

**MINUTES OF THE JOINT MEETING  
OF THE BOARDS OF DIRECTORS OF  
CITIZENS ENERGY GROUP AND CWA AUTHORITY, INC.  
HELD AUGUST 17, 2022**

Pursuant to notice duly given and posted as required by law, a 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 (“Citizens”) and the Board of Directors of CWA Authority, Inc. (jointly referred to as the “Board” unless otherwise noted) convened at 10:00 a.m., EST, Wednesday, August 17, 2022, at the offices of Citizens, 2150 Dr. Martin Luther King, Jr. Street, Indianapolis, Indiana.

All Board members were present at the meeting: Anne Nobles (Chair), Daniel C. Appel, Moira M. Carlstedt, Sherry D. Davis, Jeffrey E. Good, Christia Hicks, J.A. Lacy, Maria M. Quintana, and Phillip A. Terry. Members of the Board of Trustees were also present: Jackie Nytes, Brian Williams, and Nichole Wilson.

Present from Citizens: Jeffrey A. Harrison, President and Chief Executive Officer; Craig L. Jackson, Senior Vice President and Chief Financial Officer; Joseph M. Perkins, Jr., Senior Vice President and General Counsel; Michael D. Strohl, Senior Vice President and Chief Customer Officer; Mark C. Jacob, Vice President of Capital Programs and Engineering; Sabine E. Karner, Vice President and Controller; John F. Lucas, Vice President of Information Technology; Curtis H. Popp, Vice President of Customer Operations; Joseph M. Sutherland, Vice President of Regulatory and External Affairs; Jodi L. Whitney, Vice President of Human Resources and Chief Diversity Officer; Jeffrey A. Willman, Vice President of Water Operations; Korlon Kilpatrick, Director of Regulatory Affairs; Rebecca Schaefer, Director of Supply Chain; Shannon Stahley, Associate Director of Corporate Affairs; Bridget O’Connor, Senior Manager of Government and External Affairs; and Meechelle Parker, Manager of Supplier Diversity Program.

The meeting was called to order by the Chair of the Board. The Chair requested Board members recuse themselves from any action items on the agenda if they identified a conflict. No items or conflicts were identified.

The Board considered the minutes of its previous meeting. Upon a motion duly made and seconded, the Board unanimously approved the minutes of the joint meeting of the Boards of Directors of Citizens Energy Group and CWA Authority, Inc. held on May 18, 2022.

The Chair certified that the subject discussed during the Executive Session of the Board held on August 17, 2022 was limited solely to the item set forth in the Public Notice, attached as Exhibit A.

The Chair addressed management's request to approve the filing set forth in Fuel Cost Adjustment 66. Upon a motion duly made and seconded, the Citizens Board unanimously ratified and approved the following resolution:

**RESOLVED** by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis that the proposed fuel cost adjustment ("FAC") rate in Cause No. 41969-FAC 66 of \$0.75861 to be effective August 1, 2022, subject to approval by the Indiana Utility Regulatory Commission, is hereby approved and ratified.

Next, the Chair invited Mr. Good to provide a report of the Audit and Risk Committee (the "Audit Committee"). Mr. Good reported that Ms. Karner presented to the Audit Committee the preliminary Fiscal Year (FY) 2022 Third Quarter Financial Statements for Citizens Energy Group and CWA Authority, Inc. ending June 30, 2022. He reported that overall combined net income was up from the prior year and that operating costs for all divisions has offset some positive revenue. He noted that liquidity for the enterprise is good and sufficient to meet cash requirements. Mr. Good further reported that the external audit firm, Deloitte and Touche LLP, completed its quarterly review with no concerns or issues to report based on their review.

Mr. Good informed the Board that the Audit Committee was satisfied with the preliminary FY 2022 Third Quarter Financial Statements for Citizens Energy Group and CWA Authority, Inc. and recommended approval to the Board. Following discussion, and upon a motion duly made and seconded, the Board unanimously approved the preliminary FY 2022 Third Quarter Financial Statements for Citizens Energy Group and CWA Authority, Inc.

