

MINUTES OF THE SPECIAL JOINT MEETING  
OF THE BOARDS OF DIRECTORS OF  
CITIZENS ENERGY GROUP AND CWA AUTHORITY, INC.  
HELD NOVEMBER 16, 2016

Pursuant to notice duly given and posted as required by law, the special joint meeting of the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis (d/b/a Citizens Energy Group) and the Board of Directors of CWA Authority, Inc. (jointly referred to as the “Board” unless otherwise noted) convened at 3:30 p.m. EST, Wednesday, November 16, 2016, at the Langsdale offices of Citizens Energy Group (“Citizens”), 2150 Dr. Martin Luther King, Jr. Street, Indianapolis, Indiana.

Board members were present: Daniel C. Appel (Chair), Jeffrey E. Good, Anita Harden, Christia Hicks, J.A. Lacy, Anne Nobles, Phillip A. Terry, and Joseph E. Whitsett. Moira M. Carlstedt was unable to attend the meeting.

Present from Citizens: President and Chief Executive Officer, Jeffrey A. Harrison; Senior Vice President and Chief Financial Officer, John R. Brehm; Senior Vice President and General Counsel, Jennett M. Hill; Senior Vice President and Chief Customer Officer, Michael D. Strohl; Vice President of Energy Operations, Christopher H. Braun; Vice President of Capital Programs and Engineering, Mark Jacob; Vice President of Strategy and Corporate Development, Aaron D. Johnson; Vice President and Controller, Sabine Karner; Vice President of Information Technology, John Lucas; Vice President of Customer Operations, Curtis Popp; Vice President of Regulatory and External Affairs, LaTona Prentice; Vice President of Human Resources, Safety and Security, Jodi Whitney; Vice President of Water Operations, Jeffrey A. Willman; and Associate General Counsel, Michael E. Allen.

Others present were: Richard J. Thrapp and Joshua L. Christie, both partners with the law firm of Ice Miller LLP, and Chris Caniff of Periculum Capital Company, LLC.

The meeting was called to order by the Chair.

The Chair first requested a moment of silence to recognize the passing of Ms. Yvonne Perkins, retired Vice President of Corporate Communications and Chief Diversity Officer.

The Chair certified that the subject matter of the discussion during the Special Executive Session of the Board held on November 16, 2016 was solely limited to the items set forth in the Public Notice, attached as Exhibit "A".

The Chair requested Board members to recuse themselves from any action items on the agenda if they identified a conflict. No items were identified.

Next, the Chair invited Mr. Braun to provide a report on Energy Operations. Mr. Braun discussed the proposed sale of the LNG North facility and related assets due to the escalating capital expense to maintain and operate the facility. Mr. Braun further added that the proceeds of the proposed sale would be used for the benefit of the beneficiaries of the Energy Trust, as directed by the Board.

Following discussion, and upon a motion duly made and seconded, the Board of Directors of Citizens Energy Group, approved the following:

WHEREAS, the Department of Public Utilities of the City of Indianapolis ("City"), acting by and through the Board of Directors for Utilities (the "Board") as successor trustee of a public charitable trust d/b/a Citizens Energy Group ("Citizens Energy Group" or "CEG") is vested by Indiana Code 8-1-11.1 with the exclusive government, management, regulation and control of all public utilities consisting of, among other things, any gasworks, heating and power plants of any kind or character, 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 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 facility constructed on certain parcels of property on West 86th Street in Indianapolis, along with related assets (collectively, the

“LNG North Facility”) used for the liquefaction and storage of natural gas, as part of Citizens Gas’ overall plans for meeting customer demands, including demands during periods of peak customer use; and

WHEREAS, at the time of construction of the LNG North Facility in 1991, Citizens Gas had access to only two interstate natural gas pipelines and to a less modern and more limited facility on the south side of Indianapolis that liquefied and stored natural gas (the “LNG South Facility”). The LNG South Facility had been determined to be inadequate to meet Citizens Gas’ needs and that expansion would involve comparatively high capital costs; and thus the LNG North Facility was intended to and did serve as an important component of CEG’s overall strategy for providing a safe, dependable and affordable supply of natural gas to inhabitants of the City of Indianapolis; and

