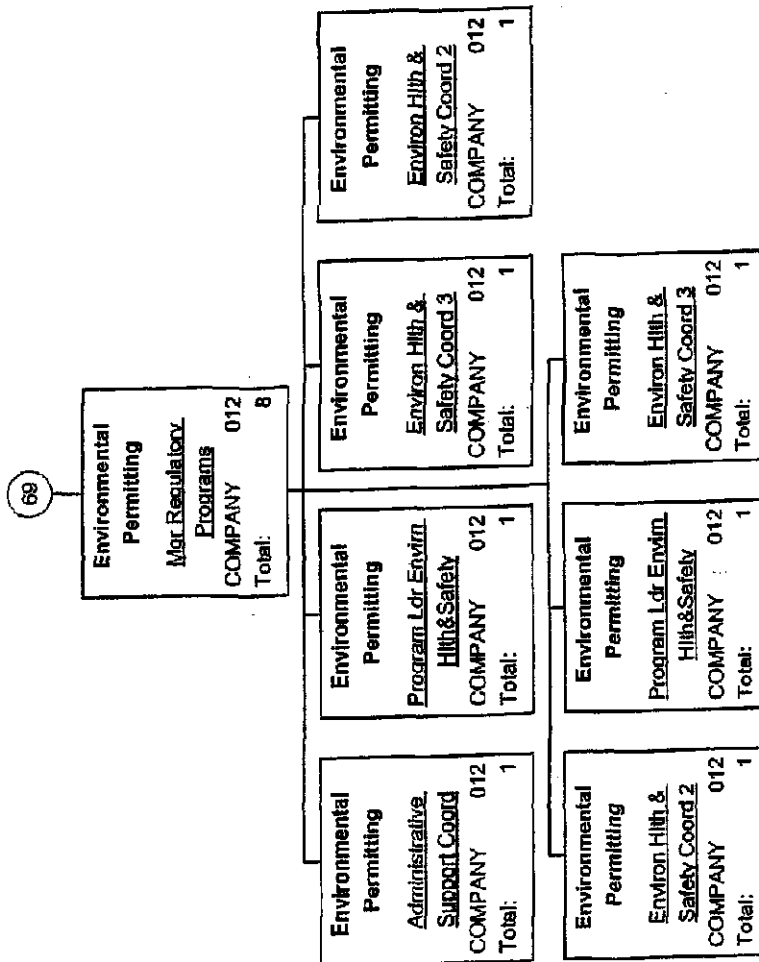
# EH&S Pipeline East



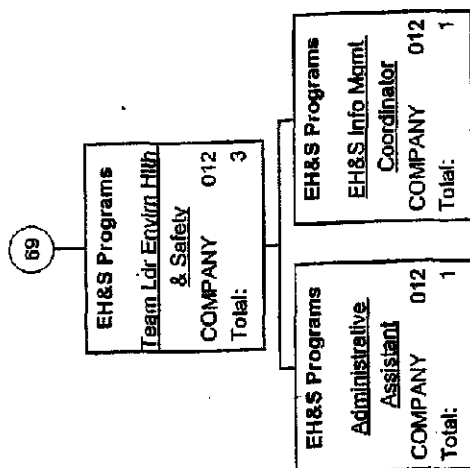
# Corp EH&S Programs



# Environmental Permitting



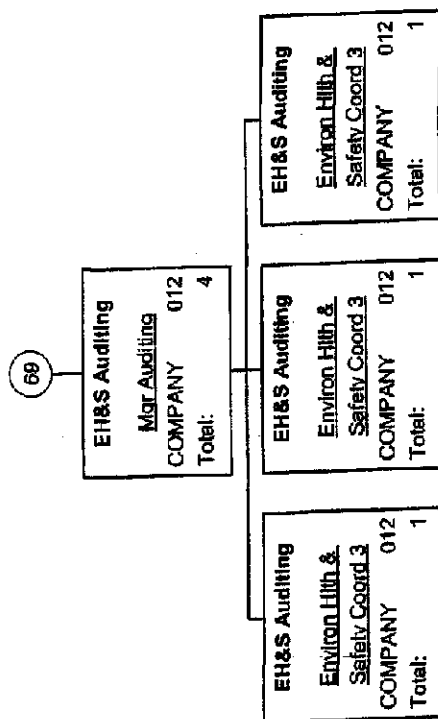
# EH&S Programs



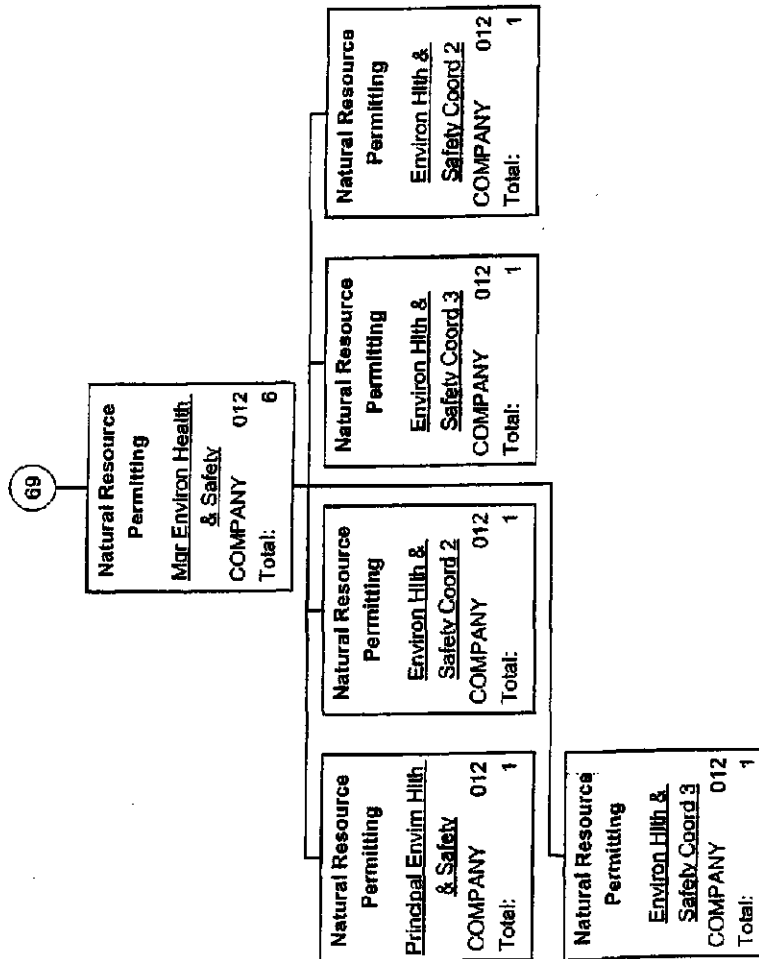
# Permitting-Major Projects

69	<table> <tr> <td colspan="2">Permitting-Major Projects</td></tr> <tr> <td colspan="2"><u>Major Environ Health &amp; Safety</u></td></tr> <tr> <td>COMPANY</td><td>012</td></tr> <tr> <td>Total:</td><td>2</td></tr> </table>	Permitting-Major Projects		<u>Major Environ Health &amp; Safety</u>		COMPANY	012	Total:	2
Permitting-Major Projects									
<u>Major Environ Health &amp; Safety</u>									
COMPANY	012								
Total:	2								
	<table> <tr> <td colspan="2">Permitting-Major Projects</td></tr> <tr> <td colspan="2"><u>Environ Hlth &amp; Safety Coord 3</u></td></tr> <tr> <td>COMPANY</td><td>012</td></tr> <tr> <td>Total:</td><td>1</td></tr> </table>	Permitting-Major Projects		<u>Environ Hlth &amp; Safety Coord 3</u>		COMPANY	012	Total:	1
Permitting-Major Projects									
<u>Environ Hlth &amp; Safety Coord 3</u>									
COMPANY	012								
Total:	1								

# EH&S Auditing



# Natural Resource Permitting



## Management Policies, Practices and Organization Capital Allocation & Corporate Development – S.4.2 (b)(i)

### I. Strategic Planning, Policy, and Goal Setting

The Capital Allocation & Corporate Development department supports the NiSource corporate aspiration of becoming the “Premier Regulated Energy Company in North America” and Columbia’s goal of ensuring safe, reliable and cost-effective natural gas service to its Ohio consumers. The Capital Allocation & Corporate Development department is a part of the NiSource Corporate Services Company and therefore, may provide support services to all of the local distribution companies within NiSource. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled “Allocation Bases Utilized by NiSource Corporate Services Company,” which is included in this filing. More specifically the Capital Allocation & Corporate Development department supports Columbia’s goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the Capital Allocation & Corporate Development department maintains its focus on four aspects of Columbia’s business: financial, customer, employee, and process.

Each year, NiSource’s Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource’s overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and “Transforming to One” processes.

The goal setting process for Capital Allocation & Corporate Development establishes long term objectives and short term initiatives that directly support Columbia’s corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. The Capital Allocation & Corporate Development Department sets its goals annually using the performance management tools provided by our company. The department uses both: (1) the establishment of the annual operating plan, and (2) through the performance management process, utilizing the Company’s standardized performance management worksheet (PMW). The balanced scorecard measurement tool utilized by Columbia helps to ensure that the Capital Allocation & Corporate Development Department continually assesses its own progress toward the stated objectives and initiatives.



## II. Organizational Structure

The Director of Capital Allocation & Corporate Development reports to the NiSource Vice President and Treasurer. The NiSource Treasurer reports directly to the Executive Vice President and CFO of NiSource, a member of the Corporate Executive Management team. The Capital Allocation & Corporate Development Department is comprised of four full time employees. The Director of Capital Allocation & Corporate Development Department has three direct reports all with the title of Economic Analysis Manager.

