

**MINUTES OF
THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF CITIZENS ENERGY GROUP
HELD DECEMBER 16, 2009**

Pursuant to notice duly given and posted as required by law, the Regular Meeting of the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis convened at 10:30 a.m. EST, Wednesday, December 16, 2009, at the principal office of the Utility, 2020 North Meridian Street, Indianapolis, Indiana.

Board members present: Daniel C. Appel, Anita J. Harden, Dorothy J. Jones, Martha D. Lamkin, James M. McClelland, Anne Nobles, and Lawrence A. O'Connor, Jr.

Present from the Utility: President and CEO Carey B. Lykins, Senior Vice President and CFO John R. Brehm, Senior Vice President and General Counsel and Assistant Secretary John R. Whitaker, Senior Vice President, Chief Administrative Officer M. Jean Richcreek, Senior Vice President, Operations William A. Tracy, Associate Counsel Aaron D. Johnson, Vice President, Human Resources Robert J. Hummel, and General Manager, Strategic Growth Initiatives Barbara Smith.

Also present: Charlotte Roberts.

The meeting was called to order by Chairman of the Board Lamkin.

The minutes of the Regular Meeting of the Board of Directors held October 14, 2009 were approved as submitted.

Ms. Lamkin certified that the subject matter of the discussion during the Executive Session of the Board held immediately preceding the Meeting of the Board was solely limited to the item(s) set forth in the Public Notice attached as Exhibit "A."

Notice of the January 11, 2010 Annual Meeting of Citizens Energy Group was received by the Board of Directors, pursuant to statute.

Ms. Lamkin was given the Board's proxy to vote the Utility's stock of Citizens By-Products Coal Company d/b/a Citizens Resources at its January 11, 2010 Annual Meeting of Shareholders.

Ms. Lamkin reviewed the Disposition of Funds Estimate for the fiscal year ending September 30, 2010, which is required to be filed with the City Controller. After discussion, the following resolution was unanimously adopted:

RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis:

That the necessary officials of the Utility are hereby authorized and directed to file with the City Controller the Utility's Disposition of Funds Estimate for the fiscal year ending September 30, 2009, a copy of which is attached as Exhibit "B."

Mr. Lykins indicated that on November 2, 2009, the Utility filed its thirty-day Gas Cost Adjustment (GCA-104) with the Indiana Utility Regulatory Commission (IURC) for the months of December 2009, January and February 2010. The GCA-104 rates compared to the November 2009 Monthly Update Rates reflect a decrease for all classes, with the exception of Residential Heating in January and February 2010 and General Heating in all three months. GCA-104 rates compared to the rates in effect one year ago reflect a decrease for all classes. The following resolution was unanimously adopted:

RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis:

That the thirty-day filing of GCA-104 with the IURC for the months of December 2009, January and February 2010 is hereby ratified, confirmed and approved.

Mr. Lykins led a discussion regarding an increase in Citizens Thermal's operating revenues from 11.5% to 12.2%, to ensure the Utility's rates and charges continue to produce sufficient revenues to meet the Utility's statutory revenue requirements. In the October meeting of the Board of Directors, a resolution was approved authorizing management to file a petition with the IURC requesting an increase in the steam utility's revenue requirements. The proposed increase in operating revenues of 11.5% stated in the resolution approved at the October Board meeting was based on a preliminary analysis. Further analysis indicates a need for a 12.2% increase in operating revenues. The proposed increase will be across the board; therefore, the percent increase to each class will be the same. After discussion, the following resolution was unanimously adopted:

RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis:

RESOLUTION

Mr. Lykins and Ms. Prentice discussed with the Board the Petition and supporting evidence the Board previously authorized management to file with the Indiana Utility Regulatory Commission ("Commission") for approval to increase the Utility's rates and charges for steam service, for approval of a new schedule of rates and charges for service, and approval of certain changes to the terms and conditions of service. The Utility's current rates and charges for steam service were approved by the Commission in its Order in Cause No. 43201 issued on October 30, 2007.

Mr. Lykins informed the Board that the final analysis of the existing operating revenues from the Steam Division indicates that a 12.2% increase to the Utility's rates and charges is necessary to ensure the Utility's rates and charges continue to produce sufficient revenues to meet the Utility's statutory revenue requirements. Mr. Lykins recommended that the Board ratify and approve the Petition and supporting evidence management filed with the Commission on November 2, 2009, seeking an increase in rates and charges for steam service, approval of a new schedule of rates and charges, and approval of certain changes to the Utility's terms and conditions.

