

**MINUTES OF THE MEETING OF
THE BOARD OF DIRECTORS OF
CITIZENS ENERGY GROUP
HELD APRIL 13, 2011**

Pursuant to notice duly given and posted as required by law, the Meeting of the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis convened at 8:00 a.m. EST, Wednesday, April 13, 2011, at the principal office of the Utility, 2020 North Meridian Street, Indianapolis, Indiana.

Board members present: Daniel C. Appel, Jeffrey E. Good, Anita J. Harden, Dorothy J. Jones, Martha D. Lamkin, James M. McClelland, and Anne Nobles.

Present from the Utility: President and Chief Executive Officer Carey B. Lykins, Senior Vice President and Chief Financial Officer 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, Vice President, Integration and Associate Counsel Aaron D. Johnson, Vice President, Engineering and Facilities Management, Jeffrey A. Harrison, Vice President of Market Development Michael D. Strohl, Executive Director of Regulatory Affairs LaTona S. Prentice, Director of Environmental Stewardship Ann McIver, Director of Treasury Curtis H. Popp, General Manager of Gas Operations Christopher H. Braun, Manager, Corporate Communication Dan C. Considine, and Counsel Ruth A. Hardy.

Guests present: Kathryn G. Betley, Daniel F. Evans, Jr., John L. Krauss, Philip C. Genetos of Ice Miller and Tyler J. Kalachnik of Ice Miller.

The meeting was called to order by Chairman Lamkin.

The minutes of the Regular Meeting of the Board of Directors held February 9, 2011 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."

Ms. Prentice led a Board discussion requesting approval of a resolution that ratifies the evidence and rates and charges filed in the Citizens Gas case-in-chief. At the December 2010 meeting, the Board authorized the filing of a new rate case for Citizens Gas at the Indiana Utility Regulatory Commission (IURC). Based on that directive, management prepared a case-in-chief that was filed with the IURC on December 16 and December 20, 2010, which included new rates

and charges. This resolution ratifies the case-in-chief and the proposed rates and charges. 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:

WHEREAS, the Utility's existing rates and charges for gas service were placed into effect on September 19, 2008 following the approval of the September 17, 2008 Order in Cause No. 43463, but were designed to recover the revenue requirements for the test year ended September 30, 2007; and

WHEREAS, the Board of Directors for Utilities (the "Board"), at its regular meeting on December 15, 2010, authorized and directed the filing with the Indiana Utility Regulatory Commission ("IURC") of a Verified Petition: (i) requesting authority to place into effect a new schedule of rates and charges for services to recover additional operating revenues as authorized by I.C. 8-1.5-3-8, and which more accurately reflect cost of service by customer class; and (ii) seeking approval of certain other relief discussed at the Board meeting; and

WHEREAS, pursuant to the foregoing authorization, the Utility filed a Verified Petition with the IURC on December 16, 2010, which was docketed as Cause No. 43975; and

WHEREAS, on December 16, 2010, the Utility filed a portion of the Direct Testimony and Exhibits constituting its case-in-chief in Cause No. 43975, including evidence supporting its annual revenue requirements for the test year ending June 30, 2010; and

WHEREAS, the Utility's management has completed accounting and other reports analyzing the Utility's revenue requirements, as well as a cost-of-service study by customer class, and has recommended to the Board that it approve a new schedule of rates and charges for gas service, and revised terms and conditions of service; and

WHEREAS, on December 29, 2010, the Utility filed the Direct Testimony and Exhibits constituting the remainder of its case-in-chief in Cause No. 43975, which included a cost of service study along with a proposed schedule of revised rates and charges and revised terms and conditions of service, subject to the approval of this Board and the IURC; and

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 gas 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 schedule of rates and charges needs to be further adjusted to more accurately reflect cost of service by customer class and move certain customer classes closer to the cost to serve that class while holding the remaining customer classes at their present level of revenues (i.e., no rate increase); 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 additional operating revenues of approximately \$14.0 million.