WHEREAS, over the last 25 years, Citizens Gas has improved and diversified its access to and sources of natural gas, and there also has been a decline in Citizens Gas’ demand, or “load,” reducing system requirements generally. As a result, Citizens Gas’ reliance on the LNG North Facility during periods of peak demand has declined, and the LNG South Facility was shuttered. The Board believes that access to the LNG North Facility is now necessary only as a redundant source of supply during periods of peak demand, and that in time Citizens Gas will not need access to the LNG North Facility at all. Moreover, the Board has been and continues to be concerned about the ongoing capital expenditures and annual operating and maintenance expenses that are required to continue operating the LNG North Facility; and

WHEREAS, the Board has explored strategies to make better use of the LNG North Facility while still retaining capacity to meet its peak needs. As a result of this review of strategic options, in 2012, a new for-profit entity, LNG Indy, LLC d/b/a Kinetrex Energy (“Kinetrex”), was organized as a wholly-owned subsidiary of Kinetrex Holding Company, LLC, an indirect subsidiary of Citizens By-Products Coal Company, Inc. d/b/a Citizens Resources. Citizens Resources is a wholly owned subsidiary of the Board, which it owns pursuant to its authority under Indiana Code 8-1-11.1-3(c)(8)(the Board is authorized “[t]o preserve the corporate organization” of Citizens Resources, and “[t]hrough the control thus given of [Citizens Resources], the board of directors for utilities shall be authorized to do all things necessary to cause [Citizens Resources] efficiently to carry on its operations and conduct its business in the same manner as if its stocks were owned by private individuals.”). Kinetrex began operations after receiving an Order from the Indiana Utility Regulatory Commission (“Commission”) on June 26, 2013, declining to exercise jurisdiction over Kinetrex’s operations and the pricing of its sales of liquefied natural gas (“LNG”) to commercial customers. Kinetrex entered into a contract to utilize the LNG North Facility’s excess capacity as part of a commercial business to produce, market, and distribute LNG for transportation and industrial uses, and obtained the right to produce and sell inventory from the LNG North Facility, subject to maintaining a sufficient

amount of LNG to meet Citizens Gas' needs through a series of affiliate agreements. Under these agreements, Citizens Gas continues to have access to LNG from the LNG North Facility to meet its peaking demands, if any. Citizens Gas also receives payments for the supply of natural gas provided to Kinetrex, which payments offset a portion of its fixed costs and increase efficiency to the benefit of the public charitable trust and its beneficiaries. In addition, the strategy created a stream of revenue to Kinetrex from the sale of LNG from the LNG North Facility, and since its formation in 2012, Kinetrex's sales have grown significantly; and

WHEREAS, in furtherance of the overall strategy, in June of 2012, the Board adopted a Resolution decommissioning the LNG South Facility, which previously had been taken out of service and was no longer in use, and in July 2013 conveyed LNG South to Kinetrex as a capital contribution on behalf of Citizens Resources for use in Kinetrex's commercial LNG business. In 2014, at its expense, Kinetrex constructed a new liquefaction plant at LNG South as a merchant facility for use in its commercial business operations; and

WHEREAS, the Board of Directors of Citizens Resources has determined that (a) although LNG as a transportation and industrial fuel has enormous potential, Kinetrex would require significant capital investment to grow and remain competitive in that market, and (b) without such investment, the growth potential that Kinetrex has as the first entrant into the LNG market in the Midwest likely would be overtaken by others. The Board of Directors of Citizens Resources further concluded that an investment of the capital required by the Kinetrex business would be inconsistent with Citizens Resources' core business objectives, planning and strategy and the risk profile such an investment would represent; and

WHEREAS, for these reasons, Citizens Resources explored its strategic options including the potential sale of the ownership units of Kinetrex, and as a result an investment banker was retained to conduct a competitive bidding process. As a result of the process the Board of Directors of Citizens Resources has approved a sale to the successful bidder offering the most advantageous overall proposal (the "Buyer") of the membership interests of Kinetrex, contingent, however, on the Buyer (or its affiliate post-closing) purchasing from Citizens Gas the LNG North Facility as part of the overall transaction in accordance with a purchase agreement for that facility (the "LNG North Facility Purchase Agreement") (collectively, the "Transaction") that will close simultaneously with the purchase of the membership interests of Kinetrex. The Board of Directors of Citizens Resources has formally requested that this Board approve the sale of the LNG North Facility to the Buyer as part of the overall Transaction, specifically finding that the Transaction is in the best interests of Citizens Resources and those of its retained subsidiaries, would advance its overall operations and is necessary for it to carry on its operations and conduct its business in accordance with the exercise of its business judgment; and