## III. Responsibilities

The role of the Capital Allocation & Corporate Development Department is two-fold. The Department is responsible for capital expenditure across the enterprise, which includes the consolidation of the annual capital budget across the enterprise, evaluating projects that reach the thresholds for corporate review, as set by the Capital Allocation Policy, and providing senior management with updates and analysis of capital expenditures on a periodic basis. The department is also charged with the execution of certain divestiture and acquisition analysis & execution as requested by management from time to time.

## IV. Decision-Making and Controlling Process

The Capital Allocation & Corporate Development Department uses multiple decision-making and controlling processes. The Capital Allocation Policy provides guidelines which must be followed by those seeking capital investment dollars. The Annual Capital Budget must be approved by senior management and the board of directors at NiSource before it can be implemented. Certain projects, even though they are part of the Approved Capital Budget, must be reviewed by the Capital Allocation & Corporate Development Department before approval for expenditure is granted. Operating company managers are required to evaluate projects which require corporate approval in the form of a business case document which includes financial analysis as part of the package. Growth projects that do not meet an operating company's hurdle rate will be rejected, unless legal or governmental mandate for the project exists.

## V. Internal and External Communications

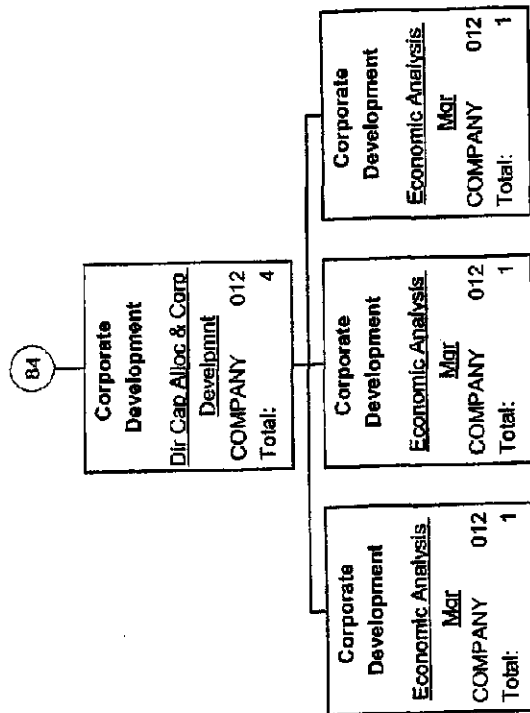
Internal communication is generally facilitated in the form of a monthly staff meeting. The Director also attends the staff meetings of the Vice President and Treasurer. Telephone and email are used to communicate on a daily basis in the Capital Allocation & Corporate Development Department.

## VI. Goal Attainment and Quantification

The Capital Allocation & Corporate Development Department measures both progress made and the ultimate attainment of goals established in the performance management

worksheets (PMWs) through the semi-annual PMW review process that is mandated by the human resources organization.

# Corporate Development



Management Policies, Practices and Organization  
Treasury and Credit Risk Management - S.4.2. (b)(i)

I. Strategic Planning, Policy, and Goal Setting

The Treasury and Credit Risk Management department supports the NiSource corporate aspiration of becoming the "Premier Regulated Energy Company in North America" and Columbia's goal of ensuring safe, reliable, and cost-effective natural gas service to its Ohio consumers. The Treasury and Credit Risk Management department is a part of the NiSource Corporate Services Company and therefore, may provide support services to all of the local distribution companies within NiSource. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled "Allocation Bases Utilized by NiSource Corporate Services Company," which is included in this filing. More specifically the Treasury and Credit Risk Management department supports Columbia's goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the Treasury and Credit Risk Management department maintains its focus on four aspects of Columbia's business: financial, customer, employee, and process.

Each year, NiSource's Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource's overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and "Transforming to One" processes.

The goal setting process for Treasury and Credit Risk Management establishes policies and procedures, long term objectives and short term initiatives that directly support Columbia's corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. Performance goals are set annually for each credit professional that align with the goals and objectives of the business units they support as well as the goals and objectives of the Corporate Chief Financial Officer. The balanced scorecard measurement tool utilized by Columbia helps to ensure that the Treasury and Credit Risk Management Department continually assesses its own progress toward the stated objectives and initiatives.

II. Organizational Structure

Treasury and Credit Risk Management is independent of all commercial operations and reports through a Director of Risk Management to the Vice President and Corporate Treasurer and indirectly to the Risk Management Committee (RMC). There are currently four Credit Relationship Managers or CRMs; each supporting different business units or groups of business units within NiSource. .

### III. Responsibilities

Exposures to credit risks are monitored by the Treasury and Credit Risk Management function which is independent of all commercial operations. Exposure to credit risk is measured in terms of both current obligations and the market view value of forward positions. It is the responsibility of the Credit Risk function to report, measure and mitigate both counterparty and portfolio credit exposure. In addition to the above, Treasury and Credit Risk Management performs annual creditworthiness reviews on exiting counterparties and new counterparties prior to entering into new deals. This process is governed by the Treasury and Credit Risk Management Policy.

### IV. Decision-Making and Controlling Process

Due to the nature of the industry, credit risk is a factor in many of NiSource's business activities. NiSource's extension of credit is governed by a Treasury and Credit Risk Management Policy. Written guidelines approved by NiSource's Risk Management Committee document the management approval levels for establishing credit limits, evaluation of creditworthiness and credit risk mitigation procedures.

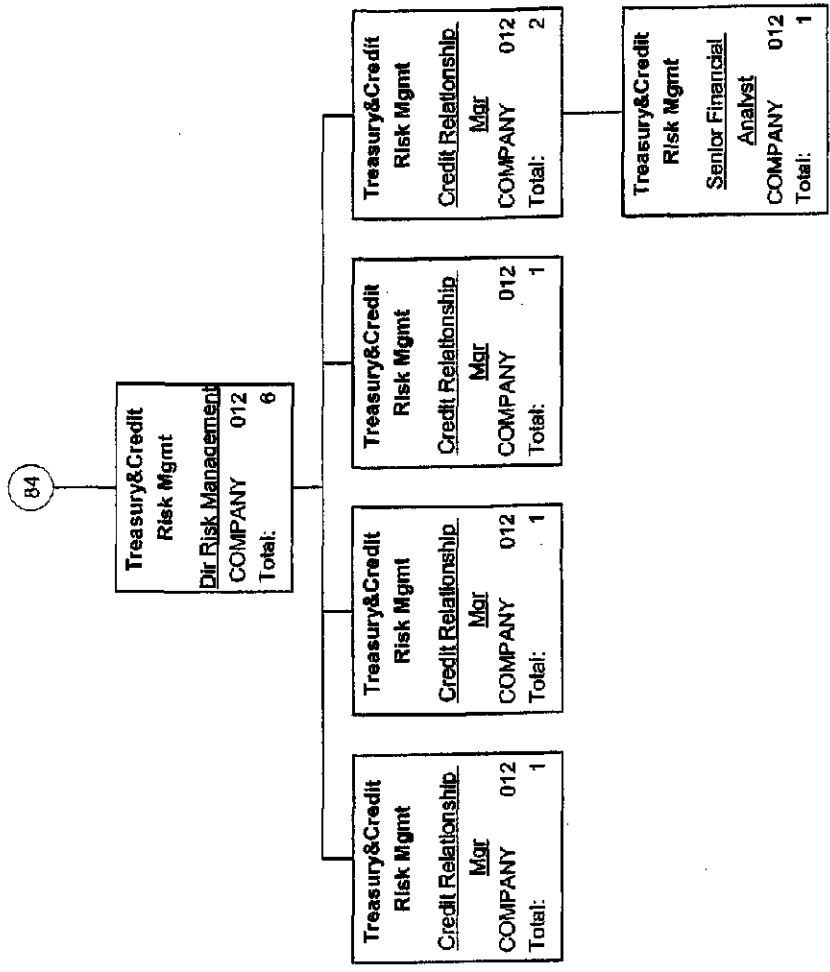
### V. Internal and External Communications

Internal communications are primarily counterparty credit exposure reports generated by Corporate Credit and then emailed to the appropriate users in each business unit. These reports include information on established credit limits, exposure and available credit. External communications would include items like guarantee utilization and the Standard & Poor's Liquidity Survey completed quarterly.

### VI. Goal Attainment and Quantification

Both department and individual goals are established annually and progress is measured quarterly and shared with management and the individual. An example of an annual goal would be the percentage of counterparties or exposure that had credit reviews completed annually.

# Treasury&Credit Risk Mgmt



## Management Policies, Practices and Organization

### Corporate Risk Management – S.4.2 (b)(i)

#### I. Strategic Planning, Policy, and Goal Setting

The Corporate Risk Management department supports the NiSource corporate aspiration of becoming the “Premier Regulated Energy Company in North America” and Columbia’s goal of ensuring safe, reliable and cost-effective natural gas service to its Ohio consumers. The Corporate Risk Management department is a part of the NiSource Corporate Services Company and therefore, may provide support services to all of the local distribution companies within NiSource. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled “Allocation Bases Utilized by NiSource Corporate Services Company,” which is included in this filing. More specifically the Corporate Risk Management department supports Columbia’s goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the Corporate Risk Management department maintains its focus on four aspects of Columbia’s business: financial, customer, employee, and process.

Each year, NiSource’s Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource’s overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and “Transforming to One” processes.

The goal setting process for Corporate Risk Management establishes long term objectives and short term initiatives that directly support Columbia’s corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. The Corporate Risk Management Department establishes its goals and operating plans based on consultation with the Vice-President of Finance and the NiSource Risk Management Committee. The Risk Management Committee Charter (see attached) is the guiding document for the goals and operating plans of the department. NiSource’s automated performance measurement system is used to monitor progress of the goals and objectives. The balanced scorecard measurement tool utilized by Columbia helps to ensure that the Corporate Risk Management Department continually assesses its own progress toward the stated objectives and initiatives.

## II. Organizational Structure

The NiSource Vice President and Treasurer reports directly to the Executive Vice President and CFO of NiSource, a member of the Corporate Executive Management team. The Corporate Risk Management Department reports to the NiSource Vice President and Treasurer and consists of a Director and a lead risk analyst. The department also maintains lines of communications with other departments throughout NiSource to assure that significant risks are identified and methods to manage and mitigate the risks are reviewed and assessed by the Risk Management Committee.

