

# Citizens Thermal Update

A Division of Citizens Gas & Coke Utility

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## Loyalty of Thermal Customers Hits New High

Citizens Thermal Energy (CTE) customers rated service quality significantly higher and recorded all-time high loyalty levels in this year's Customer Relationship Assessment conducted by Walker Information.

The annual study was conducted to:

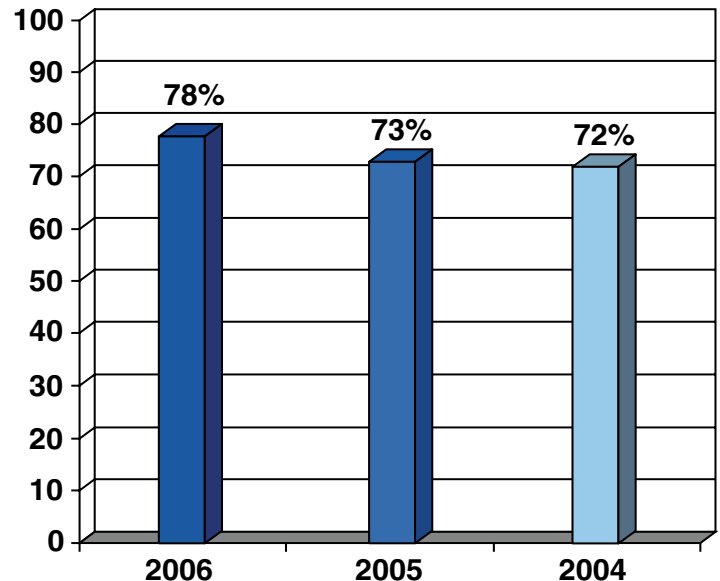
- Assess CTE's overall performance compared to previous years.
- Understand the linkages between experiences, attitudes, loyalty and intended behavior.
- Segment customers based on loyalty and predicted retention in a competitive environment.
- Prioritize improvement opportunities for CTE.
- Identify CTE's leverageable strengths in the marketplace.

Key findings of this year's survey include:

- Nearly 8-in-10 customers are classified as "truly loyal" (78%). This is an increase over last year and is the highest proportion since the first study in 2002.
- Truly loyal customers prefer staying with CTE.
- Overall quality ratings increased significantly (84% vs. 71%) while perceptions of Prices/Rates continue to decline for the fourth straight year (60% vs. 65%).
- Overall value perceptions declined slightly, suggesting the effect of increased rates.
- Experience ratings increased for all four key customer satisfaction drivers, with notable increases in Communications (76% vs. 67%), Training (57% vs. 46%) and Reliability (85% vs. 78%).
- Scores continue to trend upward overall, with the exception of Prices/Rates.
- Of the few areas with declining scores, Billing fell slightly (57% vs.. 64%).

Linda Johnson, Manager of Market Research for Citizens, believes the survey results show CTE's increased focus on quality service is translating into increased customer loyalty. "Caring about customers certainly is a strength for CTE and is the highest driver of loyalty. This study confirms that CTE should continue focusing on what helps the customer succeed and/or minimize their energy challenges. Being responsive and helping customers with all of their concerns, whether great or small, will make a difference," Johnson commented.

Citizens Thermal Customers -- % Truly Loyal



Besides overall service quality improvements, the study indicates CTE can improve the customer's experience through continued improvements in communications and training.

"We greatly appreciate the time customers took to provide feedback regarding service from CTE. We will continue using this valuable feedback to drive quality improvements that ultimately raise customer loyalty further," said Bill Tracy, senior vice president of Operations for CTE.



Bill Tracy, Senior Vice President,  
Operations for CTE

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## Energy Prices and Weather Oh What a Difference a Year Can Make

When it comes to energy prices and the long-range weather forecast – oh what a difference a year can make.

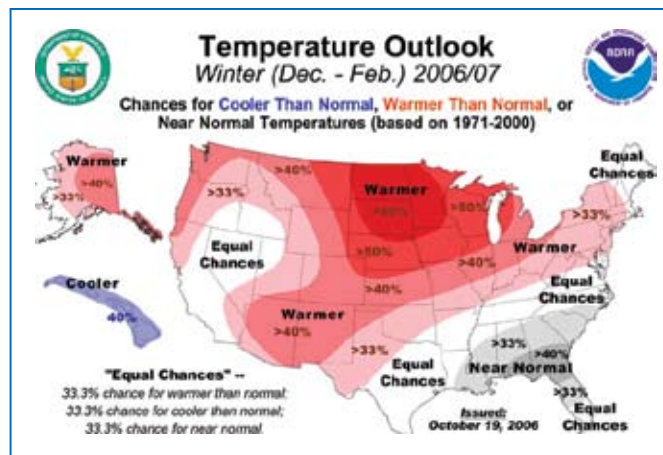
Last year at this time, the energy industry in the Gulf of Mexico was reeling from Hurricanes Katrina and Rita, which eventually sent natural gas and oil prices to record highs. Meanwhile, the National Weather Service (NWS) was forecasting a near normal winter for the U.S. thanks to the absence of the El Niño and La Niña weather phenomena.