NOW, THEREFORE, BE IT RESOLVED, that the actions of the officers of the Utility in filing with the IURC on December 16, 2010 and December 29, 2010 the evidence constituting its case-in-chief are hereby confirmed , approved and ratified; and

IT IS FURTHER RESOLVED, that pursuant to I.C. 8-1.5-3-8 and I.C. 8-1-11.1-3.1, the revised schedule of rates and charges, attached hereto as Exhibit “B,” and the terms and conditions of service, attached hereto as Exhibit “C,” are hereby confirmed approved and ratified, subject to approval thereof by the IURC under I.C. 8-1.5-3-8 and I.C. 8-1-11.1-3(c)(9).
(CEG16-2011)

The Board discussed the February 15, 2011 quarterly steam fuel cost adjustment petition filed with the Indiana Utility Regulatory Commission (“IURC”) in Cause No. 41969-FAC21. The proposed rates filed in FAC21, compared to current rates, reflect a decrease of \$0.01758 per therm for both rate classes—General Steam Service Rate 1 and Demand Rate Service Rate 2. The typical bill will decrease approximately 0.68% for a Rate 1 customer and 1.21% for a Rate 2 customer. 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, d/b/a Citizens Thermal:

That the FAC21 rates filed with the IURC, are hereby ratified, confirmed and approved, with an effective date of May 1, 2011 (subject to approval by final Order of the IURC).
(CEG17-2011)

Ms. McIver led a discussion regarding the request to adopt Resolution No. CEG 13-2011, attached as Exhibit “D,” authorizing enforcement of violations and establishing an administrative adjudication process for violations. This resolution gives Citizens Energy Group the ability to assess fines for violations of permits and establish the administrative process by which violations will be handled. If the administrative process is used by a respondent, they can elect to negotiate a compliance agreement or have a formal hearing in front of an Administrative Hearing Officer and any notice of violation would be brought before the Board for review. Ms. Lamkin then asked for comments from the public regarding the aforementioned resolution. Mr. Pratt offered testimony saying the program language was standard and consistent with the City’s current program. Mr. Pratt expressed concern that the position qualifications only required two years of legal and environmental experience. He urged Citizens to hire a hearing officer who understands environmental law and the impact of chemicals on the environment. Mr. Pratt urged Citizens to seek a change in the state statute that only allows a maximum \$2,500 fine for single violations and \$7,500 for repeated violations. He also added that the INDIAC group provides an effective forum for collaboration among permit holders and the utility. 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 request to adopt the resolution, attached as Exhibit "D," authorizing enforcement of violations and establishing an administrative adjudication process for violations is hereby approved.
(CEG13-2011)

Mr. Genetos led a discussion regarding the request to adopt a resolution approving the issuance of revenue bonds of Citizens to provide necessary funds to (1) satisfy and replace the outstanding debt of the Department of Waterworks of the City of Indianapolis and (2) pay for expenses in connection with the issuance of such bonds. The resolution approves substantially final forms of the documents related to Citizens' bonds. The resolution also authorizes the development of documentation for working capital and capital project purposes which will be proposed for approval closer to the closing of the acquisition of the Waterworks. Ms. Harden inquired as to the necessity of obtaining authorization before finalization of the utility transfer. Mr. Genetos advised the Board that the resolution was necessary because the City and the Indiana Bond Bank had taken steps toward the bond transition. 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:

Recitals

WHEREAS, the City of Indianapolis (the "City"), the Department of Waterworks of the City (the "Department"), acting by and through the Board of Waterworks (the "Waterworks Board") and the Department of Public Utilities for the City, acting by and through the Board ("Citizens") have entered into an Asset Purchase Agreement dated as of August 11, 2010 (the "APA") providing for the acquisition of the assets, properties and rights which comprise the waterworks system of the Department and the City (the "Waterworks") by Citizens upon the occurrence of certain conditions contained in the APA; and

WHEREAS, the Department and the City, through the City-County Council of the City and the committees thereof, held meetings on April 21, 2010, April 22, 2010, April 26, 2010, April 27, 2010, May 3, 2010, May 11, 2010, May 17, 2010, June 11, 2010, July 6, 2010, July 19, 2010, and July 26, 2010, in compliance with Indiana Code 5-14-1.5 concerning the execution and delivery of the APA and authorizing the transactions contemplated therein; and

WHEREAS, the Board held a public hearing concerning the execution and delivery of the APA at its meeting of August 11, 2010, for which notice was published in accordance with Indiana Code 5-3-1; and

WHEREAS, the Waterworks Board held a public hearing concerning the execution and delivery of the APA, as previously approved, at its meeting of March 22, 2011, for which notice was published in accordance with Indiana Code 5-3-1; and