WHEREAS, in conjunction with and as part of the Transaction, two long-term agreements would be entered into at the time of closing between Citizens Gas and Kinetrex, specifically the LNG North Retainer Agreement, which will give Citizens Gas the right to store and vaporize LNG for up to 300,000 dekatherms (DTH) per year, and the Natural Gas Purchase Agreement, which provides for the pricing and terms with respect to vaporized gas to meet Citizens Gas' system needs up to 300,000 DTH per year and with respect to vaporized (or "boil off") gas that is created in the liquefaction and regasification process that is captured and reintroduced into Citizens Gas' gas distribution system (together, the "Agreements"); and

WHEREAS, this Board has the authority under Indiana Code 8-1-11.1-3(c)(8) to do all things necessary to cause Citizens Resources efficiently to carry on its operations and to conduct its business; and

WHEREAS, Black & Veatch Management Consulting, LLC ("Black & Veatch") has been retained to perform an independent evaluation of the Transaction and to determine whether the Transaction represents reasonable value for the LNG North Facility and commensurate level of benefits to Citizens Gas and the public charitable trust; and

WHEREAS, in its report (the "Black & Veatch Report"), Black & Veatch has presented its reasoned opinion that the Transaction meets the Fair Market Value standard commonly found in U.S. federal and state laws and used in regulatory and legal proceedings for the sale of Kinetrex and the LNG North Facility, that the proposed Transaction represents the highest and best use of the LNG North Facility, and that the various Agreements between Kinetrex (as owned by the Buyer after closing) and Citizens Gas will allow Citizens Gas to acquire a similar level of peaking services at an equivalent cost, with the additional benefits of a simplified cost structure, greater cost certainties, and more flexibility in its future supply and capacity portfolio; and

WHEREAS, the Board, in its business judgment based on, among other things, the Black & Veatch Report, has determined that the sale of the LNG North Facility, and the entering into by Citizens Gas of the Agreements, all as part of the Transaction, are in the best interests of CEG, its customers, and the public charitable trust and its beneficiaries, that the LNG North Facility as a stand-alone facility has uncertain and limited value and continued ownership and prospective costs of operation and capital expenditures presents risk to the Board and the public charitable trust that would be addressed by the sale of the facility to the Buyer as part of the Transaction, and, further, that approval of the sale of the LNG North Facility to the Buyer and of the Agreements is necessary to cause Citizens Resources efficiently to carry on its operations and to conduct its business; and

WHEREAS, pursuant to the Second Lien Gas Utility Distribution System Trust Indenture dated as of May 1, 2001, as supplemented and amended between Citizens Energy Group and The Bank of New York Mellon Trust Company, N.A. ("the Indenture") the Board has determined that because the LNG North Facility has uncertain and limited value, such facility may be uneconomic in the operation of the Gas Utility Distribution System and the LNG North Facility assets do not exceed five percent (5%) of the book value of the Gross Plant (as defined in the Indenture) of the Gas Utility Distribution System; and

WHEREAS, the Board also has determined that as a result of the unique nature of the Transaction and in light of the Board's role as successor trustee of the public charitable trust, it is advisable to condition its approval of the Transaction on confirmation of its authority under such circumstances to sell the LNG North Facility as part of the Transaction, by the Marion County Probate Court; and

WHEREAS, subject to receiving such confirmation by the Probate Court, the Board has all necessary authority under Indiana law to approve and consummate the Transaction on behalf of CEG, Citizens Gas and the public charitable trust;

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

SECTION 1. The foregoing recitals are incorporated herein by reference and are ratified, confirmed and approved.

SECTION 2. Subject to receiving the requested confirmation of its authority by the Probate Court, the Board hereby approves, confirms and ratifies the execution, delivery and performance of each of the LNG North Facility Purchase Agreement by and between CEG and Buyer, and the Agreements between Citizens Gas and Kinetrex, as presented to this meeting and authorizes the Chair, Vice Chair, President and CEO, any Senior Vice President, 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, to execute and deliver the LNG North Facility Purchase Agreement, the other referenced Agreements, and such other documents, agreements, deeds of conveyance, forms, certifications and other papers, and to take such other action, as the Authorized Officer or Authorized Officers may determine to be necessary, appropriate or desirable, with such changes in form or substance of the foregoing as the Authorized Officer(s) who execute the same deem appropriate, their approval and acceptance of the same and any such changes to be evidenced by their execution and delivery thereof.

