



Citizens Energy Group

**Sustainability
Report
2013**

Becoming a Sustainability Leader

Carey Lykins
President & CEO
Citizens Energy Group

On November 23, 1887 when community leaders announced the formation of the Public Charitable Trust that we now know as Citizens Energy Group, they were taking an innovative step towards making Indianapolis a more sustainable city.

Civic leaders, such as Colonel Eli Lilly, believed the community's fledgling natural gas utility was a vital instrument for sustaining quality of life and economic development in Indianapolis. Those visionary leaders also believed that the new gas company could be best sustained by establishing a public charitable trust that would protect these vital community assets from outside takeover and the short-term thinking of partisan politics.

In this our first Sustainability Report to the Community, we will share how we are fulfilling the promise created by our founders to be wise stewards of the financial and natural resources entrusted to us.

To contribute to the sustainability of the community, we are focused on:

- **Innovation** – We are being innovative and creative as we seek solutions or approaches to our business and environmental issues and opportunities, taking a proactive, analytical and long-term view.
- **Viability** – We are making responsible investments in our businesses to support their long-term viability.
- **Education** – We are strong advocates for environmental education and communication to support the development of a sustainability ethic in our community.

These guiding principles for sustainability were central to our acquisition of the community's water and wastewater utilities in 2011. These principles remain keys to the success of this transformational acquisition for the Trust and the communities we serve.

Now with five utilities – natural gas, steam, chilled water, water and wastewater, Citizens is positioned better than ever to play a leadership role in making Indianapolis a more sustainable city. As Citizens Energy Group completes its 125th year of service to the thriving capital of Indiana, sustainability remains the foundation of our vision to “fulfill the promise of the Trust to serve our customers and communities with unparalleled excellence and integrity.”



Carey Lykins
President & CEO
Citizens Energy Group

Jeff Harrison, Senior Vice President, Engineering & Sustainability, at the White River which will be transformed by Citizens Energy Group's wastewater system investments.

Our Sustainability Achievements

Jeff Harrison
Senior Vice President
Engineering & Sustainability

At Citizens Energy Group, sustainability means we are focused on being a leader in sustaining our environment, our business and our community. This report chronicles accomplishments in each of these areas, and establishes new commitments to improve the sustainability of Greater Indianapolis.

Our efforts to sustain our environment are being achieved through unprecedented infrastructure investments such as DigIndy, a series of deep rock tunnels that will nearly eliminate combined sewer overflows into area rivers and streams by the year 2025.

We also are sustaining our environment by maximizing the efficiency of our operations, so as to minimize our environmental footprint. Converting the primary engine of our thermal energy business, the Perry K Steam Plant, from coal to clean burning natural gas is a great example of increasing efficiency while lowering environmental impacts and ensuring business viability.

We are sustaining our business through sound financial and strategic planning, adherence to documented quality processes, development of new businesses, and infrastructure investments that ensure safety and reliability.

While we sustain our environment and business, we are promoting a more sustainable community through conservation incentives to our customers, public outreach and education, and support of events and organizations such as the White River Cleanup and Earth Day Indiana.

As we celebrate our sustainability achievements, we are focused on meeting new sustainability commitments that will lower our energy use, reduce waste, increase reuse, foster employee commitment to sustainability, and establish Citizens as leader in promoting a sustainable community.

Achieving commitments such as lowering our electric use and reducing the loss of treated water will not be easy, but we are confident our commitments will make Indianapolis a more sustainable and better place to live.



Sustainability Commitments

Citizens Energy Group is now in a position to seize the opportunity and obligation to demonstrate a leadership role in environmental and sustainability practice. We produce and sell vital and finite resources. Our commodities are not now scarce, but we must not wait for scarcity to occur to provide demonstration and instruction to our communities on the wise use of natural resources. Citizens has the resources and talent to become a significant and impactful leader for sustainability. Doing so will be entirely consistent with our values and our mission and vision.

Therefore, we make the following sustainability commitments to our customers, communities, employees and regulators.

