

**MINUTES OF THE MEETING OF  
THE BOARD OF DIRECTORS OF  
CITIZENS ENERGY GROUP  
HELD AUGUST 10, 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 8:25 a.m. EST, Wednesday, August 10, 2011, 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 Jeffrey E. Good.

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, Human Resources Robert J. Hummel, Vice President, Community Relations Yvonne Perkins, Vice President, Information Technology John F. Lucas, Vice President of Market Development Michael D. Strohl, Director of Environmental Stewardship Ann McIver, Executive Director, Regulatory Affairs, LaTona S. Prentice, General Manager of Gas Operations Christopher H. Braun, Associate Counsel Michael E. Allen, Counsel Ruth A. Hardy, and Manager, Corporate Communication Dan C. Considine.

Guests present: Philip C. Genetos and Richard J. Thrapp of Ice Miller.

The meeting was called to order by Chairman Lamkin.

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."

Mr. Lykins reviewed the invoices paid for outside professional services for the Utility for the quarter ended June 30, 2011, as set forth in Exhibit "B." Ms. Harden and Ms. Nobles recused themselves. After discussion, the following resolution was adopted:

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, appended as Exhibit "B," is hereby ratified, confirmed, and approved.  
(CEG24-2011)

Ms. Lamkin reviewed Quarterly Report No. 300 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. 300, as of June 30, 2011, with the City Controller, attached as Exhibit "C."  
(CEG25-2011)

Mr. Lykins indicated that on July 29, 2011, the Utility filed its thirty-day Gas Cost Adjustment (GCA-111) with the Indiana Utility Regulatory Commission (IURC) for the period of September 1, 2011 through November 30, 2011. The GCA111 rates compared to the August 2011 Monthly Update rates reflect a decrease for all classes in the months of September through November 2011 with the exception of Large Volume which reflects a decrease in the month of September. The GCA111 rates compared to the rates in effect one year ago reflect an increase for all three months in all classes. In IURC Cause No. 37399-GCA75 (GCA75 Order), the IURC approved a settlement agreement with the Office of the Utility Consumer Counselor which provides that the Utility may file monthly GCA rates with the IURC subsequent to the IURC's approval of the thirty-day GCA rates, and those monthly GCA rates may be implemented without further approval of the IURC. Due to the summary nature of these monthly GCA rate filings, separate Board approval of GCA rates will not be necessary each month. 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 Cause No. GCA-111 with the IURC for the period of September 1, 2011 through November 30, 2011 is hereby ratified, confirmed and approved. Pursuant to the terms of the monthly GCA mechanism, the management and staff hereby are authorized to modify the GCA rates for each of the months September 1, 2011 through November 30, 2011 in accordance with the terms of the GCA75 Order and the Order in Cause No. 37399-GCA111.  
(CEG26-2011)

Mr. Hummel led a Board discussion regarding the promotion of Christopher H. Braun to Vice President, Energy Operations and the promotion of LaTona S. Prentice to Vice President, Regulatory Affairs and the pay packages recommended by Mercer for such individuals, attached as Exhibit "D." After discussion, the following resolution was adopted:

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

That the promotion of Christopher H. Braun to Vice President, Energy Operations and the promotion of LaTona S. Prentice to Vice President, Regulatory Affairs, and

That the pay packages recommended by Mercer for such individuals, attached as Exhibit "D," are hereby approved.  
(CEG27-2011)

Pursuant to the Board's resolution of July 18, 1991, regarding authorizations dealing with banking accounts, investments, access to safety deposit box, signature revisions, and co-signing requirements, Mr. Lykins reported on all individuals who have been authorized to co-sign checks, who have access to deposit accounts, and who may initiate wire transfers on behalf of the Utility. He submitted to the Board the memorandum to him dated July 25, 2011, listing all such individuals. A copy of this memorandum is attached to and made a part of these minutes as Exhibit "E." The Board approved the individuals authorized to co-sign checks and initiate wire transfers.