SECTION 3. The Board hereby finds that the Transaction, including the LNG North Facility Purchase Agreement and the other referenced Agreements, to

be expedient and in the best interests of Citizens Energy Group, and desirable and necessary for the proper serving of the inhabitants of the City and in furtherance of the public charitable trust for the reasons set forth in the foregoing incorporated recitals, and hereby authorizes and approves the filing of the Petition with the Probate Court, and for the Authorized Officers, singly or otherwise, to take such action and execute and file such pleadings, exhibits, and other papers as the same may determine to be necessary, appropriate or desirable in connection with obtaining the relief sought.

SECTION 4. The taking of any action or the execution of any instrument by the Authorized Officers in connection with the foregoing resolutions shall be conclusive of such Authorized Officers' determination that the same was necessary to serve the best interests of Citizens Energy Group.

SECTION 5. If any section, paragraph or provision of these Resolutions shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of these Resolutions.

SECTION 6. These Resolutions shall be in full force and effect from and after its passage and execution.

Then, the Chair invited Ms. Prentice to discuss regulatory activities for consideration by the Board. Ms. Prentice requested that the Board of Directors of CWA Authority, Inc. consider and approve the revised proposed wastewater rates and charges and terms and conditions after the debt service true-up for submission to the Indiana Utility Regulatory Commission (the "Commission").

Following discussion, and upon a motion duly made and seconded, the Board of Directors of CWA Authority, Inc. approved the following:

WHEREAS, on September 23, 2015 the Board of Directors ("the Board") of CWA Authority, Inc. ("the Authority") authorized the officers of the Authority to execute and file a Petition with the Commission requesting that the Commission approve an increase in the operating revenues produced by the Authority's rates and charges for wastewater utility service and other relief discussed at the Board meeting; and

WHEREAS, on September 23, 2015 the Board adopted a Resolution approving a proposed revised schedule of graduating rates and charges (implemented as Phase I and Phase II) and terms and conditions for service,

subject to further approval by the Commission under I.C. 8-1.5-3-8 and I.C. 8-1-11.1-3(c)(9); and

WHEREAS, pursuant to the above Resolution, the Authority filed a Verified Petition with the Commission on September 25, 2015 initiating Cause No. 44685; and

WHEREAS, on July 18, 2016 the Commission entered an Order in Cause No. 44685 authorizing the Authority to increase its Phase I rates to produce total operating revenues of \$269,704,907, and to increase its Phase II rates to produce total operating revenues of \$283,233,415 and approving certain changes to the Authority's terms and conditions for service; and

WHEREAS, the Authority made a compliance filing of the Debt Service True Up with revised Phase I rates and charges and terms and conditions for service with the Commission on October 21, 2016 and such rates and terms and conditions for service were approved by the Commission; and

WHEREAS, rates and charges established under I.C. 8-1.5-3-8(f) 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 operates as the Authority's municipal legislative body for the purposes of I.C. 8-1.5-3-8(f); and

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

NOW, THEREFORE, BE IT RESOLVED, that 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 revised schedule of Phase I rates and charges and terms and conditions for service attached hereto as Attachment "B" are hereby ratified, confirmed and approved as and for the rates and charges and terms and conditions for service to be used by the Authority in providing sewer service to customers, effective as of the date approved by the Commission.

The Chair then addressed management's request to approve the energy efficiency filing set forth in the Rider F – Universal Service Fund Rider (USF), Gas Cost Adjustment (GCA 132) and the Amended Fuel Cost Adjustment (FAC 43) previously adopted by the Board on September 28, 2016. Upon a motion duly made and seconded, the Board approved the following:



RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis that USF, attached as Exhibit “C”, is hereby ratified, confirmed, and approved;

RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis that GCA 132, attached as Exhibit “D”, is hereby ratified, confirmed, and approved; and

FURTHER RESOLVED by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis that the Amended FAC 43, previously adopted by the Board on September 28, 2016 and attached as Exhibit “E”, is hereby ratified, confirmed, and approved.