Commitment: Reduce Energy Use

Citizens will seek innovative ways to reduce energy consumption and increase the use of renewable energy at our facilities. We will complete energy audits at our facilities to identify cost-effective opportunities to reduce consumption and cost, and publish energy consumption data for our employees to strengthen the awareness of the energy demands of our businesses.

Commitment: Reduce Waste

Citizens will increase the beneficial reuse of the byproducts produced at our drinking water and wastewater treatment plants in order to reduce the volume of wastes managed at landfills. Citizens will also promote other recycling and waste reduction opportunities within our operations and the community.

Commitment: Increase Reuse

Citizens will implement projects to increase the availability of renewable energy in Central Indiana and purchase renewable energy for our businesses. In addition, Citizens will implement projects to better use the water resources available to us through aquifer recharge projects and recycled water alternatives for commercial and industrial customers.

Commitment: Foster Employee Commitment to Sustainability

Citizens will engage our employees in the Commitment to Sustainability by providing educational and volunteer opportunities intended to strengthen the connection for our employees to the communities we serve.

Commitment: Become a Principal Player in Sustainability in our Community

Citizens will maintain a productive dialogue with all stakeholders and will be a leading proponent and player in promoting sustainability initiatives.



Sustaining Our Environment

Citizens Energy Group Environmental Policy

Citizens Energy Group is committed to responsible environmental stewardship as we pursue our vision to serve our customers and communities with unparalleled excellence and integrity.

At Citizens, being an environmental leader is an integral part of the trust's purpose to improve quality of life in our community today and in the future. As we integrate our community's water and wastewater systems into the Citizens family of companies, we have placed a renewed emphasis on our trust-wide environmental policy that stresses excellence, compliance, continual improvement, training, accountability, communication and partnerships.

Our Environmental Policy commits Citizens to conduct its business in a manner that preserves and protects the environment by preventing pollution, complying with environmental laws and seeking continual improvement. In this regard, Citizens Energy Group is committed to:

Excellence:

We will strive to be a leader in preserving, restoring and protecting our environment as we deliver safe, affordable energy services to our communities.

Compliance:

We will devote the people and resources necessary to comply with all applicable legal and other environmental requirements, while pursuing opportunities to enhance environmental protection, conservation and prevention of pollution.

Continual Improvement:

We will continually seek opportunities to improve our environmental performance through innovative policies and practices fostered through our strategic planning and ongoing Baldrige Quality processes.

Training

We will provide training for our employees to effectively meet our environmental responsibilities.