Mr. Thrapp led a discussion and asked for Board approval, confirmation and ratification of all actions related to the acquisition of the Water System by Citizens Energy Group and the Wastewater System by CWA Authority, Inc. that have been taken and will be taken by the authorized officers, including actions taken on or after the August 2010 resolution. This resolution supplements the resolution adopted on August 11, 2010, in which the Board approved, confirmed and ratified actions by certain officers of Citizens Energy Group related to the acquisition of the water system by Citizens Energy Group and the Wastewater System by CWA Authority, Inc. After discussion, the following resolution was unanimously adopted:

**RESOLVED**, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group ("Citizens Energy Group") hereby approves, confirms and ratifies the decisions, actions, agreements, amendments, waivers, documents, certifications, instruments, statements, adjustments, modifications and other items made or undertaken by the Chair, Vice Chair, President, any Vice President, Treasurer, Assistant Treasurer, Secretary and Assistant Secretary of Citizens Energy Group (collectively, the "Authorized Officers" and each an "Authorized Officer") singly or otherwise, determined to be necessary or appropriate for the completion of the sale and transfer of the Water System to Citizens Energy Group and/or the Wastewater System to CWA Authority, Inc. (the "Authority"), including without limitation those reflected in or undertaken to comply with the Order of the Indiana Utility Regulatory Commission approving such sale and transfer, the various agreed substantial payments to be made from the Cash Escrow Amount, the management of the City's Stormwater System as negotiated by the City and Citizens Energy Group and the Authority and, prior to the delegation from EPA to the Authority of an Approved POTW Pretreatment Program, the Authority's operation of the City's Approved POTW Pretreatment Program.

**RESOLVED**, the Authorized Officers, and each of them, continue to be fully authorized to take such further actions and execute and deliver such further agreements, amendments, waivers, documents, certificates, instruments, statements, adjustments, modification and other items determined to be necessary or appropriate to complete the sale and transfer of the Water System to Citizens Energy Group and of the Wastewater System to the Authority.

**RESOLVED**, the taking of any such action or the execution of any such agreements, amendments, waivers, documents, certificates, instruments, statements, adjustments, modifications and/or other items determined to be necessary or appropriate to complete the sale and transfer of the Water System to Citizens Energy Group and the Wastewater System to the Authority by an Authorized Officer directly or indirectly in connection with the carrying out of the foregoing resolutions, or any prior resolution of this Board with respect to the acquisition of the Water System or the Wastewater System, shall be conclusive of such Authorized Officer's determination that the same was necessary or appropriate for the completion of the sale and transfer of the Water System to Citizens Energy Group or the sale and transfer of the Wastewater System to the Authority, and thereby necessary to serve the best interests of Citizens Energy Group and the Authority.  
(CEG28-2011)

Mr. Allen asked for Board approval of the rates and Terms and Conditions for water utility services. On July 13, 2011, the Commission issued an Order in Cause No. 43936 (the "Acquisition Order") approving Citizens Energy Group's adoption of the schedule of rates and charges applicable to the provision of water utility service by the Department of Waterworks ("DOW") in effect at the time of Closing, as well as the general terms and conditions for water service filed by Citizens Energy Group in Cause No. 43936. On February 2, 2011, the Commission issued an Order in Cause No. 43645 approving an increase to DOW's existing rates and charges for water service. On June 27, 2011, as a result of a financing completed after the February 2, 2011, Order in Cause No. 43645 was issued, DOW filed a True-Up Report and revised rates and charges for water service reflecting a 25.21 percent increase in operating revenues, which will be the rates and charges in effect for the water utility at the time of closing, as that term is defined in the Water System Agreement. In anticipation of the need to have rates and charges and Terms and Conditions for service in place as of closing, management has caused to be prepared schedules of rates and charges and Terms and Conditions for Water Service that conform to the Acquisition Order and the revised rates and charges for water service the DOW filed with the Commission on June 27, 2011. The rates and charges and Terms and Conditions for water service for Citizens Energy Group attached to and approved by this resolution will be effective immediately upon closing. After discussion, the following resolution was adopted:

**WHEREAS**, on August 11, 2010, the Board of Directors for Utilities (the "Board") of the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group ("Citizens Energy Group") entered into an Asset Purchase Agreement with the City of Indianapolis (the "City") and the Department of

Waterworks of the City, acting by and through its Board of Directors (the “DOW”) (the “Water System Agreement”), providing for Citizens Energy Group’s acquisition of the water system previously owned and operated by the City and DOW (the “Water System”); and

**WHEREAS**, the Water System Agreement provides that the obligations of Citizens Energy Group, the City and DOW to consummate the acquisition are contingent upon Indiana Utility Regulatory Commission (“Commission”) approval of the terms and conditions of the Water System Agreement; and

**WHEREAS**, the Water System Agreement further provides that the obligation of Citizens Energy Group to consummate the acquisition is contingent upon the DOW’s then pending rate case (i.e., Cause No. 43645) having been resolved “in a manner reasonably acceptable” to Citizens Energy Group; and

**WHEREAS**, on August 11, 2010, the Board adopted a Resolution authorizing management of Citizens Energy Group to file with the Commission, a Verified Joint Petition seeking approval of the Water System Agreement and certain additional related relief; and

**WHEREAS**, in accordance with the foregoing Resolution, Citizens Energy Group, along with the City, DOW and certain other parties (collectively, the “Joint Petitioners”) filed a Verified Joint Petition with the Commission on August 11, 2010 seeking approval of: (i) the Water System Agreement and the transactions contemplated therein; (ii) Citizens Energy Group’s adoption and use of the schedules of rates and charges and rules and regulations applicable to the provision of water utility service by the DOW in effect at Closing (as the term is defined in the Water System Agreement); and (iii) certain other described relief; and

**WHEREAS**, the Commission docketed the foregoing proceeding as Cause No. 43936; and

**WHEREAS**, in the months following August 11, 2010, Citizens Energy Group and the other Joint Petitioners filed with the Commission extensive evidence in support of the relief requested in Cause No. 43936 and participated in nine days of evidentiary hearings before the Commission; and

**WHEREAS**, on February 2, 2011, the Commission issued an Order in Cause No. 43645 approving an increase to DOW’s existing rates and charges for water service and DOW filed its compliance rates with the Commission on February 4, 2011; and

**WHEREAS**, on April 12, 2011, Joint Petitioners entered into, and filed with the Commission in Cause No. 43936, a Settlement Agreement with the Indianapolis Water Service Advisory Board, the Indiana Office of Utility Consumer Counselor and the Indianapolis Water/Sewer Industrial Group (collectively, the “Settling Parties”); and

**WHEREAS**, the Settlement Agreement provides that Commission approval thereof will “constitute approval and authority for Citizens [Energy Group] to implement . . . the rates and charges in effect for the water utility at the time of Closing;” and

**WHEREAS**, the DOW filed a True-Up Report and revised rates and charges for water service reflecting a 25.21% increase in operating revenues on June 27, 2011, which will be the rates and charges in effect for the water utility at the time of Closing; and

**WHEREAS**, the Settlement Agreement further provides that subject to certain specifically delineated changes, the Settling Parties recommend that the Commission “authorize Citizens [Energy Group] to implement the Terms and Conditions for water . . . utility service proposed by Joint Petitioners in their case-

in-chief testimony, until such time as the parties agree to and the Commission approves revised Terms and Conditions for service;” and

**WHEREAS**, on July 13, 2011, the Commission issued an Order in Cause No. 43936 approving the terms of the Settlement Agreement and approving, among other relief, Citizens Energy Group’s adoption of DOW’s schedules of rates and charges applicable to the provision of water utility service at the time of Closing, as well as Joint Petitioners’ proposed general terms and conditions for water service, until such time as the Settling Parties agree upon and the Commission approves revised terms and conditions for service; and

**WHEREAS**, in anticipation of the need to have rates and charges and Terms and Conditions for service in place as of Closing, management has caused to be prepared, schedules of rates and charges and Terms and Conditions for Water Service that conform to the provisions of the Settlement Agreement, which are attached hereto as Attachment “A;” and