## III. Responsibilities

As noted above, Corporate Risk Management is responsible for assuring that all significant risks are identified and reviewed by the NiSource Risk Management Committee. The department works with numerous other departments to achieve this goal. In particular, the department assures that major capital projects, environmental issues, gas supply plans, derivative related activities, financing activities, employee pension plans, and credit policies are reviewed by the Risk Management Committee. On an ongoing basis the department monitors commodity market positions and the use of derivatives by NiSource's operating units. It also supports the gathering of commodity positions and contractual obligations required to meet rating agency requests, and prepares a daily report for the Risk Management Committee summarizing commodity positions and prices, major credit exposures, and the impact on operating results due to variations in the weather.

## IV. Decision-Making and Controlling Process

The Risk Management Department regularly reviews the derivative and commodity positions of NiSource's operating units to assure that they are consistent with corporate policies. In addition to internal limits and controls, these policies require that all commodity and derivative related activity be consistent with applicable rules and policies of state and federal regulatory agencies.

The department works with the NiSource operating units and Accounting department to assure all derivative positions are properly accounted for under FASB standards (e.g. FASB 133).

## V. Internal and External Communications

The Department participates in the monthly departmental staff meetings and also regularly scheduled meetings of the NiSource Risk Management Committee. The department also receives reports on a regular basis from those business units involved in commodity related activities. In conjunction with the Credit Department, the department regularly responds to requests from rating agencies related to commodity market positions and commitments.



## VI. Goal Attainment and Quantification

On an annual basis the department establishes goals and objectives in consultation with the NiSource Vice President and Treasurer. These goals relate to the ongoing oversight of commodity market transactions and supporting the NiSource Risk Management Committee in performing its duties. (See attached Risk Management Committee Charter). Periodic reviews with the NiSource Vice President and Treasurer are held throughout the year to assess the progress on obtaining the goals and any changes or adjustments that may be required. Department employees are recognized for achieving goals through annual merit pay increases. They also may be awarded an annual bonus if specific corporate level objectives are met.

# Risk Management

84	
Risk Management	
Dir Risk	
COMPANY	012
Total:	2
Risk Management	
Lead Risk Analyst	
COMPANY	012
Total:	1

## Management Policies, Practices and Organization Treasury and Corporate Finance – S.4.2 (b)(i)

### I. Strategic Planning, Policy, and Goal Setting

The Treasury and Corporate Finance department supports the NiSource corporate aspiration of becoming the “Premier Regulated Energy Company in North America” and Columbia’s goal of ensuring safe, reliable and cost-effective natural gas service to its Ohio consumers. The Treasury and Corporate Finance department is a part of the NiSource Corporate Services Company and therefore, may provide support services to all of the local distribution companies within NiSource. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled “Allocation Bases Utilized by NiSource Corporate Services Company,” which is included in this filing. More specifically the Treasury and Corporate Finance department supports Columbia’s goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the Treasury and Corporate Finance department maintains its focus on four aspects of Columbia’s business: financial, customer, employee, and process.

Each year, NiSource’s Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource’s overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and “Transforming to One” processes.

The goal setting process for Treasury and Corporate Finance establishes long term objectives and short term initiatives that directly support Columbia’s corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. The Treasury and Corporate Finance department sets its goals through both: (1) the establishment of the annual operating plan and balanced scorecard, and (2) through the performance management process, utilizing the Company’s standardized performance management worksheet (PMW). The balanced scorecard measurement tool utilized by Columbia helps to ensure that the Treasury and Corporate Finance Department continually assesses its own progress toward the stated objectives and initiatives.

## II. Organizational Structure

The Director/Assistant Treasurer reports directly to the NiSource Vice President and Treasurer. The NiSource Vice President and Treasurer reports directly to the Executive Vice President and CFO of NiSource, a member of the Corporate Executive Management team. The Director of Corporate Finance/Assistant Treasurer has responsibility for the day-to-day operations of the Corporate Finance department. The two main areas of responsibility for this department include financing related activities of NiSource Inc. and NiSource Finance Corp.; and all cash management related activities for NiSource Inc. and its subsidiary companies. The Director is supported by a Lead Financial Analyst in the financing/corporate finance area. The cash management function is led by the Manager of Cash Operations, who reports to the Director. The Manager of Cash Operations has two Senior Financial Analysts reporting to him. One administrative assistant supports the Treasury and Corporate Finance Department (in addition to supporting other departments reporting to the Vice President and Treasurer).

## III. Responsibilities

With respect to financing activities, the Treasury and Corporate Finance department's responsibilities include leading, along with the Vice President and Treasurer, the external capital raising activities of NiSource Inc.; inter-company financing activities between all NiSource subsidiaries; arranging bank credit facility financing for the Company's ongoing working capital needs; maintaining banking relationships with the Company's banking partners; assisting the Vice President and Treasurer with credit rating agency relationships; and liability management and interest rate risk management (hedging) activities for the Company's \$6.0 billion debt portfolio.

With respect to cash management activities, the Treasury and Corporate Finance department's responsibilities include monitoring the "enterprise-wide" daily cash position of NiSource Inc. and all its subsidiaries, and making daily short-term borrowing (or investment) decisions based upon the Company's net cash position; daily administration of the NiSource money pool system (intra-system financing vehicle); forecasting the enterprise-wide cash and liquidity position into the future; managing bank relationships and overseeing compensation for banking services; responsible for analysis, design, implementation and ongoing evaluation of the cash management systems, and new product offerings from our banking service providers.

## IV. Decision-Making and Controlling Process

The day-to-day decision making process within the Treasury and Corporate Finance department is driven by established "best practices" for Treasury departments, and is further supported by various corporate policies and corporate resolutions. With respect to the Department's financing activities, all external capital raising and hedging activities receive specific prior approval and authorization from both the NiSource Inc. and NiSource Finance Corp. Board of Directors.

With respect to the Department's cash management activities, responsibilities for opening and closing of bank accounts is established by corporate policy; designation of account signers and requests for banking services are authorized by corporate resolutions; short-term investment of corporate funds is administered in accordance with the Company's short-term investment policy.

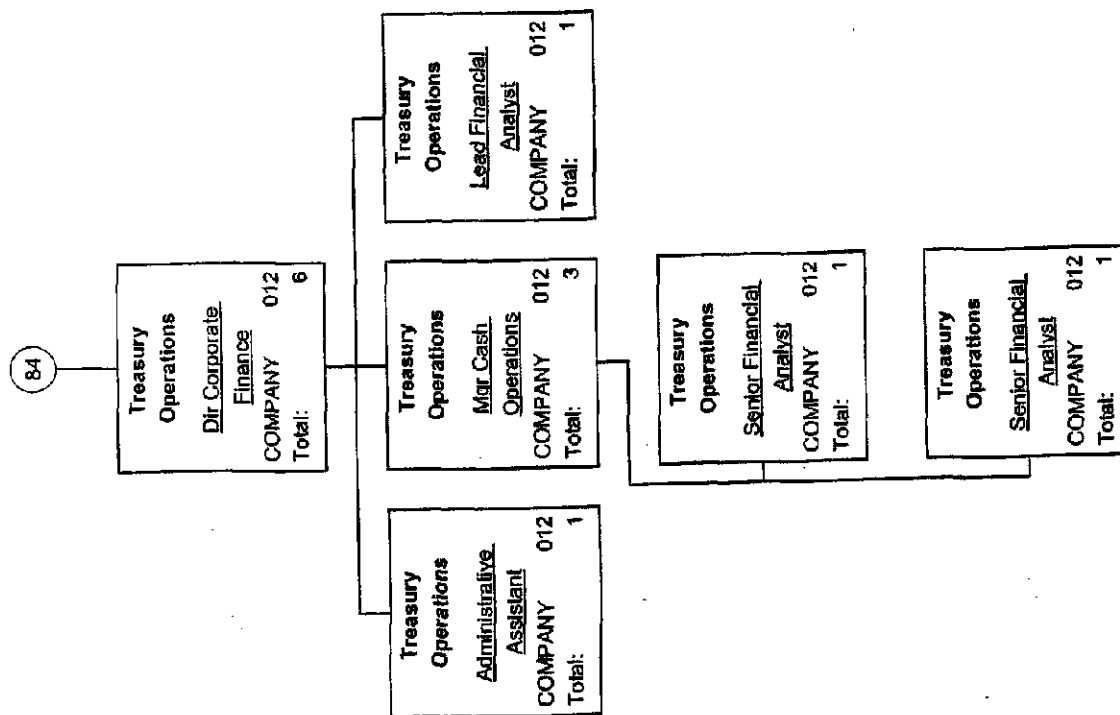
#### V. Internal and External Communications

The Treasury and Corporate Finance department facilitates internal communications through face-to-face conversations, use of email communications, and periodic staff meetings with the Vice President and Treasurer, etc. External communication is maintained on a regular basis with the Company bankers, rating agencies and cash management service providers thorough periodic face-to-face meetings, email communications and telephone conversations.

#### VI. Goal Attainment and Quantification

The Treasury and Corporate Finance department measures both progress made and the ultimate attainment of goals established in the performance management worksheets (PMWs) through the semi-annual PMW review process that is mandated by the human resources organization.

# Treasury Operations



**Management Policies, Practices and Organization**  
**Distribution Accounting, Financial Planning and Budgeting –**  
**S.4.2 (b)(ii), (b)(iii), (b)(iv)**

**I. Strategic Planning, Policy, and Goal Setting**

The Distribution Accounting, Financial Planning and Budgeting department supports the NiSource corporate aspiration of becoming the "Premier Regulated Energy Company in North America" and Columbia's goal of ensuring safe, reliable, and cost-effective natural gas service to its Ohio consumers. The Distribution Accounting, Financial Planning and Budgeting department is a part of the NiSource Corporate Services Company and therefore provides support services to all of the local distribution companies within NiSource. All employees are required to direct charge their labor to the company for which they are providing services whenever possible. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled "Allocation Bases Utilized by NiSource Corporate Services Company," which is included in this filing. More specifically the Distribution Accounting, Financial Planning and Budgeting department supports Columbia's goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the Distribution Accounting, Financial Planning and Budgeting department maintains its focus on four aspects of Columbia's business: financial, customer, employee, and process.