Accountability

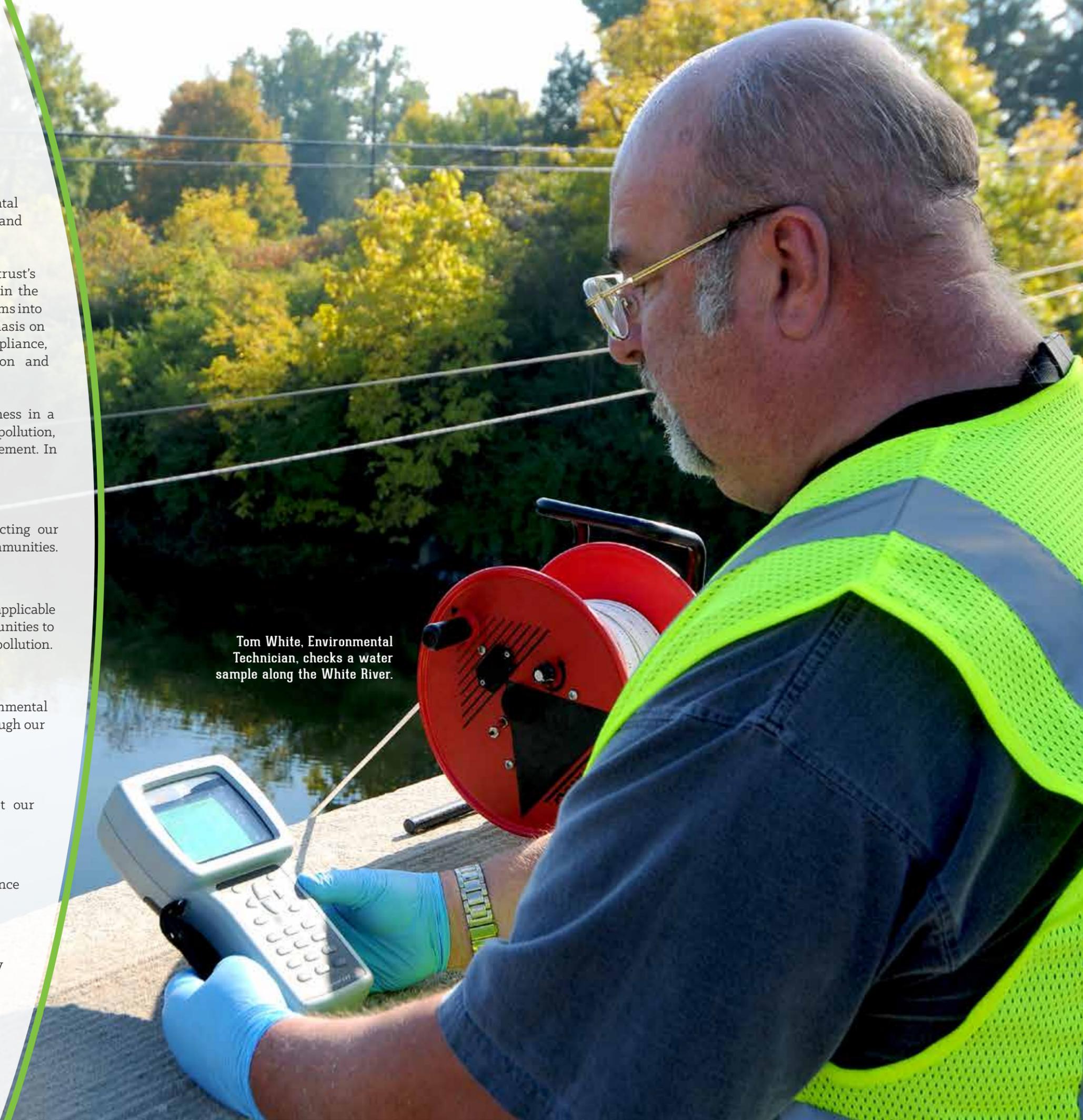
We will document and regularly audit our environmental performance and utilize the results to develop steps to improve our environment.

Communication

We will maintain a constructive and open dialogue with community stakeholders on environmental matters.

Partnerships

We will partner with community based organizations to support initiatives that benefit our environment.

A photograph of Tom White, an Environmental Technician, wearing a high-visibility yellow safety vest and blue gloves, using a handheld electronic device to check a water sample. He is standing on a concrete pier overlooking a river with trees in the background. A red reel of equipment is visible next to him.

Tom White, Environmental Technician, checks a water sample along the White River.

Environmental Management and Quality

At Citizens, we achieve environmental compliance through careful planning, internal assessments and a commitment to operational excellence. Effective data gathering is critical to our efforts. Various monitoring methods, such as in-stack sensors at the Perry K Steam Plant and in-stream water quality monitoring systems, provide real-time information about operational and environmental performance. If deficiencies are identified through our assessments or through unannounced inspections by regulatory agencies, Environmental Stewardship works closely with operations personnel to implement effective solutions.

Citizens utilizes an Environmental Management System (EMS) that includes a collection of procedures, work instructions, process flows, forms, records and practices that provide a framework for compliance. The EMS also addresses how we work to minimize adverse environmental impacts.

The EMS works in conjunction with the company's primary quality programs – Quality Management System (QMS) and ISO 9001 and 14001. The QMS helps us standardize, track, manage and control key processes in water distribution, water production, environmental stewardship and laboratory services. ISO 9001 is a world-wide standard for quality improvement. ISO 14001 is a world-wide environmental standard, which provides a framework for continual improvement, control and regulatory compliance.