Mr. Good also informed the Board that the Audit Committee considered Deloitte's proposed 2023 Audit Engagement Letter for Citizens Energy Group and CWA Authority, Inc. and that the Audit

Committee, as that term is described and used in Indiana Code section 5-11-1-24.4(e), approved such engagement and recommended approval of the same to the Board. Upon a motion duly made and seconded, the Board unanimously approved the proposed 2023 Audit Engagement Letter for Citizens Energy Group and CWA Authority, Inc.

Next, Mr. Good reported that the Audit Committee was introduced to Scott Leavitt, the new Director of Internal Audit. He reported that Mr. Leavitt provided the Audit Committee with an update on internal audit activities, noting that the prior fiscal year audit plans were essentially complete.

Mr. Good then reported on the Audit Committee's annual review of Citizens' insurance program. He reported that challenging market conditions persist, especially with Cyber insurance, but highlighted that the insurance programs are appropriate and consistent with industry benchmarks. He also reported that the Audit Committee reviewed its focus on critical controls to ensure adequate coverage, highlighting management's investigation of an insurance captive and reinforcing broader enterprise risk management processes.

Mr. Good concluded his report to the Board with an update from Supply Chain. He reported on supply chain activities and challenges, noting that global supply chain issues, including impacts to meters, chemicals, electricity, and lead time, are likely to remain constant for the foreseeable future.

Next, Ms. Nobles provided a report from the Energy Resources Executive Committee (the "Energy Committee"). She reported that the Energy Committee held a meeting on August 10, 2022 and received a financial report concerning the energy utility system. She noted that gas net earnings were better than projected, and the earnings before interest, taxes, depreciation, and amortization (EBITDA) were sufficient to cover capital expenditures. She also reported on the financial performance for the thermal business units, noting that its net earnings were on target. She also highlighted that although the steam utility did not have sufficient EBITDA to cover its capital expenditures, chilled water's EBITDA was sufficient to cover its expenses. Ms. Nobles reported that Mr. Ghio provided a report to the Energy Committee concerning the winter 2022-2023 demand supply curve, noting that Citizens has sufficient capacity to cover its customer

needs. Additionally, she reported that Citizens continues its focus on maintaining low natural gas costs for its customers.

Ms. Nobles also reported that the Energy Committee considered and approved a resolution concerning DSIC (Distribution System Improvement Charge), a provision of legislation that allows a water utility to recover cost of needed infrastructure needs between rate cases, and requested that the Citizens Board ratify and approve the same. Upon a motion duly made and seconded, the Citizens Board unanimously ratified and approved the following:

**WHEREAS**, the Department of Public Utilities for the City of Indianapolis, acting by and through the Board of Directors for Utilities of the Department of Public Utilities (the “Board”) as trustee of the public charitable trust for the water system d/b/a Citizens Water (“Citizens Water”) is vested by Indiana Code ch. 8-1-11.1 with the exclusive government, management, regulation, and control of certain utility operations and properties located in and around Marion County, Indiana; and

**WHEREAS**, Citizens Water owns and operates water utility assets acquired from the City of Indianapolis, Indiana (the “City”) and the Department of Waterworks (“DOW”) of the City pursuant to an Asset Purchase Agreement approved by Order of the Indiana Utility Regulatory Commission (“Commission”) issued on July 13, 2011 in Cause No. 43936; and

**WHEREAS**, the Board has the statutory power to adopt rates and charges for the provision of water service under IC 8-1-11.1-3(c)(9); and

**WHEREAS**, rates and charges adopted pursuant to IC 8-1-11.1(3)(c)(9) “shall be in effect only after the . . . rates have been filed with and approved by the Commission;” and

**WHEREAS**, Citizens Water’s last general rate increase was approved by the Commission on April 20, 2016, in Cause No. 44644, and was based on a revenue requirement designed to recover a fixed annual amount of revenue necessary to fund Citizens Water’s annual extensions and replacement costs as well as debt-service cost for bonds issued to fund an additional amount of extensions and replacements cost; and