This year as the energy industry prepares for the winter heating season, natural gas prices are hitting three-year lows, coal prices are up slightly and oil prices are steadily declining from record levels reached this summer.

Meanwhile, the National Weather Service (NWS) is predicting a warmer than normal winter across the U.S. thanks to the return of fairly strong El Niño conditions across the Pacific. NWS meteorologists say this winter is likely to be warmer than the 30-year norm (1971-2000) over much of the nation, yet cooler than last year's very warm winter season. NWS's heating degree day forecast for December, January and February projects a two percent warmer winter than the 30-year average but about eight percent cooler than last year.

The prediction of a warm winter is based primarily on the strengthening El Niño weather phenomenon over the Pacific. El Niño is the periodic warming of waters over the equatorial regions of the Pacific. Although there has been early season snowfall in Buffalo and wintry weather in the upper Midwest and Rockies in October, NWS's seasonal meteorologists say there is not much correlation between fall weather and the winter season.

Thanks to a fairly hot summer across much of the U.S. coal prices are up about 5 percent nationwide as electric power demand remains strong. The U.S. Energy Information Administration (EIA) expects coal prices to rise slightly



through the rest of 2006 and 2007, but at a slower rate than 2005. Prices for Illinois Basin coal, which is used by CTE, have risen from about \$22 per ton in 2002 to more than \$35 per ton in 2005 and to about \$40 per ton in 2006.

Natural gas prices have been on a rollercoaster since last September when they surged to nearly \$11 per mcf and to nearly \$14 per mcf in November. Following a record warm winter, natural gas prices began a steady decline starting in May from about \$6.75 per mcf to less than \$5 per mcf in October. The decline is the result of falling demand and record gas storage inventories across America.

Oil prices are on of a rollercoaster as well, but market

fundamentals are far less certain than natural gas because of the huge influence of unpredictable geopolitical forces. After oil prices reached nearly \$80 per barrel this past summer, large crude inventories have driven prices to the low \$60 range.

Citizens Thermal Energy continues using a mix of fuels at the Perry K Plant, including coal, coke oven gas, natural gas and oil. This versatility allows CTE to effectively

purchase the most economical fuel sources to meet the energy needs of its customers.

While current energy and weather forecasts seem to bode well for energy consumers, remember that predictions are just educated guesses that are frequently wrong. For example, the near-normal winter predicted last year by NWS, turned out to be one of the warmest winters in the U.S. since record keeping began in 1895. Likewise, few experts predicted the big decline in natural gas prices or the huge increase in oil prices that occurred this past summer.

So the best advice for energy consumers would appear to be – continue conservation measures and don't spend any extra cash just yet.

## Did You Know, Citizens Thermal's Steam Rates Still Among the Lowest

Citizens Thermal Energy's steam rates are still among the lowest in the Midwest, according to an annual study revealed at the recent Fall 2006 Customer Meeting held at the Indiana War Memorial.

CTE's steam rates rank as follows among eight major Midwest steam districts:

- Third lowest for small customers (4,300 therms per year)
- Third lowest for medium sized customers (76,200 therms per year)
- Second lowest for large customers (293,000 therms per year)

CTE expects to maintain this competitive position even after an anticipated fuel cost adjustment it expects to file for in 2007 due to rising coal prices. CTE currently expects the increase to be 0.03-0.05 cents per therm or 2-5 percent in 2007.

## Citizens Thermal Expects to Comply with MACT Standard Early

Citizens Thermal Energy (CTE) has made significant strides in its two-year effort to meet the U.S. EPA's Maximum Achievable Control Technology Standards (MACT) for industrial and commercial boilers and process heaters well before the September 2007 deadline.

The final rule with respect to boilers and process heaters applies to emissions of arsenic, cadmium, chromium, hydrogen chloride, hydrogen fluoride, lead, manganese, mercury, nickel and various other hazardous air pollutants. Compliance with the new MACT standards is requiring a \$14 million investment in emission control technology at CTE facilities. Recent project milestones include:

- Completion of the overhaul of Boilers 15 and 16 at Perry K with an electrostatic precipitator (ESP) upgrade to control particulate emissions.
- Work under way on the ESP on Boiler 12.
- Completion of coal sampling to comply with MACT's Fuel Sampling & Analysis plan. Sampling reveals Perry K's emissions of mercury and hydrogen chloride are well below the MACT limits.

Environmental improvements ahead include:

- Reconfiguration of stack emissions monitoring equipment to ensure all emissions are continuously monitored in accordance with the MACT rules.
- Installation of low nitrogen oxide burners during May 2007. This is expected to reduce NOx emissions 30 percent by 2007 and in turn help the City of Indianapolis and Central Indiana meet more stringent ozone standards.

"We are pleased that we've already begun to comply with some of the MACT rules more than a year ahead of schedule. The understanding we've gained of how our fuel characteristics and boiler operations influence emissions have allowed us to answer many questions from colleagues in the industrial sector as they work on their MACT compliance plans," said Ann McIver, Manager of Environmental and Regulatory Affairs for CTE.