Sustaining Our Water Ways

Consent Decree and Long-Term Control Plan

When Citizens assumed ownership of the community's water and wastewater utilities in 2011, it also took full responsibility for compliance with a Consent Decree with the U.S. Environmental Protection Agency (EPA) and IDEM to reduce combined sewer overflows (CSOs) to area rivers and streams.

Citizens' assumption of responsibility for the Consent Decree comes after Mayor Greg Ballard's administration successfully negotiated two amendments to the Consent Decree in 2008 and 2009 that will not only provide cleaner waterways faster than originally planned, but also will save Indianapolis residents hundreds of millions of dollars.

These amendments brought the CSO Long Term Control Plan back into scope, while still meeting the high levels of performance criteria identified in the original Consent Decree. The Consent Decree requires Citizens to capture and treat by the year 2025, 97 percent of the sewage overflows in the Fall Creek Watershed and 95 percent in the White River and other watersheds in a typical year. Overflows will only be allowed for two storms per year on Fall Creek and four storms per year on White River in a typical year.

Currently, when as little as a quarter of an inch of rain falls, combined sewers reach capacity and raw sewage overflows into local rivers and streams. Historically, about 6 billion gallons of untreated sewage had been flowing annually into our rivers and streams, but Long Term Control Plan measures already completed have reduced this volume by nearly 2 billion gallons annually.

Overall, the Consent Decree work is ahead of schedule and more than \$330 million under the original budget. The Consent Decree program has met 81 percent of scheduled milestones and no fines, penalties or violations have been recorded to date.

To meet the Consent Decree requirements, Citizens is designing and constructing a series of five tunnels 250 feet beneath the city that will store up to 250 million gallons of untreated wastewater and storm water until it can be safely treated at our advanced wastewater treatment plants.

The tunnel system is being built in bedrock using a special tunnel boring machine. After the machine bores the tunnel, a concrete lining will be installed to enhance tunnel integrity and reliability. Building the tunnel system deep beneath the city is a lower cost and more effective alternative to near ground designs and it is minimizing disturbances to the community.

In addition, Citizens is expanding its wastewater treatment plants, adding pump stations and building other related infrastructure.



Deep Rock Connector [DRTC]

The 7.6 mile DRTC projects kicked off in May 2012 with tunnel boring commencing on March 15, 2013. Contractor Shea-Kiewit (S-K JV) is currently more than one year ahead of schedule on the \$180 million project with completion projected in July 2016. Mining of the tunnel, now more than four miles complete, is expected to continue through November 2014 followed by lining of the tunnel with concrete, an enhancement provided by the contractor that will ensure the performance of the tunnel. The \$103 million DRTC Pump Station bid in September and is on schedule and under budget.

The DRTC, which will run from near the Southport Advanced Wastewater Treatment Plant in southern Marion County to downtown Indianapolis, will capture and treat the largest volume CSOs on the White River. It also will improve flows between Citizens' two wastewater treatment plants.

Sustainable and green concepts of the DRTC include:

- Eliminating one of two previously planned pump stations, saving customers millions of dollars in upfront capital costs and long-term operating costs
- Improving energy efficiency of operations for cost savings and reduced environmental impacts
- Limiting utility disruptions resulting in further savings

Fall Creek and White River Tunnels

Design of the 3.7 mile Fall Creek and 5.3 mile White River tunnels are currently about 60 percent complete. The \$219 million White River Tunnel is on schedule to be constructed by December 31, 2021 and the \$227 million Fall Creek Tunnel by December 31, 2025. Both projects are under budget.

The Fall Creek and White River Tunnels will nearly eliminate CSOs on Fall Creek and White River between the Indiana State Fairgrounds and the intersection of Fall Creek and White River Parkway where the system will connect with the DRTC. New sewers along White River, Fall Creek and other streams will substantially reduce sewage overflows in neighborhoods throughout the project area.