WHEREAS, the Department has issued several series of bonds to finance and refinance the Waterworks (the "Department Bonds") pursuant to its Final Bond Resolution adopted by the Waterworks Board on March 5, 2002, and

ratified on April 22, 2002, as supplemented and amended (the "Department Resolution"); and

WHEREAS, The Indianapolis Local Public Improvement Bond Bank (the "Bond Bank") issued several series of its bonds (the "Bond Bank Bonds") pursuant to a Trust Indenture dated as of April 1, 2002, as supplemented and amended (the "Bond Bank Indenture") between the Bond Bank and U.S. Bank National Association to purchase certain series of the Department Bonds; and

WHEREAS, the Bond Bank and the Department entered into several Qualified Entity Purchase Agreements (the "Department Qualified Entity Purchase Agreements") providing for the purchase of the Department Bonds by the Bond Bank; and

WHEREAS, the APA provides that as a condition to the acquisition of the Waterworks by Citizens, Citizens will issue bonds in replacement or satisfaction of the Department Bonds as described in the APA (the "Replacement"); and

WHEREAS, Citizens desires to issue its Waterworks Senior Revenue Bonds, Series 2011 (the "Series 2011 Senior Bonds") pursuant to this Resolution and the Senior Master Trust Indenture (the "Senior Master Indenture") between Citizens and The Bank of New York Mellon Trust Company, N.A., in replacement and satisfaction of the Department Bonds; and

WHEREAS, the Department Resolution permits a board, department or instrumentality of the City, or a nonprofit entity acting on behalf of the City to succeed to the rights of the Department with respect to the Waterworks pursuant to certain provisions of the Department Resolution; and

WHEREAS, the Waterworks Board made the necessary findings pursuant to a resolution adopted at its meeting of March 22, 2011, to permit Citizens to succeed to the rights of the Department with respect to the Waterworks, upon completion of the conditions specified in the APA and upon approval of the Indiana Utility Regulatory Commission as set forth in Section 12.03 of the APA; and

WHEREAS, the Bond Bank Indenture permits the Bond Bank to terminate, discharge and release the obligations and duties of the Department under the Department Resolution, the Department Bonds and the Department Qualified Entity Purchase Agreements subject to certain conditions specified in the Bond Bank Indenture; and

WHEREAS, the Board of Directors of the Bond Bank (the "Bond Bank Board") made the necessary findings pursuant to a resolution of the Bond Bank Board adopted at its meeting of April 11, 2011, to permit such termination, discharge and release of the Department and has agreed to accept the Series 2011 Senior Bonds, the Senior Master Indenture and the Qualified Entity Purchase Agreements between Citizens and the Bond Bank in replacement and satisfaction of the Department Bonds held by the Bond Bank, the Department Resolution and the Department Qualified Entity Purchase Agreements, upon completion of the conditions specified in the APA and upon approval of the Indiana Utility Regulatory Commission as set forth in Section 12.03 of the APA; and

WHEREAS, Citizens desires to enter into a line of credit and/or issue Certificates of Indebtedness (as defined herein) (collectively, "Subordinate Bonds") pursuant to this Resolution which are payable on a subordinate basis to the Series 2011 Senior Bonds and have a subordinate lien on the Pledged Funds and Net Revenues (each as defined in the Senior Master Indenture) of the Waterworks in order to fund its working capital needs in connection with the operation of the Waterworks; and

WHEREAS, notice has been published on March 31, 2011, in accordance with Indiana Code 5-3-1 of a hearing on the adoption of this Resolution and to consider the matters addressed in this Resolution; and

WHEREAS, the Board conducted a public hearing to consider testimony for all interested members of the public and to consider the evidence presented at the hearing; and

WHEREAS, the Board, after considering all such testimony and evidence, desires to adopt this Resolution; and

WHEREAS, all bonds, Certificates of Indebtedness and revenue obligations issued in accordance with and pursuant to this Resolution shall be limited obligations of Citizens, payable solely as provided in the Senior Master Indenture and in the Bonds (as defined herein), as applicable;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS FOR UTILITIES OF THE DEPARTMENT OF PUBLIC UTILITIES OF THE CITY OF INDIANAPOLIS that:

SECTION 1. RECITALS. The foregoing recitals and the provisions of the APA are incorporated herein by reference.

SECTION 2. DEFINITIONS. Terms used in this Resolution are used with the respective meanings ascribed to such terms in the following paragraphs and in the recitals above (unless otherwise provided):

"Acts" means Indiana Code 8-1-11.1, et. seq., Indiana Code 5-1.4, et. seq., Indiana Code 5-1-14 et. seq., each as amended from time to time.

