

**MINUTES OF THE SPECIAL MEETING OF
THE BOARD OF DIRECTORS OF
CITIZENS ENERGY GROUP
HELD AUGUST 6, 2010**

Pursuant to notice duly given and posted as required by law, the Special Meeting of the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis convened at 8:30 a.m. EST, Friday, April 6, 2010, at the principal office of the Utility, 2020 North Meridian Street, Indianapolis, Indiana.

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

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. J. Richcreek, Senior Vice President, Operations William A. Tracy, and General Manager, Strategic Growth Barbara Smith.

Others present: Tom Flaherty and Todd Jirovec of Booz & Co. and Perry Offutt of Morgan Stanley & Co. Incorporated.

The meeting was called to order by Chairman Lamkin.

The minutes of the Meetings of the Board of Directors held April 7, 2010, April 14, 2010, and June 14, 2010 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."

A public hearing was held on the approval of the interlocal cooperation agreement (the "Interlocal Agreement").

Ms. Lamkin discussed and asked for Board approval of the interlocal cooperation agreement for the wastewater (the "Interlocal Agreement") among Citizens Energy Group, the City of Indianapolis and the Sanitary District of the City. This agreement would provide for the formation of CWA Authority, Inc. for the purpose of acquiring the wastewater system of the City. 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:

Included herein is a resolution approving the interlocal cooperation agreement for the wastewater (the "Interlocal Agreement") among Citizens Energy Group, the City of Indianapolis (the "City") and the Sanitary District of the City (the "District"). The Interlocal Agreement provides for the formation of CWA Authority, Inc. (the "Authority") by Citizens Energy Group pursuant to

Indiana's interlocal cooperation statute. The Authority is being formed by Citizens Energy Group for the purpose of acquiring the Wastewater System of the City. Pursuant to the Interlocal Agreement, the parties thereto will endow the Authority with the appropriate governmental powers and status for ownership of the Wastewater System. The Authority will own the Wastewater System as a separate entity and the Board of Directors (the "Board") of Citizens Energy Group will serve as the board of directors of the Authority. All personnel operating the Wastewater System will be employees of Citizens Energy Group. Pursuant to the terms of the Interlocal Agreement, the Interlocal Agreement cannot be amended after the closing date of the acquisition of the Wastewater System. The Articles of Incorporation and By-laws of the Authority may be amended in the sole discretion of the Board.

Summary of Resolution Provisions

1. Resolution incorporates recitals, including that Citizens Energy Group, the City and the Sanitary District each have the requisite power to enter the Interlocal Agreement, pursuant to Indiana Code 36-1-7 to form the Authority as a separate legal entity to exercise their powers with respect to the Wastewater System on behalf of them and to delegate all necessary, useful or appropriate powers to the Authority. (§ 1)

2. Resolution provides that, pursuant to the Interlocal Agreement, the Authority will be organized as a nonprofit corporation, governed by the Board and will operate the Wastewater System through the employees of Citizens Energy Group and others. In addition, the Resolution provides that, pursuant to the Interlocal Agreement, the Authority will have all the powers of Citizens Energy Group, the District and the City which are necessary, useful or appropriate for the acquisition, ownership and operation of the Wastewater System (except the City's power of taxation) and will not be authorized to become a debtor under the United States Bankruptcy Code, among other things. (§ 1)

3. Resolution finds that the Interlocal Agreement has been prepared consistent with Ind. Code 36-1-7 (the Interlocal Cooperation statute) and Ind. Code 8-1-11.1 and further finds that the Interlocal Agreement complies with the purposes and provisions of Ind. Code 36-1-7 and Ind. Code 8-1-11.1. (§ 2)

4. Resolution approves, confirms and ratifies (a) the substantially final form of the Interlocal Agreement presented to the Board, (b) the formation of the Authority and (c) the delegation, transfer and exercise of the rights, powers, functions and duties of the City, the District and Citizens Energy Group necessary, useful or appropriate for acquisition and ownership of the Wastewater System to the Authority on substantially the same terms and conditions set forth in the Interlocal Agreement in order that the Authority can operate the Wastewater System as effectively as possible. (§ 3)