Each year, NiSource's Board of Directors and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource's overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and "Transforming to One" processes.

The goal setting process for the Distribution Accounting, Financial Planning and Budgeting department establishes long term objectives and short term initiatives that directly support Columbia's corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. The goals are set by the overall department leader (Vice President and Controller NiSource) and/or a consensus approach between the overall department leader, Segment Controller and the staff of the Segment Controller utilizing an annual operating plan and performance management worksheets. Goals include but are not limited to timely and accurate preparation and filing of annual reports, accurate and timely preparation of income and balance sheet statements, timely and accurate preparation of management reports, etc. The balanced scorecard measurement

tool utilized by Columbia helps to ensure that the Distribution Accounting, Financial Planning and Budgeting Department continually assess its own progress toward the stated objectives and initiatives.

## II. Organizational Structure

The Distribution Segment (NiSource distribution companies outside Indiana) Controller who reports to the NiSource Vice President and Controller has responsibility for the Distribution Accounting, Financial Planning and Budgeting department. Reporting to the Distribution Segment Controller are six Accounting Managers, three Managers of Financial Planning, three Budget Managers, a Manager of Cash and one administrative assistant. Reporting to the Accounting managers are 26 financial analysts and clerical positions. Reporting to the Financial Planning managers are six financial analysts and reporting to the Budgeting managers are six financial analysts. An organizational chart is attached. While specific company names may be associated with a particular position in the organizational chart, that simply means that the position primarily provides services to the named companies but may in fact provide services to other affiliates. As stated before, all labor is charged directly to the appropriate subsidiary when at all possible.

## III. Responsibilities

The Distribution Accounting, Financial Planning and Budgeting sections are responsible for maintaining the books and records, financial plans and budgets for seven local gas distribution companies (including Columbia Gas of Ohio, Inc.), and one retail services company. Maintaining the books and records incorporates all accounting duties such as the monthly closing process, journal voucher preparation, balance sheet and income statement preparation, preparation of the various state commission reports including the annual reports (Form 2 reports), MD&A and 10Q, 10K preparation, preparation of testimony for rate cases and responding to associated data requests, audit schedule preparation for external auditors, etc. Financial Planning duties include preparation of monthly plan updates, preparation of annual financial plans, analysis of various business proposals regarding the financial impact, preparation of financing applications, etc. The Budgeting section prepares monthly budget updates and annual budgets, works with various departments to assist in their budget preparation, provides management reports, etc.

## IV. Decision-Making and Controlling Process

The Accounting section utilizes Generally Accepted Accounting Principles (GAAP) in conjunction with regulatory accounting guidelines as established by the individual state commissions and company accounting policies and procedures. The Financial Planning and Budgeting sections utilize company policies and procedures in conjunction with any applicable GAAP and regulatory requirements.

## V. Internal and External Communications

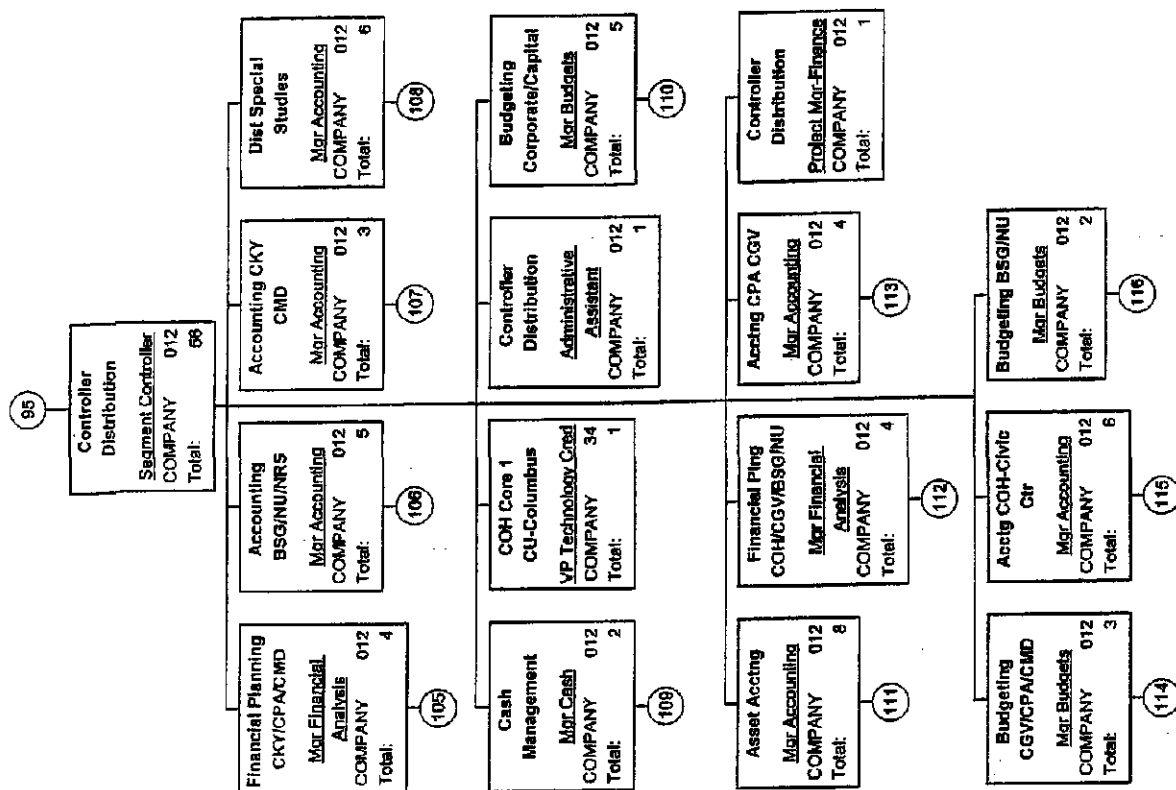


Weekly staff meetings which include the Segment Controller and the departmental managers are held to disseminate new information and discuss current issues. The departmental managers hold frequent staff meetings with their respective staffs. The VP and Controller of NiSource has weekly staff meetings with his direct reports including the Segment Controller. In addition, the VP and Controller of NiSource has a monthly Controllers meeting to discuss any new and relevant issues with all Segment Controllers. Quarterly meetings are held with the external auditors to discuss accounting and company issues.

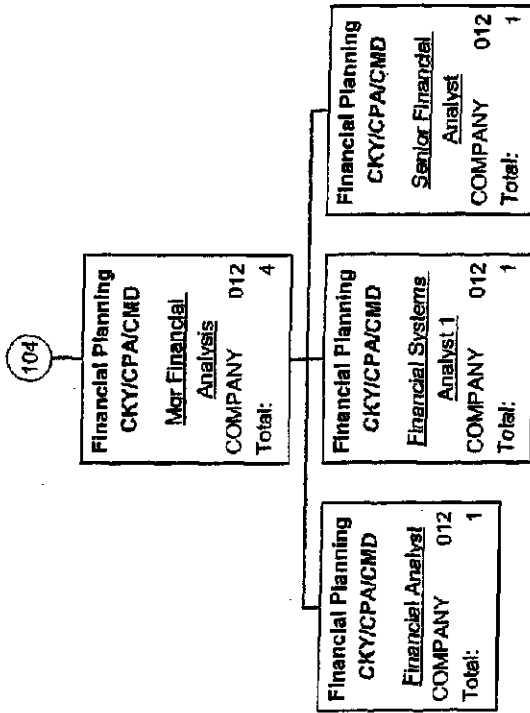
#### VI. Goal Attainment and Quantification

Departmental goals included in the operating plan and performance management worksheets are reviewed at minimum annually to determine if the goals have been achieved based the metrics detailed in the operating plan and performance management worksheet. Metrics could include achieving certain financial goals, meeting reporting or processing deadlines, etc. The various goals can be company, departmental or individual in nature. Achievement or failure to achieve the various goals is taken into account in determining merits, bonus payouts, etc.