**WHEREAS**, since 2016, the annual amount spent by Citizens Water on extensions and replacements has increased and exceeded the fixed annual amount recovered through the rates approved in Cause No. 44644 for reasons that include: the continual and increasing need to replace aging infrastructure; steady increases in the number of utility plant relocation projects due to public road improvement projects; and increases in cost of projects; and

**WHEREAS**, accordingly, Citizens Water has and will continue to complete extensions or replacements projects, the cost of which has not been recovered through the rates approved in Cause No. 44644 or another rate adjustment mechanism and absent

seeking approval of a rate adjustment mechanism, Citizens Water will not be able to recover these extension and replacement costs; and

**WHEREAS**, a water utility may implement a Distribution System Improvement Charge (“**DSIC**”) pursuant to the DSIC Statute, IC 8-1-31-1, et seq., which if approved by the Commission is a surcharge that allows for expedited recovery between rate cases of costs associated with extensions and replacements that qualify as “Eligible Infrastructure Improvements;” and

**WHEREAS**, although the DSIC Statute was first enacted in 2000, it did not contain provisions specifically applicable to municipally owned utilities until 2022 when changes were made to it by Senate Enrolled Act 273, including changes to the definition of Eligible Infrastructure Improvements; and

**WHEREAS**, for a municipally owned water utility, Eligible Infrastructure Improvements are projects that: (i) are new water utility distribution plant projects; or (ii) are projects to relocate existing utility plant, including relocations due to road improvement projects; and that: (i) do not increase revenues by connecting to new customers; (ii) are or will be extensions or replacements of projects; (iii) were not included in the utility's most recent general rate case; and (iv) are not being recovered through another rate adjustment mechanism; and

**WHEREAS**, the DSIC surcharge may not exceed 10% of the utility’s base rate level, excluding costs from certain projects that are exempt from the cap such as improvements placed in service due to the construction, reconstruction, or improvement of a highway, street, or road and lead service line replacement projects; and

**WHEREAS**, in accordance with the DSIC Statute, Citizens Water has developed a proposed rate schedule to establish a DSIC to recover costs for certain Eligible Infrastructure Improvements; and

**WHEREAS**, management has briefed the Board on: (i) the need for a DSIC due to Citizens Water’s continually increasing capital improvement needs; (ii) the amount of costs Citizens Water seeks to recover for Eligible Infrastructure Improvements from a DSIC; (iii) the proposed Rider B; (iv) the overall customer impacts of a DSIC; and (v) the DSIC filing process; and

**WHEREAS**, based on management’s report and presentation, the Board finds it is appropriate and responsible for Citizens Water to seek Commission authority to establish a DSIC surcharge through approval of Citizens Water’s proposed Rider B.

**NOW THEREFORE, BE IT RESOLVED, BY THE BOARD OF DIRECTORS FOR PUBLIC 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.** The Board hereby approves Rider B and authorizes and directs management to file with the Commission a petition and prepared testimony and exhibits and to take such other action as deemed necessary and desirable, in support of the Commission approving Rider B pursuant to the DSIC Statute.

**SECTION 3.** Upon Commission approval of the initial DSIC surcharge, the Board hereby authorizes and directs management to obtain Commission authority to implement such adjustments to the DSIC surcharge as are necessary to provide for recovery of additional costs attributable to Eligible Infrastructure Improvements that have not been and will not be recovered through the rates approved in Cause No. 44644 or another rate adjustment mechanism.