**WHEREAS**, at Closing, the Water System will be owned and operated by the Board; and

**WHEREAS**, pursuant to Ind. Code § 8-1-11.1-3, rates and charges of utilities owned and operated by the Board “shall be in effect only after the rules and rates have been filed with and approved by the Commission and only after determining compliance of the rates of service with IC 8-1.5-3-8 and IC 8-1.5-3-10;” and

**WHEREAS**, rates and charges established under I.C. 8-1.5-3-8 “are subject to the approval of: (1) the municipal legislative body by ordinance; and (2) the commission . . . ;” and

**WHEREAS**, pursuant to I.C. 8-1-11.1-3.1 the Board of Directors operates as the municipal legislative body for the purposes of I.C. 8-1.5-3-8; and

**WHEREAS**, pursuant to I.C. 8-1-11.1-3(c)(9) the Board of Directors has further authority to prescribe rules for service and rates for service subject to approval by the Commission.

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

SECTION 1. Pursuant to I.C. 8-1.5-3-8, I.C. 8-1-11.1-3.1 and I.C. 8-1-11.1-3(c)(9), the schedule of rates and charges and Terms and Conditions for Water Service attached hereto as Attachment “A” are hereby approved and adopted as and for the rates and charges and Terms and Conditions for Water Service to be used by Citizens Energy Group in providing water service to customers.

SECTION 2. The rates and charges and Terms and Conditions for Water Service attached to and approved by this Resolution will be effective immediately upon Closing as that term is defined in the Water System Agreement.  
(CEG29-2011)

Mr. Allen asked for Board approval to maintain the Service Advisory Board. In connection with the acquisition in 2002 by the City of Indianapolis (the “City”), through its Department of Waterworks (“DOW”), of the Water System from Indianapolis Water Company, a Service Advisory Board (“SAB”) was formed to promote cooperation and administration of certain Intergovernmental Agreements entered into between the DOW and governmental entities

outside Marion County. On April 12, 2011, Citizens Energy Group, the DOW, the Indiana Office of Utility Consumer Counselor, the SAB and other settling parties entered into and filed with the Indiana Utility Regulatory Commission (“Commission”) a Settlement Agreement in Cause No. 43936 in connection with Citizens Energy Group’s proposed acquisition of the Water System. On July 13, 2011, the Indiana Utility Regulatory Commission (“Commission”) issued an Order in Cause No. 43936 (the “Acquisition Order”) in which it, among other things, approved the Settlement Agreement as well as DOW’s assignment of the Intergovernmental Agreements to Citizens Energy Group. In the Acquisition Order, the Commission described Citizens Energy Group’s commitment in the Settlement Agreement to “maintain the Service Advisory Board and . . . honor the commitments set forth in the Intergovernmental Agreements the DOW is a party to, including the water utility’s obligation to treat communities inside and outside Marion County with substantial similarity in a nondiscriminatory fashion, particularly in offering non-preferential rates” and found “the terms of the Settlement Agreement relating to the continuation of the SAB are reasonable and should be approved.” (Acquisition Order at page 34) This resolution gives effect to Citizens Energy Group’s commitments related to the SAB in the Settlement Agreement as well as the approvals related to the SAB granted in the Acquisition Order. After discussion, the following resolution was unanimously adopted:

**WHEREAS**, the City of Indianapolis (the “City”) and the Waterworks District of the City (the “Waterworks District”), acting by and through the board of directors (“Waterworks Board”), the governing body of the City’s Department of Waterworks (the “Department”), own and operate, pursuant to the provisions of Indiana Code 8-1.5-4 and related statutes, a water system;

**WHEREAS**, the Board of Directors for Utilities of the Department of Public Utilities of the City (the “Board”) is vested by Indiana Code 8-1-11.1 with the power to own and operate utility properties of any kind within the City or outside the City within the limits authorized by law, and to own all property related or belonging thereto and to hold such property as trustee for the benefit of the inhabitants of the City;