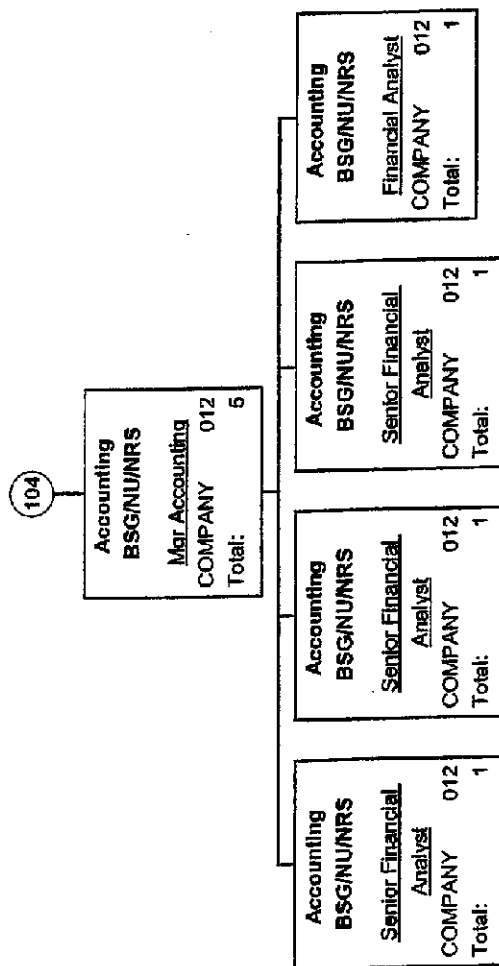
## Controller Distribution



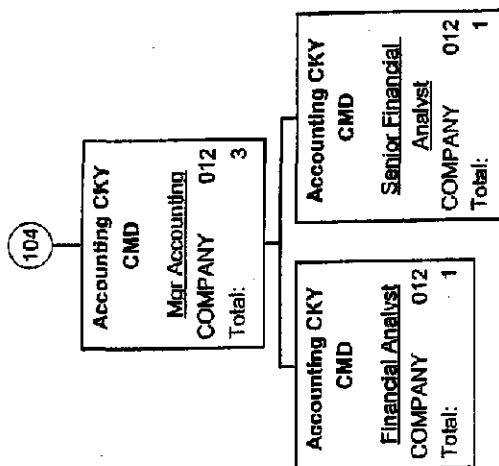
# Financial Planning CKY/CPA/CMD



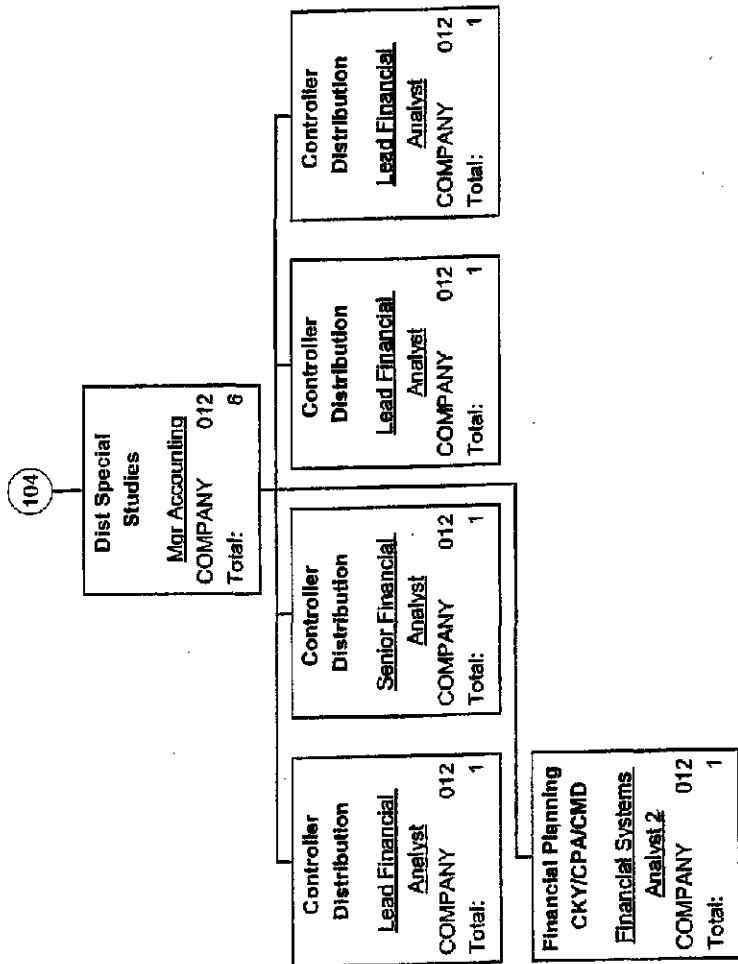
# Accounting BSG/NU/NRS



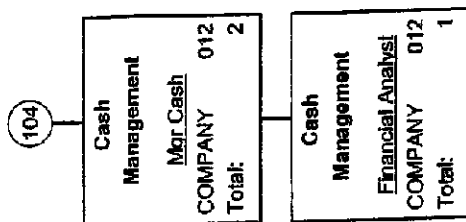
## Accounting CKY CMD



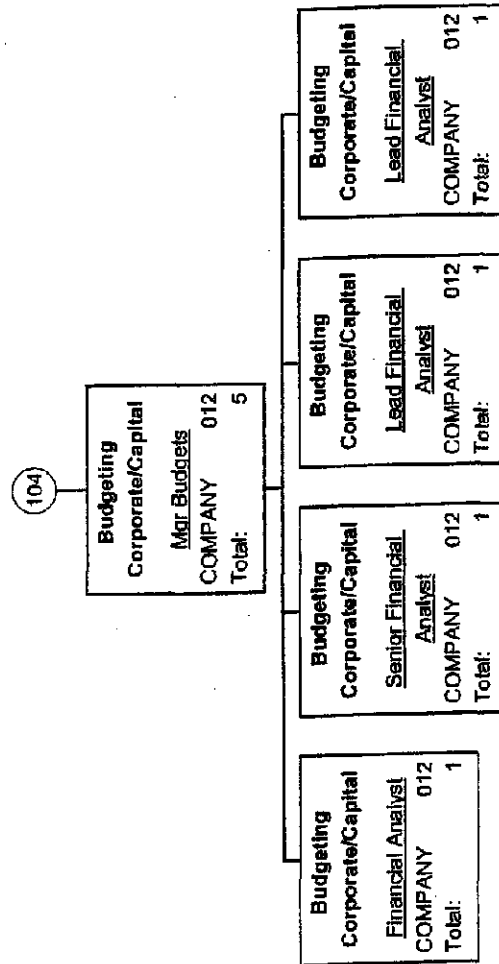
# Dist Special Studies



# Cash Management



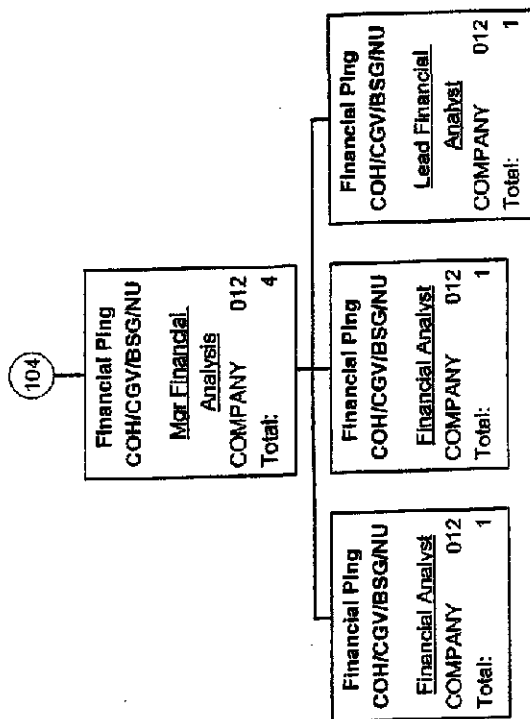
# Budgeting Corporate/Capital



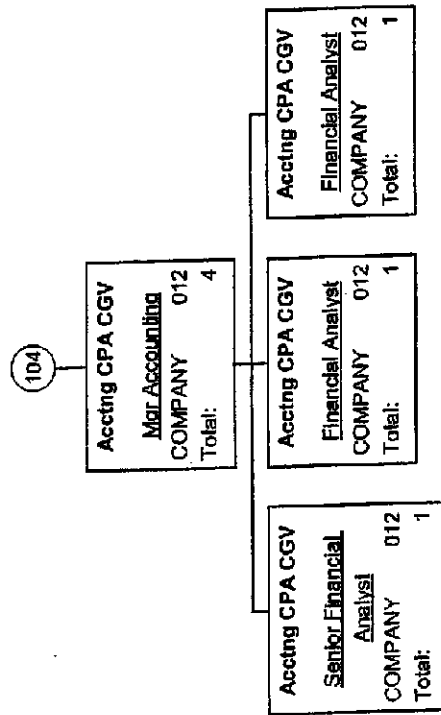




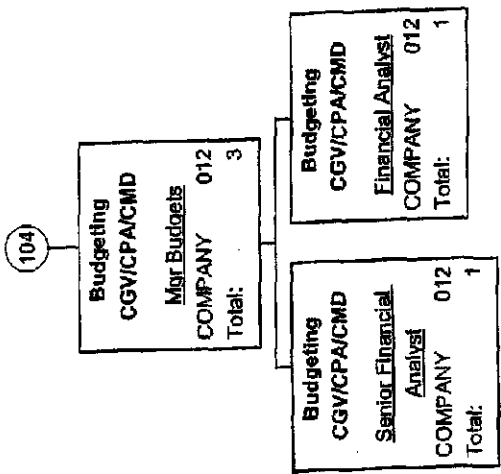
# Financial Ping COH/CGV/BSG/NU



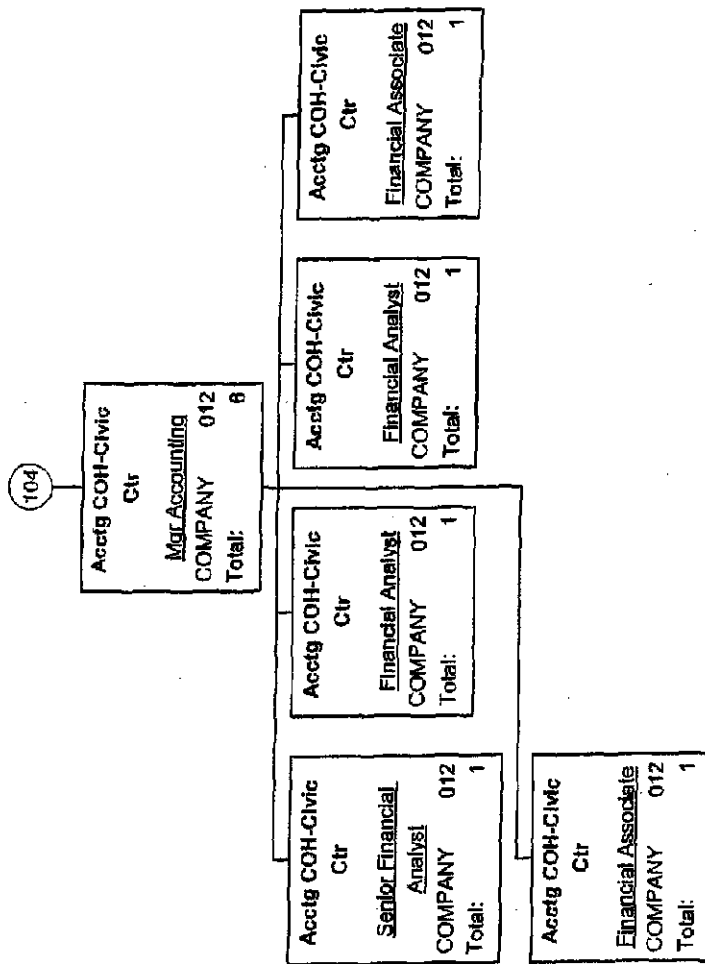
# Acctng CPA CGV



# Budgeting CGV/CPA/CMD



# Acctg COH-Civic Ctr



# Budgeting BSG/NU

104

Budgeting BSG/NU		
Mr Budgets	012	
COMPANY		
Total:		2

Budgeting BSG/NU		
Senior Financial Analyst	012	
COMPANY		
Total:		1

**Management Policies, Practices and Organization  
NiSource Corporate Service and Corporate Accounting –  
S.4.2 (b)(iii)**