**SECTION 4.** These Resolutions shall be in full force and effect from and after its passage and execution.

Thereafter, Mr. Lacy provided a report on behalf of the Water Resources Executive Committee (the “Water Committee”). Mr. Lacy reported that the Water Committee met on June 15, 2022 and received two reports from management concerning financial projections and operational activities for the water utility. He reported that the FY2022 projections for net income and EBITDA were consistent with budget expectations. He also reported that the water utility’s capital needs were higher than its EBITDA and its long-term debt outstanding results in a 74 percent debt-to-capital ratio compared to its target of 40 percent. He also reported that the Water Committee received an overview of water operations activities, noting that average annual water capital investments are expected to rise over the next five years, in part, due to a number of factors such as increasing water supply, relocating utilities for public improvement projects, replacing aging infrastructure, and complying with regulation for replacing lead service lines. He also reported that the Water Committee received updates concerning Citizens’ integrated water resource plan, including initiatives to increase water supply to meet peak demand and drought periods; projects to expand capacity for the White River Treatment Plant; and the Canal Aqueduct rehabilitation project aimed to make necessary repairs and extend the useful life of the original structure which is currently over 100 years old.

The Chair invited Mr. Jackson to provide a financial report. Mr. Jackson reviewed current projections for fiscal year 2022, noting that despite ongoing supply chain issues and inflationary concerns, the businesses, overall, are performing well in comparison to budget. He also reviewed fiscal year 2022 net

income and operations and maintenance (O&M) projections, noting that the favorable variances are offset, in part, by higher O&M expenses and the effects of inflation. He continued by reviewing debt service metrics and reported that all debt covenants are in compliance. He concluded by reviewing the capital structure for all business units, noting that in 2022, Citizens retired approximately \$70 million in debt and refunded \$91 million of CWA debt, which should generate annual debt service savings of approximately \$1.2 million. Upon inquiry from the Board, Mr. Jackson commented that management continues working with banks to pursue various refunding opportunities and evaluating the timing of business needs and risks for today and in the future as it relates to new debt.

The Chair invited Mr. Harrison to present the report of the President. Mr. Harrison reported on the performance of the Trust, noting that extended hot and dry summer weather increased daily water demands to approximately 200 million gallons per day (MGD) in mid-July and produced the highest system-wide demand within the last 10 years. He also provided an update concerning Citizens' Lead Service Line Replacement Program (the "Program"), highlighting that the Program is underway to replace more than 2,500 customer-owned service lines over the next five years. Moreover, he reported that the initial project under the Program involves replacement of 111 services in the Near Northwest neighborhood in the vicinity of the Canal Village affordable housing project.

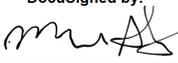
Following Mr. Harrison's report, Ms. Karner was invited to present an update for the Citizens Strategic Plan for 2023. Ms. Karner provided an overview of Citizens' planning process, including a review of the actions and recommendations adopted for FY2023. She commented that each of the recommendations aligned under Citizens' pillars for customer satisfaction, employee engagement, financial integrity, and performance excellence. Additionally, she reported that these actions include initiatives for enhancing outreach for low-income customers and performing customer journey mapping to improve the customer experience.

The Chair concluded management's presentations by inviting Ms. Parker to provide an update concerning Citizens' Supplier Diversity Program. Ms. Parker reviewed the Supplier Diversity Program's performance overtime, including its over-arching objectives to maximize opportunities for local diverse

suppliers, to support the development and growth of MBE/WBE/VBE, to meet or exceed spend goals of MBE 15%, WBE 8%, and VBE 3%, to increase MBE/WBE/VBE Tier I and Tier II utilization, and regular tracking and reporting of Tier I and Tier II diverse spend. She then reviewed the Supplier Diversity Program’s mission and roadmap for building a diverse supplier development program for the 21<sup>st</sup> century. Upon inquiry from the Board, Ms. Parker discussed Citizens’ outreach strategy to engage suppliers of member organizations such as the National Minority Supplier Development Council, including its local chapter, Mid-States Minority Supplier Development Council, and the National Association of Women Business Owners (NAWBO). She also highlighted Citizens involvement with the Business Equity for Indy initiative as it relates to its Procurement taskforce and recurring roundtable.

Following discussion, and there being no further business, the Chair adjourned the meeting.

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Anne Nobles, Chair  
Board of Directors

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Michael D. Strohl, Assistant Secretary  
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