5. Resolution authorizes the Chair, Vice Chair, President, any Vice President, Secretary, Assistant Secretary, Treasurer or Assistant Treasurer of Citizens Energy Group ("Authorized Officers") to execute and deliver the Interlocal Agreement and such other documents and other items as thereby required and to take any and all actions necessary for Citizens Energy Group to effectuate the transactions contemplated by the Interlocal Agreement. (§ 4, § 5)

6. Resolution authorizes, approves and directs the Authorized Officers to (a) execute, deliver and enter into the Interlocal Agreement in the name of Citizens Energy Group, in substantially the same form as presented, (b) to enter into any other such document or item required by the Interlocal Agreement and (c) to do any and all other acts and execute all other documents necessary for the formation of the Authority and the delegation and transfer to the Authority of all necessary rights and powers to acquire, own and operate the Wastewater System. (§ 4)

Ms. Lamkin then asked the Board for approval of the Interlocal Agreement and related actions with respect thereto. 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 City of Indianapolis (the "City") and the Sanitary District of the City of Indianapolis, acting by and through the Board of Public Works (the "District"), own and operate a wastewater collection and treatment system, including without limitation, the Belmont and Southport wastewater treatment facilities (the "Wastewater System") and the City and the Department of Waterworks of the City of Indianapolis, acting by and through the Board of Waterworks (the "DOW") own and operate a water system (the "Water System"); and

WHEREAS, the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group ("Citizens Energy Group"), acting by and through the Board of Directors for Utilities (the "Board") (and on behalf of the utility special taxing district) is vested by Indiana Code 8-1-11.1 with the exclusive government, management, regulation and control of all public utilities consisting of any waterworks, gasworks, electric light works, heating and power plants of any kind or character, telephone and other systems of communication, and local transportation systems of any kind operated upon, above, or below any street or territory within the City, or outside the City within the limits authorized by law, and all property held by and relating or belonging thereto and with the power to own and operate other utility properties; and

WHEREAS, Citizens Energy Group currently provides local gas distribution services to the City and the residents of Marion County, Indiana in furtherance of a public charitable trust d/b/a Citizens Gas ("Citizens Gas"), and in conjunction therewith owns and operates a steam production, transmission and distribution plant and a chilled water production and distribution plant for the provision of steam service and chilled water in the downtown areas and near downtown areas of the City d/b/a Citizens Thermal ("Citizens Thermal"), and through its direct affiliate d/b/a Citizens Resources ("Citizens Resources") and indirect affiliates engages in other energy-related ventures; and

WHEREAS, pursuant to Indiana Code 8-1-11.1, Citizens Energy Group has the power to provide wastewater collection, transportation and treatment services and water treatment, delivery and distribution services within the City or outside the City within the limits authorized by law and to own all property related or belonging thereto; and

WHEREAS, the City issued a Request for Expression of Interest as it explored ways to achieve water and wastewater operating efficiencies, to improve customer service, to keep customer rates as low as reasonably possible and to raise capital to fund important City infrastructure needs; and

WHEREAS, Citizens Energy Group investigated and continues to investigate and study ways in which it may more efficiently and effectively provide service to its customers and otherwise satisfy the purposes for which it was created; and

WHEREAS, Citizens Energy Group has determined that the combined operation by it of the Wastewater System, the Water System, Citizens Gas, Citizens Thermal and Citizens Resources will result in operating and capital project synergies for the benefit of the City and its residents and fulfill the purpose of the public charitable trust for which Citizens Energy Group was created, thus resulting in lower rates for all customers of such utilities than would otherwise result in the absence of such combined operation; and

WHEREAS, Citizens Energy Group's unique structure has protected these existing utilities for over one hundred years by shielding them from takeover by foreign companies and investors and from political interference, and ensured local control, local reinvestment and community-based decision-making; and