**WHEREAS**, pursuant to Special Ordinance No. 4-2010 and Special Ordinance No. 7-2010 (collectively, the “Ordinances”), the City and the Board, as trustee of a public charitable trust for the water system, have entered into an Asset Purchase Agreement (“Agreement”), pursuant to which the transfer and delegation to, and vesting in and exercising by the Board, of all of the powers, duties, functions and obligations of the Waterworks District, the Department of Waterworks and the Waterworks Board will be transferred to the Board;

**WHEREAS**, pursuant to the Agreement, certain intergovernmental agreements (the “Intergovernmental Agreements”) governing provision of water services by the Department to certain counties and municipalities will be transferred to the Board; and

**WHEREAS**, a Service Advisory Board has previously been established to promote cooperation and administration of the Intergovernmental Agreements.

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD:**

**Sec. 1. Service Advisory Board recognized and maintained.**

The Board hereby recognizes and agrees to maintain the Service Advisory Board and honor the commitments set forth in the Intergovernmental Agreements.

**Sec. 2. Composition; process for selecting members.**

(a) The executive of each county, municipality, or excluded city provided water service by the Board shall appoint one (1) member to the Service Advisory Board.

(b) Each Service Advisory Board member shall serve at the pleasure of his or her appointing authority for a term of one (1) year ending on December thirty-first, and until his or her successor is appointed and qualified. A member may be reappointed for successive terms.

(c) The chairperson shall be appointed annually by the board of directors for utilities.

**Sec. 3. Functions of the Service Advisory Board.**

The Service Advisory Board may furnish recommendations to the Board with respect to any of the powers and duties the Board may exercise and perform including, but not limited to recommendations concerning service, utility service agreements, rates, water quality, system expansion, and management.

**Sec. 4. Meetings; quorum.**

(a) The Service Advisory Board may hold meetings at times and places prescribed by its rules or established by resolution. No notice to members is required for holding, or taking any action at a regularly scheduled meeting. A special meeting of the Service Advisory Board may be called by the chairperson or by a majority of its members at any place in any county or municipality served by the Board as designated in the call. Each member shall be notified of the time and place of a special meeting by written notice delivered at least forty-eight (48) hours in advance of the meeting. The notice requirement may be waived as to a member who attends the meeting or who executes a written waiver of notice either before or after the meeting.

(b) A majority of the total number of members shall constitute a quorum of the Service Advisory Board. A quorum is required for official Service Advisory Board action. The Service Advisory Board shall act by resolution and a majority vote of the quorum is required to pass a resolution.

**Sec. 5. Effective date.**

This resolution shall be effective upon the closing of the sale of the water system to the Board.

(CEG30-2011)

Mr. Genetos led a Board discussion regarding the revenue obligations of Citizens Energy Group. The Resolution of the Citizens Board supplements the resolution adopted on April 13, 2011, with respect to revenue obligations of Citizens. The Resolution provides more detailed direction with respect to Citizens' revenue obligations and approves financing documents which were not approved in April due to certain terms of such revenue obligations being unknown at that time. The Resolution confirms the approval of the issuance of revenue obligations 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 revenue obligations and the bonds (the + "IFA Bonds") of the Indiana

Finance Authority (the "IFA") to be issued in order to purchase Second Lien Waterworks Bonds of Citizens. The Resolution approves the delivery of Citizens' Second Lien Waterworks Bonds to the IFA. Finally, the Resolution approves substantially final forms of the documents related to Citizens' revenue obligations and the IFA Bonds, including the Preliminary Official Statement for the IFA Bonds.

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 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 at a meeting held on April 13, 2011 (the "April Meeting") previously approved by resolution (the "April Resolution") the issuance and sale of several series of its bonds and approved the execution and delivery of documents to be utilized in connection therewith for the purpose of fulfilling the conditions of the APA and providing the funds necessary in connection with the acquisition of the Waterworks and costs related thereto; and

WHEREAS, notice of the April Meeting was published on April 1, 2011, in accordance with Indiana Code 5-3-1; and

WHEREAS, Citizens now desires to provide further detail and directives regarding the issuance of bonds and other securities in connection with the acquisition of the Waterworks; and