**I. Strategic Planning, Policy, and Goal Setting**

The Corporate Services and Corporate Accounting department supports the NiSource corporate aspiration of becoming the "Premier Regulated Energy Company in North America" and Columbia's goal of ensuring safe, reliable, and cost-effective natural gas service to its Ohio consumers. The Corporate Services and Corporate Accounting department is part of the overall NiSource Corporate Services Company and therefore provides support services to all of the companies within NiSource. All employees are required to direct charge their labor to the company for which they are providing services whenever possible and practical. In instances when a direct charge is impractical, employees allocate their time as appropriate. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other companies, please refer to the document entitled "Allocation Bases Utilized by NiSource Corporate Services Company," which is included in this filing. More specifically the Corporate Services and Corporate Accounting department supports Columbia's goal to be recognized for its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the Corporate Services and Corporate Accounting department maintains its focus on four aspects of Columbia's business: financial, customer, employee, and process.

Each year, NiSource's Board of Directors and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource's overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and "Transforming to One" processes.

The goal setting process for the Corporate Services and Corporate Accounting department establishes long term objectives and short term initiatives that directly support Columbia's corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. The goals are set by the overall department leader, Vice President and Controller NiSource, and/or a consensus approach between the overall department leader, Segment Controller and the staff of the Segment Controller utilizing an annual operating plan and performance management worksheets. Goals include but are not limited to timely and accurate preparation and filing of annual reports, accurate and timely preparation of income, balance sheet, and cash flow statements, timely and

accurate preparation of regulatory reports, Sarbanes Oxley testing and results, and external audit requirements, etc. The performance management measurement tool utilized by Columbia helps to ensure that the Corporate Services and Corporate Accounting Department continually assesses its own progress toward the stated objectives and initiatives.

## II. Organizational Structure

The NiSource Corporate Services and Corporate Segment Controller reports to the NiSource Vice President and Controller and has responsibility for the Corporate Services and Corporate Accounting department. Reporting to the Corporate Services and Corporate Segment Controller are two accounting managers, one manager who oversees Corporate Services Accounting with five direct reports and another manager who oversees Corporate Accounting (Holding companies, Finance companies, and various other companies) with four direct reports. An organizational chart is attached. The analysts under the Corporate accounting area direct bill 100% of their labor to the companies for which they are responsible, and none of their labor is charged to any of the regulated companies.

## III. Responsibilities

The Corporate Services and Corporate Accounting sections are responsible for maintaining the books and records for NiSource Corporate Services Corporation, NiSource Inc, NiSource Finance Corporation and approximately 25 smaller, non-regulated companies. Maintaining the books and records incorporates all accounting duties such as the monthly closing process, journal voucher preparation, balance sheet, income and cash flow statement preparation, inter-company billing, preparation of the various annual state commission and Federal Energy Regulatory Commission (FERC) reports, assisting with 10Q and 10K preparation, filing of testimony and exhibits for rate cases and responding to associated data requests, audit schedule preparation for external auditors, and quarterly testing of Sarbanes Oxley compliance.

## IV. Decision-Making and Controlling Process

NiSource Corporate Services and Corporate Accounting utilize Generally Accepted Accounting Principles (GAAP) in conjunction with the FERC accounting guidelines and procedures. NiSource Corporate Services furnishes information in an annual filing to the FERC, as well as filing other information to various state commissions. Numerous controls are in place to ensure segregation of duties, proper approval, timely and accurate reconciliations in accordance with Sarbanes Oxley rules and requirements.

## V. Internal and External Communications

Frequent staff meetings which include the Segment Controller and the departmental managers (and sometimes various staff members depending on the issues at hand) are held to disseminate new information and discuss current issues. The departmental

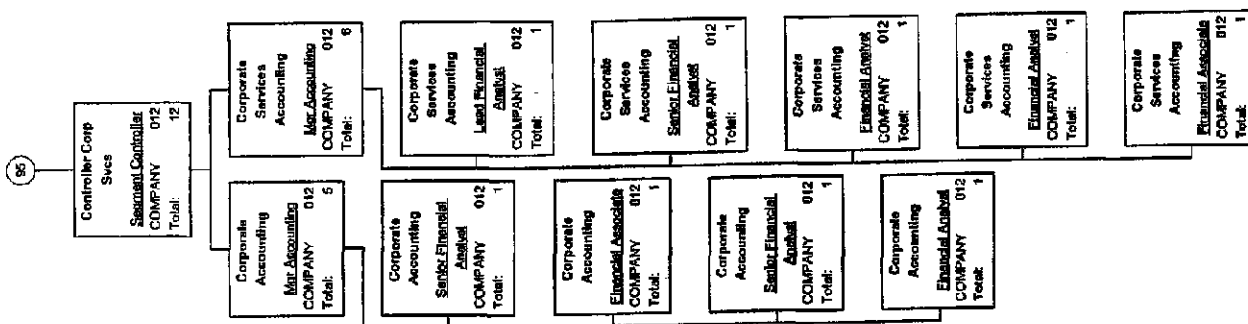


managers hold staff meetings as needed or work one-on-one with their respective staffs. The VP and Controller of NiSource has weekly staff meetings with his direct reports including the Segment Controllers. In addition, the VP and Controller of NiSource has a monthly Controllers meeting to discuss any new and relevant issues with all Segment Controllers. Quarterly meetings are held with the external auditors to discuss accounting and company issues.

#### VI. Goal Attainment and Quantification

Departmental goals included in the operating plan and performance management worksheets are reviewed annually, at a minimum, to determine if the goals have been achieved based upon the metrics detailed in the operating plan and performance management worksheet. Metrics could include achieving certain financial goals, meeting reporting or processing deadlines, transforming systems, etc. The various goals can be company-driven, departmental or individual in nature. Achievement or failure to achieve the various goals is taken into account in determining merits, bonus payouts, etc.

Controller Corp Svcs  
Controller Corp Svcs



## Management Policies, Practices and Organization Corporate Insurance – S.4.2 (b)(ii), (e)(v)

### I. Strategic Planning, Policy, and Goal Setting

The Corporate Insurance department supports the NiSource corporate aspiration of becoming the “Premier Regulated Energy Company in North America” and Columbia’s goal of ensuring safe, reliable, and cost-effective natural gas service to its Ohio consumers. The Corporate Insurance department is a part of the NiSource Corporate Services Company and therefore, may provide support services to all of the local distribution companies within NiSource. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled “Allocation Bases Utilized by NiSource Corporate Services Company,” which is included in this filing. More specifically the Corporate Insurance department supports Columbia’s goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the Corporate Insurance department maintains its focus on four aspects of Columbia’s business: financial, customer, employee, and process.

Each year, NiSource’s Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource’s overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and “Transforming to One” processes.

The goal setting process for Corporate Insurance establishes long term objectives and short term initiatives that directly support Columbia’s corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. The Corporate Insurance department assesses operational risk for the corporation and determines the most effective way to mitigate and finance the risk. Additionally, the Corporate Insurance department provides claims services to both employees and customers as well as loss control and fire protection engineering to the corporation.

### II. Organizational Structure

The Corporate Insurance department consists of eleven full time employees which include one Director who is responsible for the overall management of the department, setting corporate processes and procedures and assessing all risk and negotiating all

insurance programs. The Director of the department reports to the Vice President and Controller. The Vice President and Controller reports directly to the Executive Vice President and CFO of NiSource, a member of the Corporate Executive Management team.

In addition to the Director there are four Managers, one with direct oversight of all casualty insurance programs, one with direct oversight of the property insurance programs, one with responsibility over all workers' compensation (WC), short term disability (STD) and long term disability (LTD) claims, and the last one with responsibility over all other claims which include but are not limited to, general & auto liability, employment practices liability, and executive liability. In addition, there is one insurance analyst who reports up to the Manager, Casualty Insurance, two claims analysts who report up to the Manager of WC claims, and three senior claims analysts within the group, two of which report up to the WC claims manager and the other who reports up to the manager of Casualty claims.

### III. Responsibilities

The Corporate Insurance department oversees all aspects on insurance and claims for the corporation. This includes: the placement and renewal of all insurance policies for the corporation; the management, adjusting and settlement of all claims; the allocation of all premiums and claims; the delivery of all certificates of insurance; the issuance of all surety bonds; the review and approval of all contracts that require changes to basic terms and conditions as regards indemnification and insurance; the determination of appropriate types and amounts of coverage; and the establishment and maintenance of reserves where appropriate. The department also provides monthly, quarterly, and annual reports on reserves and claims, and provides assessment, management, mitigation and financing of risk alternatives to the corporation.

### IV. Decision-Making and Controlling Process

Insurance programs are renewed and marketed annually to ensure that the corporation has the most effective and appropriate coverage in place, with well established and secure companies, at the most competitive terms. Claims are overseen daily by a team of claims professionals both internally and externally to ensure that claims are reserved, adjusted and settled appropriately.