WHEREAS, the operation in perpetuity of the assets of the Wastewater System in furtherance of a separate public charitable trust, which is separate from, but will be operated similar to, the manner in which Citizens Energy Group operates Citizens Gas, Citizens Thermal and Citizens Resources in furtherance of the existing public charitable trust, for the benefit of the inhabitants of the City will protect the City and its inhabitants against further sale or disposition of the Wastewater System, and forever from private ownership, control or partisan political governance; and

WHEREAS, Citizens Energy Group responded to the City's Request for Expression of Interest and engaged in extensive discussions with the City, which resulted in the City and Citizens Energy Group entering into a Memorandum of Understanding ("MOU"), dated March 9, 2010, which, among other provisions, provided for the acquisition by Citizens Energy Group or its designee of all real and personal property, all cash and cash equivalents, all contracts, licenses and leases, and all intellectual property used, necessary or important in the operation of the Wastewater System and Water System, unless otherwise excluded by mutual agreement;

WHEREAS, the City, the District and Citizens Energy Group determined that it would be advisable to establish, pursuant to an Interlocal Cooperation Agreement for the Provision of Utility Services (Wastewater) (the "Interlocal Agreement"), a separate legal entity organized as an Indiana nonprofit corporation, to be designated "CWA Authority, Inc." (the "Authority"), for the purpose of acquiring, owning, operating and exercising all of Citizens Energy Group's, the City's and the District's powers (other than as set forth in the Interlocal Agreement, the City's power of taxation) that are necessary, useful or appropriate to the acquisition, ownership and operation of the Wastewater System; and

WHEREAS, each of the City, District and Citizens Energy Group are political subdivisions under Indiana Code 36-1-2-13 and are therefore eligible entities under Indiana Code 36-1-7; and

WHEREAS, Indiana Code 36-1-7 sets forth the power the City, the District and Citizens Energy Group each have to enter into the Interlocal Agreement pursuant to which the Authority would be formed as a separate legal entity to exercise their powers with respect to the Wastewater System on behalf of them and to delegate all necessary, useful or appropriate powers to the Authority; and

WHEREAS, Indiana Code 36-3-4-23 authorizes the City-County Council of the Consolidated City of Indianapolis and Marion County (the "City-County Council") to create and terminate City departments and, except as otherwise provided therein, to transfer the powers, duties, functions and obligations to or from such departments; and

WHEREAS, the City-County Council previously found that the formation of the Authority, the transfer and delegation to, and vesting in and exercising by, the Authority of all of the powers, duties, functions and obligations of the City and the District (except as set forth in the Interlocal Agreement, the City's power of taxation) that are necessary, useful or appropriate to the acquisition, ownership and operations of the Wastewater System would be expedient and in the best interests of the City and its inhabitants;

WHEREAS, the Board has received a presentation that the formation of the Authority, the transfer and delegation to, and vesting in and exercising by, the Authority of all of the powers, duties, functions and obligations of Citizens Energy Group that are necessary, useful or appropriate to the acquisition, ownership and operations of the Wastewater System, the transfer of the Wastewater System to the Authority and the providing of services to the Authority by Citizens Energy Group, all as set forth in the Interlocal Agreement would be expedient and in the best interests of Citizens Energy Group and desirable or necessary for the proper conduct of Citizens Energy Group, Citizens Energy Group's present utility operations and the proper serving of the inhabitants of the City; and

WHEREAS, the agreements of the City, the District and Citizens Energy Group with respect to the governance, powers, duties, functions and obligations of the Authority, and the other terms and conditions upon which the Authority will be formed are set forth in the Interlocal Agreement, a substantially final and complete copy of which is incorporated herein by reference; and

WHEREAS, following its formation pursuant to the Interlocal Agreement, the Authority:

- a. will be qualified to own, operate and finance the Wastewater System under various federal and state statutes or regulations, subject to having obtained all necessary governmental approvals;
- b. will be organized as a nonprofit corporation under the Indiana Nonprofit Corporation Act of 1991, as amended, Indiana Code 23-17, et. seq., and will be exempt from federal taxation;
- c. will be governed by a Board of Directors, the members of which shall be those individuals who are appointed by the Board of Trustees for Utilities of the Department of Public Utilities of the City, from time to time in the manner set forth in Indiana Code 8-1-11.1-1, as members of the Board;
- d. will operate the Wastewater System through the employees of Citizens Energy Group and others;
- e. will have all of the powers of Citizens Energy Group, the District and the City which are necessary, useful or appropriate for the acquisition, ownership and operation of the Wastewater System (except as set forth in the Interlocal Agreement, the City's power of taxation);
- f. will be a "qualified entity" under Indiana Code 5-1.4-1-10;
- g. will be an "issuer" under Indiana Code 5-1-14-4(a);
- h. will meet the definition of an eligible borrower under applicable environmental requirements;
- i. will meet the State Revolving Fund/U.S. Environmental Protection Agency definition of a qualified owner/operator;
- j. will be a public body created pursuant to Indiana Code 36-1-7 and Indiana Code 23-17 and the Nonprofit Act;
- k. will be a political subdivision and instrumentality of the State of Indiana and thus, a "municipality" under 11 United States Code § 101(40);
- l. will have jurisdiction over disposal of sewage, industrial wastes or other wastes and qualifies as a publicly owned treatment works within the meaning of the Clean Water Act;
- m. will not be authorized to become a debtor under the United States Bankruptcy Code; and
- n. will have the same power and authority with respect to debt, bond and other financing as the City, the District and Citizens Energy Group; and

WHEREAS, pursuant to the Interlocal Agreement, upon the request of the Authority and as needed, Citizens Energy Group may provide staff and such other support as the Authority may require and to the extent the Authority shall determine necessary, useful or appropriate, Citizens Energy Group may, subject to applicable law, use its powers to provide bond, revenue obligation or certificates of indebtedness financing for the benefit of the Authority; and

WHEREAS, the City, the District and Citizens Energy Group have determined it would be advisable for the Authority to acquire the Wastewater System and the City, DOW and Citizens Energy Group have determined that it would be advisable for Citizens Energy Group to acquire the Water System; and

WHEREAS, Citizens Energy Group proposes to enter into an Asset Purchase Agreement (the "Wastewater Agreement") with the Authority, the District and the City, providing for the acquisition of the Wastewater System by the Authority and Citizens Energy Group proposes to enter into an Asset Purchase Agreement (the "Water Agreement" and together with the Wastewater Agreement, the "Agreements"), with DOW and the City, providing for the acquisition of the Water System; and

WHEREAS, the Authority's acquisition of the Wastewater System and Citizens Energy Group's acquisition of the Water System present a unique opportunity the benefits of which are not otherwise available to the residents of the City unless the acquisitions are made by the Authority and Citizens Energy Group; and

WHEREAS, the Board published notice of a hearing on its adoption of this Resolution and to consider the matters addressed in this Resolution on July 27 and July 28, 2010, in accordance with Indiana Code 5-3-1; and

WHEREAS, the Board conducted a public hearing to consider testimony from 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, subject to having received necessary governmental approvals, the Authority has the authority under Indiana law to acquire and operate the Wastewater System and Citizens Energy Group has the authority under Indiana law to perform those duties and obligations imposed on Citizens Energy Group under the Interlocal Agreement.

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

SECTION 1. The Board hereby finds, confirms and ratifies the facts and statements set forth in the foregoing recitals, all of which are incorporated herein by reference.

SECTION 2. Having reviewed the terms and provisions of the Interlocal Agreement and having heard testimony concerning the purposes and provisions of the Interlocal Agreement and the manner in which provisions of the Interlocal Agreement have been prepared consistent with IC 36-1-7 and IC 8-1-11.1, the Board hereby further finds that the Interlocal Agreement complies with the purposes and provisions of IC 36-1-7 and IC 8-1-11.1 and provides a necessary and appropriate means by which the Wastewater System may be acquired, owned and operated.