WHEREAS, the Board now finds that: (i) the Utility's existing schedule of rates and charges does not produce revenues sufficient to provide for all the legal and other necessary expenses incident to the operation of the Utility (including, but not limited to, maintenance costs, operating charges, upkeep, repairs, depreciation and interest charges on bonds or other obligations, including leases), to provide a sinking fund for the liquidation of bonds or other obligations, to provide a debt service reserve for bonds or other obligations, to provide adequate money for working capital, to provide adequate money for making extensions and replacements in excess of depreciation, and to provide funds for the payment of taxes and, therefore, such rates and charges are not "reasonable and just rates and charges for service" within the meaning of I.C. 8-1.5-3-8; (ii) the Utility's schedule of rates and charges for steam service needs to be revised in order to recover each of the revenue requirements allowed under I.C. 8-1.5-3-8; (iii) the rates and charges need to be increased on an across-the-board basis by customer class; and (iv) the proposed rates and charges are designed to be sufficient to meet the revenue requirement elements of I.C. 8-1.5-3-8 and produce total annual operating revenues of \$75.3 million.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, that:

(1) the Petition and supporting evidence filed on November 2, 2009 with the Commission requesting an increase in the operating revenues produced by the Utility's rates and charges for steam service and approval of the other relief discussed at the Board meeting is hereby ratified, confirmed and approved; and

(2) pursuant to I.C. 8-1.5-3-8 and I.C. 8-1-11.1-3.1, the attached revised schedule of rates and charges and terms and conditions of service are hereby approved by the Board, subject to approval thereof by the Commission under I.C. 8-1.5-3-8 and I.C. 8-1-11.1-3(c)(9), and management shall be authorized to file with the Commission a schedule of compliance rates and charges and revised terms and conditions of service immediately following the Commission's approval of same.

Mr. Hummel asked for approval of the Fiscal Year 2009 Short-Term Incentive Plan and the payout amounts for officers, attached as Exhibit "C." The following resolution was unanimously adopted:

RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis:

That the Fiscal Year 2009 Short-Term Incentive Plan and the payout amounts for officers, attached as Exhibit "C," are hereby ratified, confirmed and approved.

Mr. Hummel also asked for approval of the Fiscal Year 2010 Short-Term Incentive Plan, attached as Exhibit "D." The following resolution was unanimously adopted:

RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis:

That the Fiscal Year 2010 Short-Term Incentive Plan, attached as Exhibit "D," is hereby ratified, confirmed and approved.

Mr. Hummel led a discussion regarding the Restoration Policy Distribution, attached as Exhibit "E." After discussion, the following resolution was unanimously adopted:

RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis:

That the Restoration Policy Distribution, attached as Exhibit "E," is hereby ratified, confirmed and approved

Mr. Lykins requested Board approval to file a tariff to sell liquefied natural gas from Citizens' LNG North facility and approval of contract terms for LNG sales to Flatiron Power Systems as outlined in Exhibit "F." Flatiron Power Systems has an accelerated plan to leverage the existing LNG peaking infrastructure in the central United States as the first step in developing a meaningful footprint for LNG as a fuel sources for transportation. In order to provide greater impetus for fleet owners to begin to use LNG as a fuel source, Flatiron plans to secure its own fleet and converted LNG vehicles and lease the vehicles to trucking fleet operators. Flatiron has approached Citizens to provide up to 10,000 gallons per day of LNG. In order to have the ability to fuel tankers with LNG, an investment of \$25,000 by the Gas Division will be required to update piping and pumps. The filed tariff would be valid for a pilot period of up to three years. After the conclusion of the three-year pilot, Citizens will evaluate development of the LNG transportation fuel market and consider possible construction of a new, dedicated facility for LNG fuel. The estimated cost to build such facility to supply 50,000 gallons per day of LNG is \$10 to \$15 million. Regulatory Affairs and external bond counsel have recommended that the initial business model be kept within the Gas Division, with Citizens' sales force acting as the sales arm for LNG.

RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis:

That the tariff filing with the Indiana Utility Regulatory Commission to sell liquefied natural gas from Citizens' LNG North facility, and the contract terms for LNG sales to Flatiron Power Systems, as outlined in Exhibit "F," are hereby ratified, confirmed and approved.

Mr. Brehm presented the Fiscal Year 2009 financial statements. The following resolution was unanimously adopted:

RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis:

That the Fiscal Year 2009 financial statements are hereby ratified, confirmed and approved.

Ms. Lamkin reviewed Quarterly Report No. 293 to be filed with the City Controller. The following resolution was unanimously adopted:

RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis:

That the necessary and appropriate officials of the Utility are hereby authorized and directed to file Quarterly Report No. 293 as of September 30, 2009, with the City Controller, attached as Exhibit "G."