WHEREAS, Citizens has determined that it is beneficial and convenient for Citizens to issue certain of its bonds (the "Series 2011B Second Lien Bonds") pursuant to the April Resolution, this Resolution and the Second Lien Master Trust Indenture (the "Second Lien Master Indenture") as supplemented by the Series 2011B Second Lien Supplemental Trust Indenture (the "2011B Second Lien Supplemental Indenture") each between Citizens and The Bank of New York Mellon Trust Company, N.A. (the "Second Lien Trustee"), to the Indiana Finance Authority (the "IFA") and such Series 2011B Second Lien Bonds shall evidence a loan of proceeds (the "Loan") from the IFA to Citizens; and

WHEREAS, the IFA will issue one or more series of its Second Lien Water Utility Revenues Bonds, Series 2011B (Citizens Energy Group Project) (the "IFA Water Bonds") in order to provide the proceeds of the Loan to Citizens; and

WHEREAS, Citizens will enter into a loan agreement (the "Loan Agreement") with the IFA in order to evidence the obligation of Citizens to repay the Loan; and

WHEREAS, Citizens desires to issue several series of its Waterworks First Lien Revenue Bonds, Series 2011 (the "Series 2011 First Lien Bonds") pursuant to the April Resolution, this Resolution and the First Lien Master Trust Indenture (the "First Lien Master Indenture"), as supplemented by the Series 2011A First Lien Supplemental Trust Indenture, Series 2011B First Lien Supplemental Trust Indenture, Series 2011C First Lien Supplemental Trust Indenture, Series 2011D First Lien Supplemental Trust Indenture, Series 2011E First Lien Supplemental Trust Indenture, Series 2011F First Lien Supplemental Trust Indenture and Series 2011G First Lien Supplemental Trust Indenture (collectively, the "Series 2011 First Lien Supplemental Indentures"), each between Citizens and U.S. Bank National Association (the "First Lien Trustee"), to accomplish the Replacement; and

WHEREAS, notice has been published on or before August 1, 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 the April Resolution and this Resolution shall be limited obligations of Citizens, payable solely as provided in the First Lien Master Indenture and Second Lien Master Indenture, 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. RATIFICATION.** The April Resolution is hereby ratified and approved in all respects and the provisions thereof are further supplemented by this Resolution. To the extent that any of the provisions of the April Resolution directly conflict with the provisions of this Resolution, the provisions of this Resolution shall control.

**SECTION 3. 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. and Indiana Code 4-4-10.9 and 11, et. seq., each as amended from time to time.

"Bond Documents" means (a) the First Lien Master Indenture, (b) the Second Lien Master Indenture, (c) the Qualified Entity Purchase Agreement, (c) the Series 2011 First Lien Bonds, (d) the Series 2011 First Lien Supplemental

Indentures, (e) the Municipal Bond Insurance Agreement, (f) the Series 2011B Second Lien Bonds, (g) the Series 2011B Second Lien Supplemental Indenture, (h) the Contract of Purchase, (i) the Rebate Agreement, (j) the Loan Agreement and (k) the Continuing Disclosure Undertaking Agreements.

"Bonds" means the Series 2011 First Lien Bonds and the Series 2011B Second Lien Bonds.

"Continuing Disclosure Undertaking Agreements" means (a) 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 First Lien Bonds and the corresponding Bond Bank Bonds and (b) the Continuing Disclosure Undertaking Agreement between Citizens and a counterparty to be selected by an Executive Officer, in connection with Citizens' continuing disclosure obligations with respect to the Series 2011B Second Lien Bonds.

"Contract of Purchase" means the Bond Purchase Agreement providing for the sale of the IFA Water Bonds to the Purchaser.

"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.

"First Lien Indenture" means the First Lien Master Indenture as supplemented by the Series 2011 First Lien Supplemental Indentures.

"Master Indentures" means the First Lien Master Indenture and the Second Lien Master Indenture.

"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.

"Official Statement" means the Official Statement of the IFA and Citizens for the offering of the IFA Water Bonds.

"Purchaser" means Morgan Stanley & Co., LLC.