"Bond Documents" means (a) the Senior Master Indenture, (b) the Qualified Entity Purchase Agreements, (c) the Series 2011 Senior Bonds, (d) the Series 2011 Senior Supplemental Indenture, (e) the Municipal Bond Insurance Agreement, (f) any Credit Facility and (g) the Subordinate Bonds.

"Bonds" means the Series 2011 Senior Bonds and the Subordinate Bonds.

"Certificates of Indebtedness" means a certificate of indebtedness issued pursuant to Indiana Code 8-1-11.1-8 or Indiana Code 8-1-11.1-23 substantially in the form of the revolving credit notes issued by Citizens pursuant to Credit Agreements previously entered into by Citizens and JPMorgan Chase Bank, N.A.

"Continuing Disclosure Undertaking Agreement" means the Continuing Disclosure Undertaking Agreement or Agreements, between Citizens and a counterparty to be selected by an Executive Officer and acceptable to the Bond Bank, in connection with Citizens' continuing disclosure obligations with respect to the Series 2011 Senior Bonds and the corresponding Bond Bank Bonds.

"Credit Facility" means an irrevocable letter of credit, standby bond purchase agreement, bond insurance policy, surety bond or other credit support mechanism or agreement issued by a Credit Provider, as security for the payment of the Series 2011 Senior Bonds or any portion of the Series 2011 Senior Bonds, which Credit Facility may be secured or obtained by any Executive Officer at the time of issuance of the Series 2011 Senior Bonds.

"Credit Facility Agreement" means a reimbursement agreement or a similar agreement, between Citizens and a Credit Provider, in connection with the provision of any Credit Facility.

"Credit Provider" means a financial institution, insurer or other similar entity and their successors and assigns, as applicable, as issuer of the Credit Facility for the Series 2011 Senior Bonds or any portion of the Series 2011 Senior Bonds selected by any Executive Officer pursuant to Section 10.

"Executive Officer" means the President of the Board, the Vice President of the Board, the President of Citizens, any Vice President of Citizens, the Chief Financial Officer of Citizens or the Treasurer of Citizens.

"Financial Advisor" means Morgan Stanley & Co. Incorporated.

"Municipal Bond Insurance Agreement" means the Municipal Bond Insurance Agreement between Citizens, the Bond Bank and MBIA Insurance Corporation (and any successor thereto) substantially in the form of the Municipal Bond Insurance Agreement between the Department, the Bond Bank and MBIA Insurance Corporation (and any successor thereto) dated as of August 1, 2009.

"Qualified Entity Purchase Agreement" means the Qualified Entity Purchase Agreement or Agreements between Citizens and the Bond Bank.

"Senior Indenture" means the Senior Master Indenture as supplemented by the Series 2011 Senior Supplemental Indenture.

"Series 2011 Senior Supplemental Indenture" means the Series 2011 Senior Supplemental Trust Indenture providing for the issuance of the Series 2011 Senior Bonds between Citizens and the Trustee.

"Subordinate Bonds" means the Certificates of Indebtedness issued in connection with a line of credit agreement or generally for working capital purposes of the Waterworks.

"Transactions" means the transactions contemplated by this Resolution and the Bond Documents.

"Trustee" means The Bank of New York Mellon Trust Company, N.A.

SECTION 3. LIMITED OBLIGATIONS. The Bonds are limited obligations of Citizens and are payable as provided therein and in the Senior Master Indenture from Pledged Funds and Net Revenues of the Waterworks. The Bonds do not now, and shall never, constitute a charge against the general credit of the City, the State of Indiana or any other political subdivision thereof.