### V. Internal and External Communications

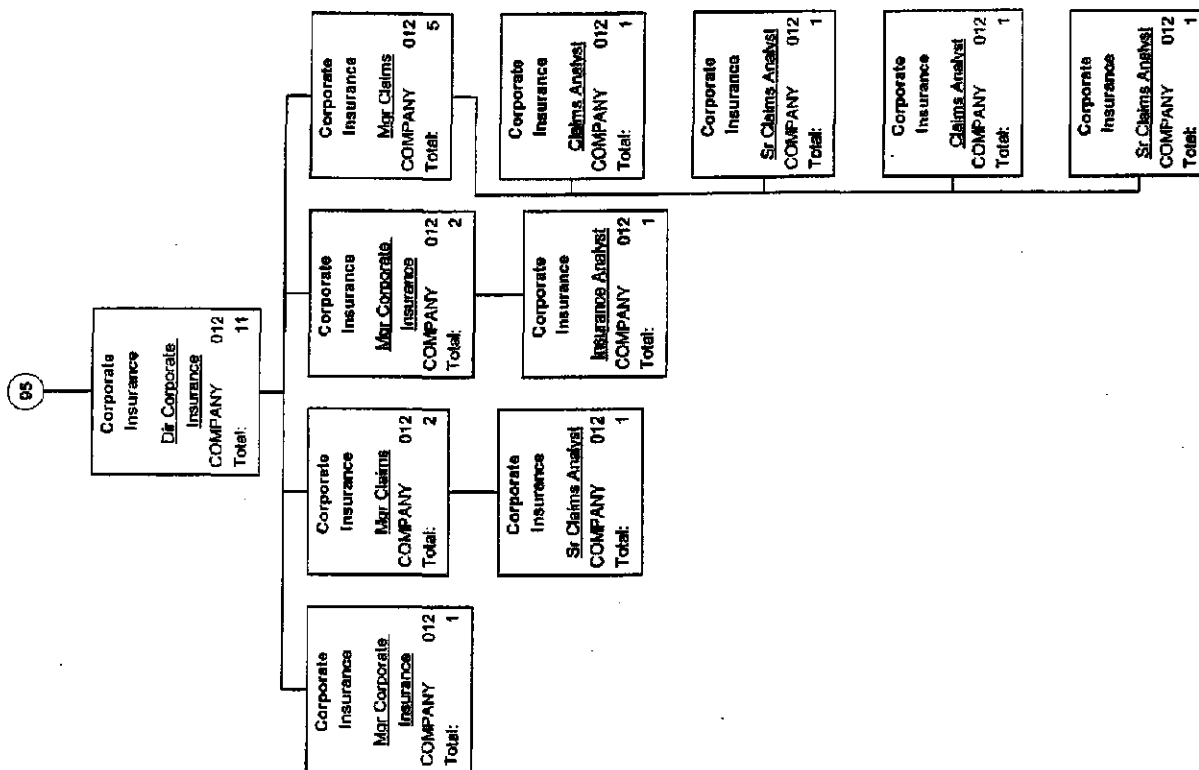
Internal communication is constantly maintained through person to person contact, emails, phone calls and staff meetings. External communication within the corporation but outside of the department is also maintained daily through emails, phone calls, and attendance at various meetings. External communication is also maintained daily with various providers such as attorneys, brokers, insurance companies, medical providers, claimants, etc., through emails, phone calls, and in person meetings.

## VI. Goal Attainment and Quantification

The constant goal of the Corporate Insurance department is to provide the best risk management program to the corporation which includes the most efficient and timely renewal of all insurance programs with the best terms and conditions, providing superior claims management and loss control to the corporation and its employees and customers in the most efficient and cost effective manner. It is our goal to reduce the number of incidents and reduce the cost per claim. Ultimately, it is the goal of the Corporate Insurance department to reduce the "Total Cost of Risk" to the corporation by providing and maintaining superior risk management, processes, procedures and practices across the corporation.

Corporate Insurance

# Corporate Insurance



## Management Policies, Practices and Organization Financial Reporting and Accounting Research – S.4.2 (b)(ii)

### I. Strategic Planning, Policy, and Goal Setting

The Financial Reporting and Accounting Research department supports the NiSource corporate aspiration of becoming the “Premier Regulated Energy Company in North America” and Columbia’s goal of ensuring safe, reliable, and cost-effective natural gas service to its Ohio consumers. The Financial Reporting and Accounting Research department is a part of the NiSource Corporate Services Company and therefore, may provide support services to all of the local distribution companies within NiSource. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled “Allocation Bases Utilized by NiSource Corporate Services Company,” which is included in this filing. More specifically the Financial Reporting and Accounting Research department supports Columbia’s goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the Financial Reporting and Accounting Research department maintains its focus on four aspects of Columbia’s business: financial, customer, employee, and process.

Each year, NiSource’s Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource’s overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and “Transforming to One” processes.

The goal setting process for Financial Reporting and Accounting Research establishes long term objectives and short term initiatives that directly support Columbia’s corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. The Financial Reporting and Accounting Research department develops annual goals (objectives). These goals are based on the operating plan which is developed for the Corporate Controller’s area. The Director of Financial Reporting and Accounting Research first develops their objectives based on discussion with the Corporate Controller. Then the remaining members of the department develop their own annual goals. All of this is documented within the performance management worksheets. The balanced scorecard measurement tool utilized by Columbia helps to ensure that the Financial Reporting and Accounting Research Department continually assesses its own progress toward the stated objectives and initiatives.

## II. Organizational Structure

The Director of Financial Reporting and Research reports to the Vice President - Corporate Controller, who in turn reports to the Chief Financial Officer, a member of the Corporate Executive Management Team. One manager reports to the Director, along with three other staff members (Senior Analysts) that report either to the Director or Manager.

## III. Responsibilities

Following are the key responsibilities of the Financial Reporting and Accounting Research department:

- Prepare and file Annual and Quarterly Reports required by SEC (10-K and 10-Q's)
- Prepare/coordinate other SEC required reports such as 8-K's and S-1 Registrations
- Preparation of schedules and explanations for the Quarterly Earnings Release
- Analyze and Implement standards of accounting (GAAP) or reporting issued by FASB or SEC staff
- Provide accounting guidance to all NiSource and Columbia companies related to complex or specialized accounting issues
- Provide accounting oversight for Treasury and HR activities such as hedging, financings, pension and other benefit plans, stock based compensation, etc.
- Special projects

## IV. Decision-Making and Controlling Process

Decisions made by the Financial Reporting and Accounting Research department are highly dependent on GAAP and SEC reporting requirements. The department works closely with the Corporate Controller and external auditors on all significant accounting issues. There are several critical financial reporting controls in place to ensure complete and accurate disclosures in all reports/filings. These include reviews of all SEC documents by Legal, Tax, Regulatory and other key functions along with certification by the CEO and CFO of NiSource.

## V. Internal and External Communications



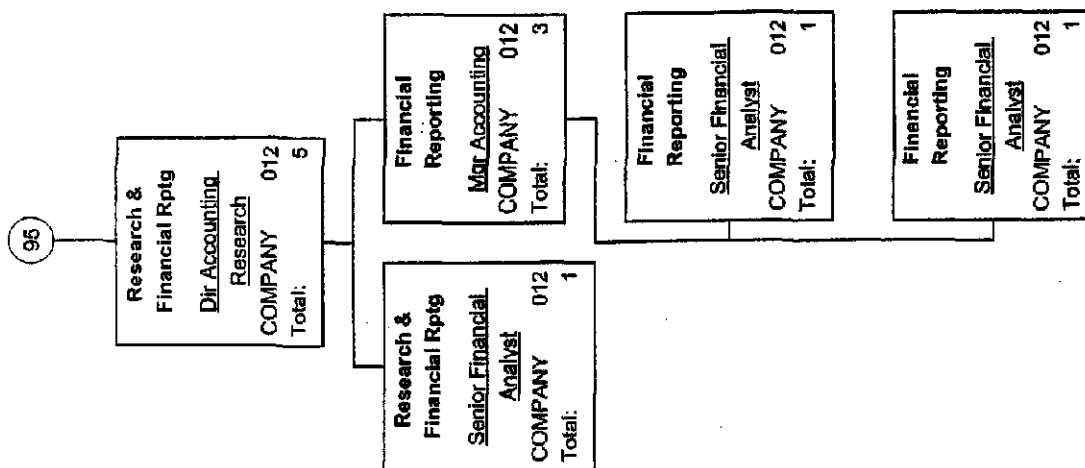
Communication is very critical and is frequent both internally and externally. Internal communication is broad and extensive, as input into the financial reporting process is needed from executives, business units and corporate functions. Also, accounting policies and guidance is communicated throughout the organization on a regular basis. Both e-mails and meetings are utilized to facilitate these communications. Departmental staff meetings are scheduled every 1-2 months.

External communication is also maintained on a regular basis. This communication includes discussions with external auditors because all SEC-filed reports are either reviewed or audited by the external auditors. Communication with other external parties (SEC, investors, financial institutes, etc.) also occurs as necessary.

#### VI. Goal Attainment and Quantification

Most goals for Financial Reporting and Accounting Research department are achieved based on delivering (filing) financial reports by established due dates. Since NiSource is a public company, achievement of the filing dates is critical to the organization. Other goals are based on value-added projects. The employees of the department participate in the Company's incentive program which is tied to earnings of the Company.

# Research & Financial Rptg



## Management Policies, Practices and Organization Tax Department – S.4.2 (b)(ii)

### I. Strategic Planning, Policy, and Goal Setting

The Tax department supports the NiSource corporate aspiration of becoming the “Premier Regulated Energy Company in North America” and Columbia’s goal of ensuring safe, reliable, and cost-effective natural gas service to its Ohio consumers. It is a part of the NiSource Corporate Services Company and therefore, may provide support services to all of the local distribution companies within NiSource. For a detailed description of how departments within the NiSource Corporate Services Company allocate time and costs to Columbia and the other local distribution companies, please refer to the document entitled “Allocation Bases Utilized by NiSource Corporate Services Company,” which is included in this filing. More specifically the Tax department supports Columbia’s goal to be recognized for its steady growth and innovative regulatory and commercial programs and to build on its tradition of cost and process discipline in support of the corporate goal of process and expense management. In support of these organizational goals, the Tax department maintains its focus on four aspects of Columbia’s business: financial, customer, employee, and process.