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

"Rebate Agreement" means the Rebate Agreement among the Department, Citizens and the Bond Bank.

"Second Lien Indenture" means the Second Lien Master Indenture as supplemented by the Series 2011B Second Lien Supplemental Indenture.

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

**SECTION 4. LIMITED OBLIGATIONS.** The Bonds are limited obligations of Citizens and are payable as provided therein and in the Master Indentures from First Lien Pledged Funds or Second Lien Pledged Funds, as applicable (each as defined in the Master Indentures) and Net Revenues (as defined in the Master Indentures) of the Waterworks. The Bonds do not now, and shall never, constitute a charge against the general credit of the City, the IFA, the State of Indiana or any other political subdivision thereof.

**SECTION 5. SERIES 2011 FIRST LIEN BONDS.** The Board authorizes any Executive Officer to approve the issuance, execution, sale and delivery of the Series 2011 First Lien Bonds, subject to the further provisions of this Section 5 and pursuant to the Acts, by and on behalf of Citizens. The Board shall issue the Series 2011 First Lien Bonds in an aggregate principal amount sufficient to accomplish the Replacement in accordance with the APA. The Series 2011 First Lien 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 First Lien Bonds, such rates to be calculated and determined as provided in the First Lien Indenture. The Series 2011 First Lien 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 First Lien Bonds and shall mature in the same amounts and in the same years as the corresponding Department Bonds replaced by such Series 2011 First Lien Bonds. The Series 2011 First Lien 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 First Lien Bonds, as provided in the Series 2011 First Lien Supplemental Indentures. The Series 2011 First Lien Bonds will be delivered to the Bond Bank pursuant to the terms of the Qualified Entity Purchase Agreement. The Series 2011 First Bonds shall be secured by the First Lien Indenture. Notwithstanding anything in this Resolution to the contrary, Citizens may issue the Series 2011 First Lien Bonds in more than one series, designated as provided in the First Lien Indenture.

**SECTION 6. SERIES 2011B SECOND LIEN BONDS.** The Board authorizes any Executive Officer to approve the issuance, execution, sale and delivery of the Series 2011B Second Lien Bonds, subject to the further provisions of this Section 5 and pursuant to the Acts, by and on behalf of Citizens. The Board shall issue the Series 2011B Second Lien Bonds in an aggregate principal amount not to exceed \$45,000,000 and sufficient to (a) fund additional capital improvements, working capital and initial start-up needs of Citizens related to the operation of the Waterworks, and (b) pay costs of issuance of the IFA Water Bonds, the Series 2011 First Lien Bonds and the Series 2011B Second Lien Bonds. The Series 2011B Second Lien Bonds shall bear interest at an initial rate or at one or more interest rates not to exceed seven percent (7%) per annum. The Series 2011B Second Lien Bonds shall mature not later than December 31, 2022. The Series 2011B Second Lien Bonds shall be subject to redemption in the manner determined by an Executive Officer. The Series 2011B Second Lien Bonds shall be sold to the IFA in order to evidence the Loan made therefor as described in the Loan Agreement. The Series 2011B Second Lien Bonds shall be secured by the Second Lien Trust Indenture. Notwithstanding anything in this Resolution to the contrary, the Authority may issue the Series 2011B Second Lien Bonds in more than one series, designated as provided in the Second Lien Indenture. To further support the issuance of the portion of the Series 2011B Second Lien Bonds that fund the purposes set forth in clause (a) above, which Bonds are intended to be issued with a single maturity, the Board finds and determines that, to the extent needed to fund the payment of those Bonds at maturity, the Executive Officers shall, to the extent those Bonds will not be paid in the normal course, take appropriate steps to be prepared to issue additional revenue bonds to refund or roll over those Bonds before they mature.

**SECTION 7. 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 the April Resolution, 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, City Clerk of the City and any Executive Officer are authorized to execute and deliver the

Bonds and any other document, agreement or certificate deemed necessary by any Executive Officer or bond counsel to properly issue the Bonds.