SECTION 4. SERIES 2011 SENIOR BONDS. The Board authorizes any Executive Officer to approve the issuance, execution, sale and delivery of the Series 2011 Senior Bonds, subject to the further provisions of this Section 4 and pursuant to the Acts, by and on behalf of Citizens. The Board shall issue the Series 2011 Senior Bonds in an aggregate principal amount sufficient to (i) accomplish the Replacement in accordance with the APA and (ii) pay costs, expenses and fees in connection with (1) such Replacement and (2) the authorization, issuance, sale and delivery of the Series 2011 Senior Bonds (and the security therefor, including any Credit Facility). The Series 2011 Senior Bonds shall bear interest at fixed rates to maturity which match the corresponding fixed rates to maturity of the Department Bonds replaced by such Series 2011 Senior Bonds, such rates to be calculated and determined as provided in the Senior Indenture. The Series 2011 Senior Bonds shall be issued as serial bonds and/or term bonds as necessary to match the structure of the corresponding Department Bonds replaced by such Series 2011 Senior Bonds and shall mature in the same amounts and in the same years as the corresponding Department Bonds replaced by such Series 2011 Senior Bonds. The Series 2011 Senior Bonds shall be subject to mandatory sinking fund redemption and/or redemption at the option of the Board prior to their stated maturity, in the same manner as the corresponding Department Bonds replaced by such Series 2011 Senior Bonds, as provided in the Series 2011 Senior Supplemental Indenture. The Series 2011 Senior Bonds will be sold to the Bond Bank pursuant to the terms of the Qualified Entity Purchase Agreement. The Series 2011 Senior Bonds shall be secured by the Senior Indenture. With the advice of the Financial Advisor, any Executive Officer is authorized to determine whether to secure or obtain a Credit Facility in connection with the sale of the Series 2011 Senior Bonds, select the Credit Facility Provider and approve the form of the Credit Facility Agreement.

Notwithstanding anything in this Resolution to the contrary, Citizens may issue the Series 2011 Senior Bonds in more than one series, designated as provided in the Senior Indenture.

SECTION 5. SUBORDINATE BONDS. Any Certificates of Indebtedness issued pursuant to Indiana Code 8-1-11.1-8 shall be executed by the Mayor of the City and the City Controller of the City. Any such Certificates of Indebtedness shall be payable from the Net Revenues of the Waterworks and Pledged Funds on a subordinate basis to the Series 2011 Senior Bonds and shall have a lien on such Net Revenues and Pledged Funds which is subordinate to the lien of the Series 2011 Senior Bonds.

SECTION 6. DOCUMENTS, EXECUTION, DELIVERY. The Bond Documents are approved by and on behalf of Citizens substantially in the forms presented to this meeting, with such changes to such documents as may be subsequently approved by and on behalf of the Board by any Executive Officer. No further approval of the Board is required with respect to the Bond Documents. Any Executive Officer and the Secretary or the Assistant Secretary of the Board are authorized and directed to complete, execute and deliver the Bond Documents, by and on behalf of the Board, as contemplated by this Resolution and the Acts. Approval of any such changes and completion of the documents shall be evidenced by their execution and delivery. The Mayor, City Controller and City Clerk of the City are authorized to execute and deliver the Series 2011 Senior Bonds and any other document, agreement or certificate deemed necessary by any Executive Officer or bond counsel to properly issue the Series 2011 Senior Bonds and the Subordinate Bonds.

SECTION 7. DEVELOPMENT OF ADDITIONAL DOCUMENTS. The Board authorizes and directs the Chief Financial Officer, Treasurer and the General Counsel of Citizens, by and on behalf of Citizens, with the advice of the Financial Advisor and bond counsel, to develop the form and content of any line of credit agreement, Certificates of Indebtedness or revenue obligations issued or entered into to meet the working capital or capital project needs of the Waterworks and any document related thereto so that such documents may be presented to the Board for approval.

SECTION 8. FURTHER ACTS. Any Executive Officer is authorized and directed by and on behalf of Citizens to do any and all further acts by and on behalf of Citizens, to execute any and all further agreements, certificates, contracts, documents or papers and to publish any such notice or notices appropriate, desirable or necessary in connection with the Transactions, including the execution and delivery of the Bond Documents and any agreements which may be required by the Bond Bank in connection with the Replacement, including assisting the Bond Bank in developing any disclosure documents required in connection with the Bond Bank Bonds. Any Executive Officer is authorized and directed to complete the necessary requirements for the transfer of investments associated with the Department Bonds and the corresponding Bond Bank Bonds to the Series 2011 Senior Bonds and the corresponding Bond Bank Bonds and to seek the approval and consent of the necessary parties in connection therewith. Any Executive Officer is authorized and directed to make, for and on behalf of Citizens, each of the findings required to be made by the Senior Indenture in advance of, or in connection with, the issuance and sale of the Series 2011 Senior Bonds and Subordinate Bonds.