Next, the Chair invited Mr. Harrison to present the preliminary “Promise of the Trust” report to the Board. Mr. Harrison highlighted various organizational accomplishments for 2016, including achievements led by the leadership of Ms. Perkins. The Chair, joined by other Directors, thanked Mr. Harrison for his informative report that provided information related to the performance of the Trust.

Then, the Board reviewed the Severance Pay Program with Ms. Whitney. She requested that the Board consider and authorize the fulfillment of certain benefits for eligible grandfathered retired officers under the Severance Pay Program. Following discussion, the Chair read a resolution for consideration by the Board, and upon a motion duly made and seconded, the Board adopted the following:

WHEREAS, the Board of Directors (the “Board”) for Utilities of the Department of Public Utilities of the City of Indianapolis, d/b/a Citizens Energy Group, has engaged Yvonne Perkins as Vice President, Corporate Communications & Chief Diversity Officer since 2011; and

WHEREAS, Ms. Perkins has been instrumental in developing Citizens Energy Group’s (“Citizens”) communications initiatives and public relations programs where she has provided her guidance and demonstrated exemplary leadership skills for over twenty years; and

WHEREAS, Ms. Perkins has diligently developed strategic relationships in the community and directed Citizens’ community relations efforts for over twenty years in support of customer satisfaction and loyalty; and

WHEREAS, Ms. Perkins played a critical role in garnering community support for the acquisition of the Indianapolis' water and wastewater utilities in 2011; and

WHEREAS, Ms. Perkins has led Citizens' corporate philanthropy program for more than twenty years, which resulted in the provision of more than \$10 million of support to nonprofit organizations in the Indianapolis community over the past decade; and

WHEREAS, by way of demonstration of Ms. Perkins' exemplary leadership in the area of philanthropy and community service, Ms. Perkins helped Citizens institute and lead its *Sharing the Dream* program, an annual event designed to serve the community and to honor the late Dr. Martin Luther King, Jr., through a day of service in partnership with the Indianapolis Department of Parks and Recreation (or Indyparks); and

WHEREAS, Ms. Perkins has deepened the company's commitment to diversity in its workforce, business partners and community as recognized by the Mayor's Best of the Best Diversity Award in 2011, and recognition as the Employee Resource Groups Council Honors Award™ as the fourth best corporate diversity program in the United States; and

WHEREAS Ms. Perkins has unselfishly contributed her leadership skills to this community and beyond by serving on a wide range of community boards including Indiana Historical Society; Girl Scouts of the USA; Planned Parenthood of Indiana; Ivy Tech Community College – Central Indiana Board of Trustees; Indiana University/Purdue University at Indianapolis, University Library – Community Advisory Board; The Links, Incorporated, Circle City Chapter; Alpha Kappa Alpha Sorority, Inc.; Alpha Kappa Alpha Educational Advancement Foundation; and Allen Chapel African Methodist Episcopal Church.

NOW THEREFORE BE IT RESOLVED, by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, that Yvonne Perkins, Vice President, Corporate Communications & Chief Diversity Officer, is recognized for 46 years of loyal and dedicated service to Citizens Energy Group.

AND FURTHER RESOLVED, that the Board expresses its deepest appreciation to Yvonne Perkins for her unwavering commitment to Citizens' vision to fulfill the promise of the Trust to serve our customers and communities with unparalleled excellence and integrity.

Thereafter and upon a motion duly made and seconded, the Board approved the following:

NOW THEREFORE BE IT RESOLVED that the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis has acknowledged the retirement of officer effective November 1, 2016, Yvonne Perkins, from the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group, for her exemplary service during her tenure as officer.

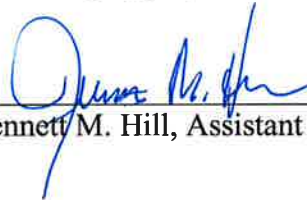
FURTHER RESOLVED, that in view of her many years of service to Citizens Energy Group and pursuant to Section 5 of the restated October 1, 2010 Citizens Energy Group Severance Pay Program (the "Program"), the Board hereby certifies that the legal representative of Yvonne Perkins, Vice President of Corporate Communications and Chief Diversity Officer, is qualified to receive the severance benefit to which Ms. Perkins is entitled under the Program as a grandfathered participant for reason of her passing after early retirement age from Citizens Energy Group.

The Chair invited public comment. There being no public comment and no further business, the meeting was adjourned.



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Daniel C. Appel, Chair



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Jennett M. Hill, Assistant Secretary