## New Thermal Billing System Went Live on October 1



*The Thermal Billing Project Team was started on August 1, 2005, and has included the following members: (Standing, Left to Right:) Mark Vogler, Cindy Mohr, Julie Young, Bob Taber, Michelle Bennington, Bob Asher, Bob Purdue, (Seated, Left to Right:) Jeff Shepple, Sharon Connell, (Not Pictured: Jamie Dillard, Jeff Hansen)*

In the spirit of continuous improvement, a cross-functional team has designed and updated Citizens Thermal Energy meter reading, data acquisition and billing processes to achieve operational efficiencies and satisfy the needs of our customers.

The Thermal Billing Project Team, which is comprised of Information Services, Thermal, Accounting and vendor employees, has developed a Thermal billing process using a

software application known as BillGen. This new data acquisition, analysis and billing application system is being used to calculate the complex utility bills of large commercial and industrial steam customers.

BillGen is reducing the bill processing time from two to five days, to only one day. This will free resources and allow additional customer service time. The new application is also more user-friendly, faster, secure, more accurate, has improved audit capabilities, and is vendor-supported. The old steam billing application was manpower intensive and the software was no longer supported by vendors.

BillGen was designed to integrate seamlessly with Banner, our current gas billing application. Banner is the application used to calculate the charges for Thermal's less complex customers, and is used to produce the bills for all customers, maintain all payment activity and provide the ability for easy access to customer information.

The new billing system is reflected in bills customers received in November.

## CTE Helps to Keep Indianapolis Beautiful



Indianapolis Downtown, Inc. recently recognized the Thermal Division's Perry K Steam Plant in their Amazingly Always News E-newsletter, for planting flowers to enhance the landscaping of the Perry K Steam Generating Station and keeping the sidewalks clean and litter-free. The organization says CTE's efforts help to make the heart of our city and state beautiful. Indianapolis Downtown, Inc. is a not-for-profit company that manages, markets and develops Downtown Indianapolis.

## Employee Spotlight – Gordon Rundle

### What facility are you located at?

I am located at the Eli Lilly – Greenfield campus where Citizens Thermal Energy is their outsourced contractor providing Facilities Management for Utilities.

### What is your job title?

Utility Engineer

### What are your job duties?

Primarily, I am responsible for the design and implementation of utility improvement projects at the Lilly Greenfield facility. In addition, I provide technical support to the Operation and Maintenance staffs, prepare capital investment requests, and facilitate contract negotiations with sub-contractors.

### What is your favorite part of the job?

The opportunity to work on a wide variety of projects and systems including: steam, chilled water, and underground piping keeps the job interesting and has allowed me to increase my engineering skill set significantly.

### How does your job affect the customer?

We strive for projects that will increase reliability and efficiency. This will allow the customer to continue their operations uninterrupted at the lowest possible cost.

### What hobbies do you enjoy?

I enjoy automobile restoration, drag racing, and cooking.

### What did you do prior to joining Thermal?

Prior to Citizens Thermal Energy, I was a Project Engineer for Primary Energy Inc. who constructed and operated cogeneration plants for industrial customers along NW Indiana's lake front.



### Steam and Chilled Water Service Telephone Numbers

**Dave Toombs,**  
Thermal General Manager,  
317-236-6703 (office)  
317-727-1342 (cell)

**Jamie Dillard,**  
General Manager, Facilities  
& Engineering  
317-693-8858 (office)

**Bob Purdue,** Plant Manager  
(Steam Operations)  
317-693-8701 (office)  
317-695-0512 (cell)

**Bob Asher,**  
Manager Customer Services  
& Distribution  
317-693-8704 (office)  
317-431-3256 (cell)

**Sharon Connell,**  
Customer Service & Billing  
Representative  
317-261-8794

**Bob Taber, Foreman,**  
Customer Service & Metering  
317-693-8883 (office)  
317-695-7924 (cell)

**Toll Free Number - Customer  
Service & Billing**  
877-313-2467

**Kenny Cox,**  
Manager Operations & Maintenance  
317-693-8884 (office)  
317-441-7309 (cell)

**Jeff Hansen,** Facilities Manager  
(Chilled Water Operations)  
317-236-6702 (office)  
317-695-2019 (cell)

**Jim Walker,**  
Operations Supervisor  
Chilled Water Operations  
317-236-6704 (office)  
317-695-0276 (cell)

### Other telephone numbers: Marketing - Steam and Chilled Water

**Bill Tracy,**  
Senior Vice President Operations  
317-927-4534 (office)

**Bill Petty,**  
Manager Market Development  
317-927-4742 (office)  
317-431-3358 (cell)

**Steam and Chilled Water Service  
Emergency Contacts**  
*In the event of a steam or chilled  
water emergency, Citizens Thermal  
Energy can be reached at the  
following numbers:*

**Steam Plant Operations  
Emergency 24-Hour Number  
(Steam Operations Control Room)**  
317-261-8804

**Shift Supervisor's Office**  
317-261-8819

**Ron Pinkins,**  
Operations Supervisor  
317-693-8807 (office)  
317-431-4414 (cell)

**Chilled Water Plant Operations  
Emergency 24-Hour Number  
(Chilled Water Control Room)**  
317-236-6700