SECTION 3. The Board hereby approves, confirms and ratifies: (a) the substantially final form of the Interlocal Agreement presented to this meeting; (b) the formation of the Authority, including all organizational actions that are prerequisites to the Authority so that the Board, as the board of directors of the Authority as prescribed by the Interlocal Agreement, may approve the Wastewater Agreement; and (c) the delegation and transfer to, and vesting in and exercise by, the Authority of all of the respective rights, power, functions and duties of the City, the District and Citizens Energy Group (except as set forth in the Interlocal Agreement, the City's power of taxation) that are necessary, useful or appropriate for the acquisition, ownership and operations of the Wastewater System and to the transfer of the Wastewater System from the District to the Authority on substantially the same terms and conditions set forth in the Interlocal Agreement.

SECTION 4. The Chair, Vice Chair, President, any Vice President, Secretary, Assistant Secretary, Treasurer or Assistant Treasurer of Citizens Energy Group, and each of them singly (the "Authorized Officers"), are authorized and directed for and on behalf of and in the name of Citizens Energy Group in their capacity as officers of Citizens Energy Group: (a) to execute and deliver the Interlocal Agreement on substantially the same terms as set forth in the form of Interlocal Agreement presented to the Board, including the submittal of the executed Interlocal Agreement in such manner as may be required by IC 36-1-7 for the same to be effective; (b) to enter into, execute, perform and deliver the Interlocal Agreement and, as applicable, such applications and other undertakings and such other agreements, amendments, documents, certificates, instruments, statements, and other items as thereby required; and (c) to do any and all other acts and things, and to execute and deliver any and all other agreements, amendments, documents, certificates, instruments, statements, and other items, as may be necessary or appropriate the formation of the Authority, the delegation and transfer to, and vesting in and exercise by, the Authority of all of the respective rights, power, functions and duties of the City, the District and Citizens Energy Group (other than as set forth in the Interlocal Agreement, the City's power of taxation) that are necessary, useful or appropriate for the acquisition, ownership and operation of the Wastewater System and to the transfer of the Wastewater System by the District to the Authority; and (d) to perform all of the terms, provisions and conditions of each of the agreements, amendments, documents, certificates, instruments, statements, and other items hereinabove referred to or in connection therewith.

SECTION 5. The taking of any action or the execution of any instrument by any Authorized Officer or other officer of Citizens Energy Group in connection with the foregoing resolutions shall be conclusive of such person's determination that the same was necessary to serve the best interests of Citizens Energy Group.

SECTION 6. 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 contemplated by the Interlocal Agreement and the Agreements.

SECTION 7. This Resolution will be effective immediately upon its passage by the Board.

Ms. Lamkin led a Board discussion regarding water and sewer transaction information.

Mr. Flaherty gave a synergies summary of the water/wastewater utility acquisition, attached as Exhibit "B."

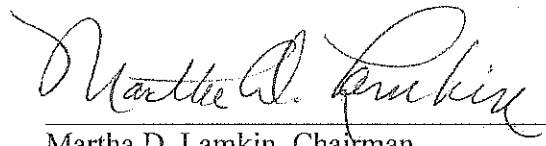
Mr. Brehm and Mr. Offutt then presented and led a discussion regarding the Fairness Opinion from Morgan Stanley & Co. Incorporated, attached as Exhibits "C," "D," and "E."

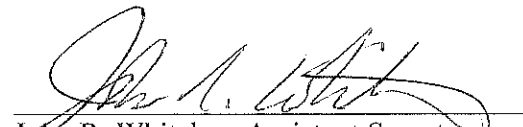
Ms. Smith presented the Due Diligence Report, attached as Exhibit "F."

Ms. Lamkin recognized, on behalf of the Board, management and consultants who worked on the project.

Ms. Lamkin answered questions from the public.

There being no further business, the meeting adjourned at 10:15 p.m. EST.


Martha D. Lamkin, Chairman


John R. Whitaker, Assistant Secretary