SECTION 9. CREDIT FACILITY. Any Executive Officer is authorized to secure and obtain a Credit Facility for the Series 2011 Senior Bonds (or any portion thereof) and is authorized to make such determinations and to execute such documents or agreements as are required in connection therewith.

SECTION 10. APPROVALS. (a) Any Executive Officer is authorized and directed by and on behalf of the Authority to approve:

(i) the commitment for a Credit Facility and Credit Facility Agreement with a Credit Provider, which Credit Facility Agreement or the terms

and conditions thereof, may be incorporated into the Senior Indenture or any supplement or amendment to thereto (which such Executive Officer is authorized and directed to execute and deliver) as appropriate. Any Executive Officer is authorized to apply the proceeds of the Series 2011 Senior Bonds or any Net Revenues of the Waterworks as contemplated by the Senior Indenture to payments due in connection with any such Credit Facility; and

(ii) the counterparty to the Continuing Disclosure Undertaking Agreement.

(b) All approvals and selections authorized and directed by this Section 10 shall be evidenced by the execution and delivery of the applicable documents described herein.

SECTION 11. APPOINTMENTS. In connection with the Transactions, the Board ratifies and confirms the appointment or retention by and on behalf of Citizens of Hackman Hulett & Cracraft, LLP as special counsel and Ice Miller LLP, as bond counsel and special counsel; and Morgan Stanley & Co. Incorporated, as Financial Advisor. Any Executive Officer is authorized and directed by and on behalf of Citizens to apply proceeds of the sale of the Bonds to their compensation, disbursements and expenses.

SECTION 12. DEBT SERVICE RESERVE. The debt service reserve in existence for the Department Bonds and the corresponding Bond Bank Bonds shall be continued and transferred so as to serve as the debt service reserve for the Series 2011 Senior Bonds and the corresponding Bond Bank Bonds. Any Executive Officer is authorized and directed by and on behalf of Citizens to do any and all further acts by and on behalf of Citizens, including working with and collaborating with the Bond Bank and the Department to accomplish such continuation and transfer, and to execute any and all further agreements, certificates, contracts, documents or papers necessary, desirable or appropriate to complete the continuation and transfer of such debt service reserve.

SECTION 13. FINDINGS. The findings made by the Bond Documents, with such changes as are necessary to accommodate the issuance of the Series 2011 Senior Bonds and the Subordinate Bonds, are incorporated into this Resolution by this reference, and are made by the Board for and on behalf of Citizens as if set forth in this Section 13.

SECTION 14. SEVERABILITY. If any provision (or any portion thereof) of this Resolution is found by a court of competent jurisdiction to be prohibited or unenforceable, it shall be ineffective only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate any other provision (or any portion thereof) of this Resolution, all of which remaining provisions (or any portions thereof) shall be liberally construed to effect the purposes of this Resolution and the Transactions.

SECTION 15. EFFECTIVE DATE. This Resolution will be effective immediately upon its passage by the Board.

ADOPTED AND APPROVED this 13th day of April 2011.
(CEG18-2011)

Mr. Brehm provided the financial report. He highlighted a slight improvement in the overall financial forecast due to minor improvements in income from Citizens Resources, mostly from ProLiance Energy. He further reported that Citizens' financial team had recent successful meetings with debt ratings agencies to explain the water utility transfer. He added that future meetings with the ratings agencies are planned to explain the wastewater utility transfer.

Ms. Lamkin asked about anticipation of a busy summer season and the budgeting process for the combined utilities. Mr. Brehm reported that budget planning for the combined utilities is in process.

Messrs. Tracy and Braun provided updates regarding system integrity and the San Bruno accident. Mr. Braun reported that Citizens operates both the steam and gas system in accordance with state and federal regulations. He said both the gas and steam systems are inspected regularly and problems are repaired in a timely fashion. He said the utility's integrity management efforts are showing continual improvements including a 30 percent reduction in gas leaks and third party damage reports over the past five years.

Mr. McClelland asked whether a threat of fines and other penalties is the reason other companies reach the first quartile for integrity management measures. Mr. Braun replied that data through the Common Ground Alliance indicates that fines and notices to insurance carriers do tend to help reduce third party damage incidents.

Ms. Lamkin asked how the utility assesses capital expenditures for system integrity. Mr. Braun explained that the utility employs an analysis that considers a number of factors including age of infrastructure, system pressures and locations.