Ms. Lamkin reviewed the invoices paid for outside professional services for the Utility for the quarter ended September 30, 2009, as set forth in Exhibit "H." The following resolution was adopted with Ms. Nobles abstaining:

RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis:

That the listing of payments for outside professional services as set forth in Exhibit "H" is hereby ratified, confirmed and approved.

Mr. Lykins indicated that on December 4, 2009, the Utility, in compliance with the Indiana Utility Regulatory Commission's ("Commission") final order in Cause No. 42767, dated August 29, 2007, filed its Rider E – Energy Efficiency Adjustment ("EEA") to be effective January 1, 2010. The EEA consists of two components: a Sales Reconciliation Component ("SRC") and an Energy Efficiency Funding Component ("EEFC"). The purpose of the SRC is to adjust the delivery charges for Gas Rate Nos. D1, D2, D3 and D4 to provide for the recovery of the difference between actual margins for the fiscal year ending September 30, 2009, and the margins that were approved in Cause No. 43463 for the Residential and General rate classes, as adjusted for customer additions or reductions. The purpose of the EEFC is to adjust the delivery charges for Gas Rate Nos. D1, D2, D3 and D4 to provide for the recovery of costs for funding energy efficiency efforts throughout the Utility's service area that are not funded through the base rates approved by the Commission in Cause No. 42767. Consistent with the Commission's August 7, 2008 Supplemental Order, the Utility's EEFC component is based upon the Citizens Energy Efficiency Oversight Board resolution authorizing recovery of Phase II, year 2 energy

efficiency portfolio costs. The EEA reflects the adjustment provided for by the EEFC and the SRC. The following resolution was unanimously adopted:

RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis:

That the Rider E – Energy Efficiency Adjustment (“EEA”) filed with the Commission on December 4, 2009, to be effective January 1, 2010 is hereby ratified, confirmed and approved.

Mr. Lykins indicated that on December 4, 2009, the Utility, in compliance with the Order of the Indiana Utility Regulatory Commission (IURC) in Cause No. 43669, dated November 19, 2009, filed its Rider F – Universal Service Fund Rider (USF) to be effective January 1, 2010 through December 31, 2010. The USF Rider provides funding to the Utility’s Universal Service Program (USP). Pursuant to the Order, eligible customers who have applied for the state’s Energy Assistance Program (EAP) through local Community Action Agencies will automatically be enrolled in the USP and will receive bill reductions in addition to EAP assistance. For Citizens’ low-income customers, monthly bill reductions will range from 10 percent to 25 percent of the total bill (not including EAP benefits). The USP also will provide additional funding to the Utility’s customers in the form of a crisis assistance program which targets qualified low-income and working-poor households who need additional help to get reconnected and or maintain heat throughout the winter. The crisis funds will provide assistance to households up to 200% of poverty who might not otherwise be qualified for traditional assistance.

The filed USF rates compared to rates in effect January 2009 through December 2009 reflect an increase for the Residential Domestic, Residential Heating, General Non-Heating, and General Heating customer classes. The Large Volume and High Load classes did not change. The following resolution was unanimously adopted:

RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis:

That the Rider F – Universal Service Fund Rider (USF) Compliance filing made with the IURC effective January 1, 2010 is hereby ratified, confirmed, and approved.

Mr. Brehm reviewed the 2010 Deloitte & Touche Engagement Letter and the proposed fees. After discussion, the following resolution was unanimously adopted:

RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis:

That Mr. Brehm is authorized to enter into an Engagement Letter with Deloitte & Touche for the Fiscal Year 2010.

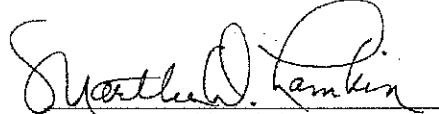
Mr. Brehm answered questions regarding the financial forecast and the Board of Directors Fourth Quarter Financial Report.

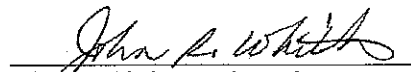
Mr. Lykins responded to questions regarding the Monthly Operational Status Report.

Ms. Roberts provided an overview of the Board Assessment Survey results for 2009.

Ms. Harden and Ms. Lamkin gave a brief report regarding the American Gas Association Board seminar they attended this fall.

There being no further business, the meeting adjourned at 11:45 a.m. EST.


Martha D. Lamkin, Chairman


John R. Whitaker, Assistant Secretary