Each year, NiSource’s Board and Officers conduct an annual strategic planning meeting where the Board and key executives review and authorize key business strategies and objectives. Once approved by Executive Management and/or the Board, NiSource’s overall business strategies are carried out by the various responsible business segments or functional units within the company. Columbia translates the corporate strategic goals of NiSource into specific goals for its own organization and communicates those goals throughout the organization through the performance management and “Transforming to One” processes.

The goal setting process for the Tax Department establishes long term objectives and short term initiatives that directly support Columbia’s corporate initiatives, and each long-term objective is matched with one of the four key aspects of business (financial, customer, employee, and process) with which it most closely aligns. Each year, the Vice President-Tax establishes goals for the department after consultation with the Chief Financial Officer and with input from the Assistant Controller-Tax and each of the three tax directors. These goals are formalized in the department’s Operating Plan. Tasks required to achieve these goals are assigned to individual department employees through the Performance Management process. The Performance Management process utilized by Columbia helps to ensure that the Tax department continually assesses its own progress toward the stated objectives and initiatives.

## II. Organizational Structure

The Vice-President-Tax reports to NiSource's Chief Financial Officer. Reporting to the Vice-President is an Assistant Controller-Tax and a Director of Tax Planning and Audits. The department's employees are primarily located at Columbia's Civic Center offices in Columbus, with a smaller group at NiSource's corporate headquarters in Merrillville, IN. The group in Merrillville is primarily responsible for corporate planning and strategic tax matters, while the group in Columbus is responsible for tax compliance for all NiSource subsidiaries.

## III. Responsibilities

The Tax department is charged with all aspects of corporate taxation, with the exception of payroll taxes and pension and welfare benefit ("qualified") plan tax reporting. This includes federal and state income, franchise, gross receipts, property, sales and use, excise, and other miscellaneous taxes. The department must accurately and timely report and pay all tax liabilities in accordance with applicable federal, state and local tax laws and regulations. It must report all taxes on the books and records of the corporation (and other required reports) in accordance with GAAP, SEC, FERC and state regulatory requirements. The department advocates the corporation's tax positions with outside federal, state and local auditors. The department assists the Financial Reporting and Planning department in providing financial information and analysis to senior management, operating company management and others within the NiSource organization. The department seeks to advise management on structuring transactions and activities to minimize the corporation's overall tax liability without subjecting the corporation to excessive levels of tax risk.

The department's process begins with the company's annual financial plan and ends with the successful completion of the tax audit process, if required. Prior to the beginning of each tax year, the operating plans of each NiSource company are reviewed by the Tax department and the appropriate level of taxes are estimated and included in the financial plan. Throughout the year, returns are filed and payments are made as required and such amounts are reported in the financial statements of the appropriate corporation. If selected for audit, the department works with the various federal, state and local tax auditors to defend and resolve any issues associated with its filings and payments. The department also interfaces with the companies' internal and external auditors in supporting the amounts reflected in the companies' financial statement.

## IV. Decision-Making and Controlling Process

Decision-making flows up through the hierarchical chain of command within the department, up to and including the Chief Financial Officer, if necessary. Decision making is controlled by the significant federal, state and local tax laws and regulations, as well as SEC, GAAP, FERC and state regulatory commission requirements. When questions arise as to the proper treatment of a particular tax item, they are resolved at the

appropriate level of authority within the department. If appropriate, outside experts from accounting or law firms are consulted to arrive at the proper conclusion.

In conducting its affairs, the department utilizes numerous checks and balances, including sign-offs and appropriate levels of review in assuring that it is complying with all rules and regulations.

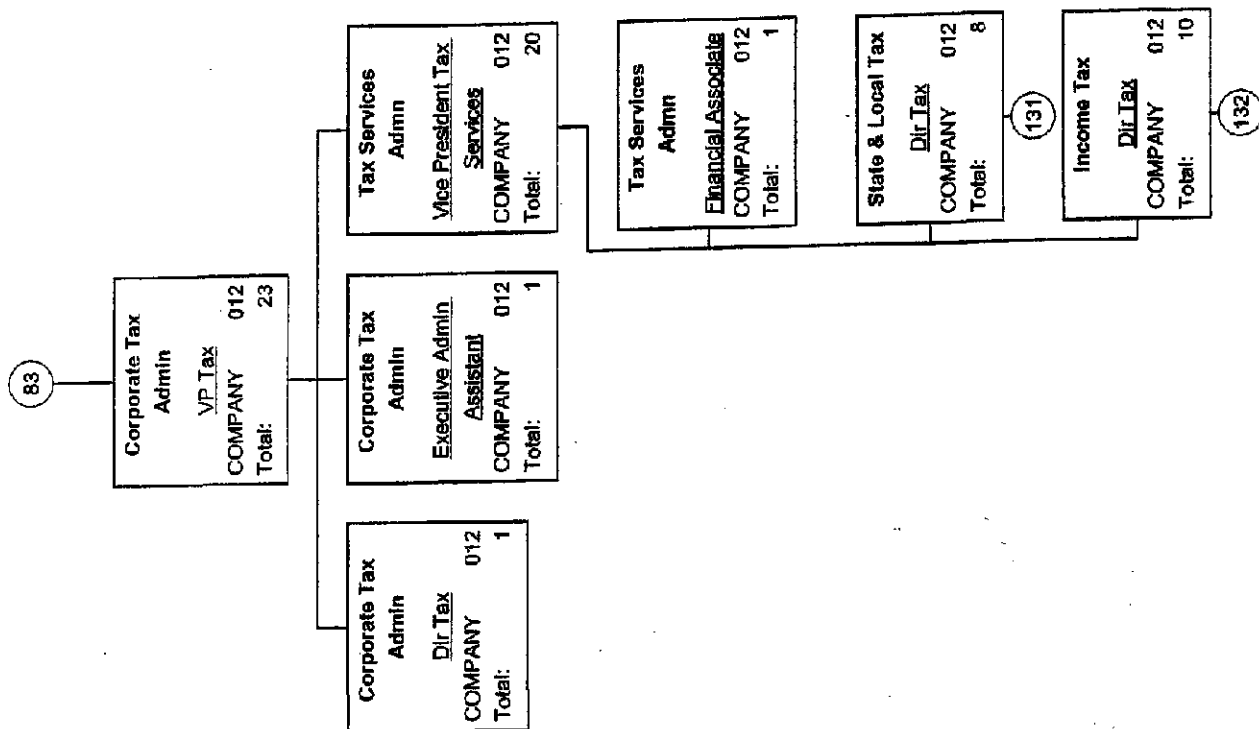
#### V. Internal and External Communications

The department makes extensive use of face-to-face, telephone and email in communicating within the tax department as well as with other departments such as the various operating, accounting and rate departments. Bi-weekly staff meetings are conducted in the Columbus tax department office and staff meetings between the Vice President-Tax, the Assistant Controller, and three Tax Directors are conducted on an as needed basis. The Vice President-Tax and Assistant Controller-Tax discuss current issues on a daily basis. The Vice President-Tax attends the Chief Financial Officer's weekly staff meetings to facilitate the flow of information both to and from senior management. The department communicates with the corporation's external financial statement auditors on a regular basis, and with other federal, state and local auditors as required in the administration of its duties and responsibilities.

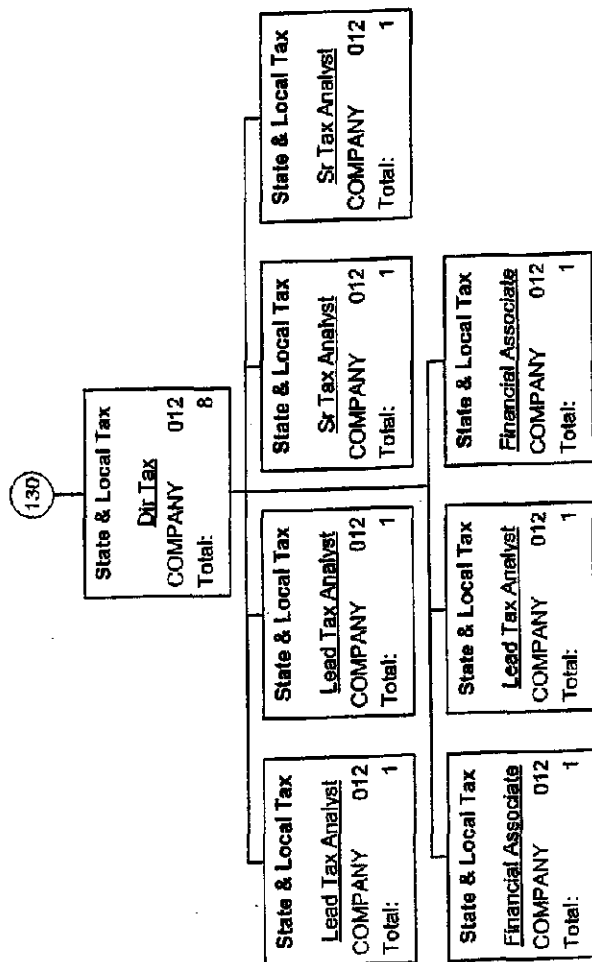
#### VI. Goal Attainment and Quantification

In establishing its annual Operating Plan, the Tax department establishes goals that support NiSource's aspiration to be the premier regulated energy company in North America and its four part plan for long-term sustainable growth. Long-term objectives, which are tied to key corporation goals, are supported by short-term initiatives and contain key milestones and targets. The department is evaluated each year based on its attainment of these key milestones and targets. Tax department employees who are instrumental in achieving our annual goals are rewarded through spot awards and other aspects of the performance management process.

# Corporate Tax Admin



# State & Local Tax



Income

# Income Tax