Ms. Nobles asked whether Indiana's law provides opportunities to assess penalties similar to those used in states where utilities reach top quartile performance for third party incidents. Mr. Braun replied that recent changes in Indiana law will allow utilities to impose penalties consistent with top quartile states such as Virginia.

Mr. Appel asked about the rigor of Citizens' inspection procedures. Mr. Braun reported that Citizens utilizes stricter inspection procedures for transmission lines in high consequence areas. He added that Citizens also flies its transmission system weekly, but the requirement is only four times per year.

Mr. Tracy reported that Citizens has reviewed recent inspections of its high pressure natural gas transmission pipeline system in Central Indiana and found no problems similar to those suspected of causing the failure of a 30-inch diameter pipeline in San Bruno, California. The accident in September 2010 resulted in eight deaths and substantial property damage. A recent report by the National Transportation Safety Board (NTSB) indicated that the 54-year-old natural gas transmission pipeline owned and operated by Pacific Gas & Electric utilized a

non-standard weld and was operating above the maximum allowable operating pressure of 400 pounds per square inch.

Following this tragic accident, the NTSB issued a general safety notice to the natural gas industry requiring operators to review records to ensure proper testing to verify that pipelines are operated at or below maximum operating pressures, and that engineering records were complete and inspections properly conducted.

Citizens has reviewed its records and transmission inspection results for the 120 miles of transmission pipe in high consequence areas including Marion County and has not found any line operating above design or maximum operating pressure. We also have no indication that the non-standard welding procedure used in California was ever used on the Citizens Gas system.

Ms. Lamkin asked if there was any news on developments on the chilled water system south of 16th Street. Mr. Tracy reported that there were no new developments.

Messrs. Johnson and Allen reported on the utility transfer regulatory and integration efforts.

Mr. Johnson reported that Citizens made conditional employment offers to more than 150 non-bargaining employees of Veolia Water Indianapolis, the Department of Waterworks and Department of Public Works and that job offers were to be resolved by April 8, 2011. He said it appeared that only 12 non-bargaining employees at Veolia would not receive an offer from Citizens or Veolia North America. He added that these employees would receive severance from Veolia.

Mr. Johnson explained that the integration had proceeded through the analysis phase and the design phase is now concluding and will be followed by an implementation phase. He said work was now focusing on firming up departmental budgets and completing organizational design for non-bargaining departments. Mr. Johnson said design of the Shared Field Services organization would be completed by mid-May. Mr. Johnson reported further that the implementation phase was targeted for completion by August 15, 2011.

Mr. Lykins and Ms. Richcreek reported that the employment offer process was very well received by everyone involved.

Mr. Allen reviewed a settlement agreement recently reached with the Indiana Utility Consumer Counselor, Indianapolis Water/Sewer Industrial Customers and the Service Advisory board. He said the agreement centered around conditions the OUCC had set when they

recommended approval of the utility transfer back in January. Key provisions of the agreement include:


- Citizens would adopt the existing rates and terms and conditions of water service that the IURC approved in its Feb. 2, 2011 rate order for the Department of Waterworks. Citizens would adopt the existing rates and charges for wastewater service, which were approved by the City-County Council through 2013.
- Citizens will document savings generated from the utility transfer, and Citizens will make periodic reports on the status of savings to the IURC and OUCC. These reports will be available to the public.
- Citizens will continue to seek input from technical advisory groups, environmental groups and other organizations interested in water and wastewater issues. Citizens also will maintain the Service Advisory Board and honor commitments to communities outside Marion County that are served by the water system.
- Citizens will collaborate with the OUCC, IURC and other parties on a variety of important issues facing the water and wastewater utilities, including the elimination of septic tanks in Marion County, future rate design and water conservation planning.

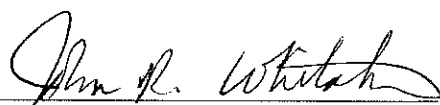
Mr. Allen concluded that next steps include scheduling of a settlement hearing. He added that the agreement should expedite the utility transfer proceeding.

Public comment:

Mr. Pratt expressed support for the upcoming Earth Day Celebration, of which Citizens is a sponsor. He also expressed concern that the utility transfer integration was putting too much focus on the achievement of savings. He urged more focus on achieving quality operations. He also urged the board to hire an experienced leadership person from outside the organization to provide expertise to the water/wastewater division.

There being no further business, the meeting adjourned at 9:00 a.m. EST.


Martha D. Lamkin, Chairman


John R. Whitaker, Assistant Secretary