**SECTION 8. OFFICIAL STATEMENT.** (a) The Board ratifies and approves the actions taken by the Executive Officers with respect to the preliminary Official Statement, including any Executive Officer deeming by and on behalf of Citizens the preliminary Official Statement final for purposes of Rule 15c2-12 of the Securities and Exchange Commission (except as permitted by such rule), and ratifies and approves the publication and distribution, by any Executive Officer by and on behalf of Citizens, in cooperation with the IFA, of the preliminary Official Statement to potential purchasers of the IFA Water Bonds; *provided, however*, that:

(i) in cooperation with the IFA, any Executive Officer is authorized and directed by and on behalf of Citizens to (A) complete the Official Statement and (B) make such changes in the Official Statement in preparing the final Official Statement for the IFA Water Bonds as may be appropriate, desirable or necessary, the approval of which shall be evidenced by its execution and delivery; and

(ii) any Executive Officer is authorized and directed to distribute by and on behalf of Citizens the final Official Statement, including any amendments or supplements, to the purchasers of the IFA Water Bonds, as applicable.

(b) Notwithstanding anything in this Resolution to the contrary, only one of the Executive Officers is required to execute and deliver the final Official Statement, and each is authorized and directed to do so by and on behalf of Citizens.

**SECTION 9. 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 other certificates or 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 First Lien 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 First Lien Indenture and Second Lien Indenture in advance of, or in connection with, the issuance and sale or delivery, as applicable, of the Bonds.

**SECTION 10. 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 First Lien 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 11. FINDINGS.** The findings made by the Bond Documents, with such changes as are necessary to accommodate the issuance of the 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 11.

**SECTION 12. 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 13. EFFECTIVE DATE.** This Resolution will be effective immediately upon its passage by the Board.

ADOPTED AND APPROVED this 10<sup>th</sup> day of August, 2011.  
(CEG31-2011)

Mr. Brehm responded to questions regarding the financial reports. Mr. Brehm reported that due to the high temperatures and corresponding demand for chilled water, chilled water is projecting a modest financial improvement. He noted expected improved debt service coverage resulting from the settlement of the most recent natural gas rate proceeding.

Mr. Good asked whether current cash projections were seasonal in nature. Mr. Brehm confirmed that they were.

Mr. Appel asked whether contributions to affiliates on page two of the financial report referred to dividends from ProLiance. Mr. Brehm responded that they were and added that Citizens Oil was also providing cash distributions to the Trust.

Mr. McClelland asked why there was a positive variance of \$2,300,000 on main replacements. Mr. Tracy responded that the variance was due to timing. Mr. Lykins commented that Citizens will be striving to create a stable level of capital funding for regular improvements to the water and wastewater systems to improve safety and system reliability. The goal is to reach levels of safety and reliability now seen on the gas system thanks to regular capital investments.

Mr. Appel asked whether additional detail could be provided on the targets in the operational dashboard. Ms. Richcreek indicated that more detail would be provided, including external benchmarks.

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

Ms. Perkins led a discussion regarding branding strategy for the Citizens Water Introduction Campaign.

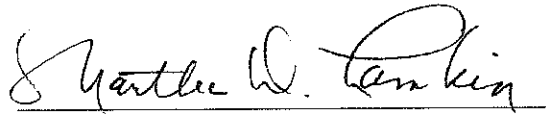
Mr. Johnson provided a status on the ongoing utility integration. He stated that the twelve integration teams were focused on a smooth transition for day one and additional transition agreements are being finalized.


Ms. Lamkin asked for public comment.

Mr. Glenn Pratt, representing the NAACP and Sierra Club wished the Citizens management team well as they complete integration planning. He also urged Citizens to focus on capital investments that will ensure the safety and reliability of the water and wastewater systems. Additionally, he asked Citizens to consider implementing water conservation education campaigns and regional water planning.

Mr. Pratt expressed his preference to receive Board materials, such as resolutions, in advance of meetings and requested that draft Board minutes be provided to him.

There being no further business, the meeting adjourned at 9:15 a.m. EST.

  
Martha D. Lamkin, Chairman

  
John R. Whitaker, Assistant Secretary