Lower Pogues Run Tunnel

Design of the 1.9 mile Lower Pogues Run Tunnel recently began. The \$183 million project is on schedule to be constructed by December 31, 2025 and it is within budget. The Lower Pogues Run Tunnel will eliminate significant CSOs on the lower end of the stream in a densely populated residential area.

Pleasant Run Tunnel

Facility planning for the 6.6 mile Pleasant Run Tunnel will begin in 2014, the \$372 million project is on schedule to be constructed by December 31, 2025 and is within budget.

The Pleasant Run Tunnel will address more than 50 CSO points along the stream, which flows through densely populated neighborhoods on the southeast side of Indianapolis.

Southport Advanced Wastewater Treatment Plant

Capacity of the Southport Plant will be doubled from 125 million gallons per day (MGD) to 250 MGD. Design of the primary clarifiers, secondary expansion, wet weather (UV) disinfection, and headworks expansion projects are about 90 percent complete. Bids for these major construction projects are expected this winter. All work on the \$113.3 million project is on budget and ahead of schedule for completion by December 31, 2017.

Belmont Advanced Wastewater Treatment Plant

Secondary treatment capacity of the Belmont Wastewater Treatment Plant has been doubled from 150 MGD to 300 MGD. The secondary expansion has eliminated partially treated sewage overflows of more than 1 billion gallons per year and significantly improved water quality on the White River. Construction of the \$53.6 million project began in March 2010 and was completed on time and within budget in December 2012.

Also in 2012, Citizens Water added an ultra-violet disinfection system to the Belmont Facility as the primary disinfection at the plant. The disinfection system removes dangerous pathogens and other potentially harmful bacteria from the plant's effluent prior to discharge to White River. The ultra-violet disinfection system replaces a chlorination system and the primary disinfection system. The chlorination system is an effective disinfection process, but the process includes chemical residuals that are commonly called disinfection by-products. The new ultra-violet process does not include any significant disinfection by-products, which will have a positive impact on the environmental quality of the wastewater effluent.

Castleton Sewer Relief Project

Finally in 2012, Citizens Water completed a new interceptor called the Castleton Relief Sewer. The new sewer involved the installation of approximately 14,000

feet of larger diameter sewer in the north central portion of Marion County. The project is designed to eliminate raw sewage overflows to Howland Ditch and White River, improve the water quality in Howland Ditch and White River, eliminate basement back-ups in the area, create additional sewer capacity to allow additional development and connect additional homes as part of the Septic Tank Elimination Program.

Consent Decree – What's Next

Citizens will remain focused on implementing projects on schedule and within budget. We will continually update the Long Term Control Plan and develop strategies for expected revisions to water quality standards. Value engineering of the overall program and individual projects is being pursued to maximize environmental benefits while reducing costs. Evaluating green and sustainable solutions is part of this ongoing analysis.

Citizens will continue to communicate with peer cities with Consent Decree programs, to learn from their experiences while sharing our best practices. We are pursuing innovative and nationally unique ideas to reduce costs even further in order to remain financially competitive with other CSO and non-CSO communities.

We recognize that the long-term success of our Consent Decree program and other capital investment programs is also dependent on attracting talented young people to Citizens. As a result we have already engaged colleges and universities including Indiana University, Purdue University, Rose-Hulman, Ball State and Valparaiso to establish internships for students.

The entry shaft of the Deep Rock Tunnel Connector is 250 feet deep.





Septic Tank Elimination Program [STEP]

More than 17,000 homes in Marion County are served by private septic systems. Septic systems have a limited life and eventually fail, leaching human waste into groundwater, backyards and neighborhood ditches and streams. Septic systems are linked to high E. coli bacteria counts in many small neighborhood streams and ditches during dry weather, when children are most likely to play in them.

To address health hazards in our neighborhoods, Citizens is continuing the city's efforts to convert many neighborhoods on septic systems to the sanitary sewer system. Citizens has asked the Indiana Utility Regulatory Commission to continue the STEP program in 2014.

In 2005, the City of Indianapolis stopped using the state's Barrett Law to construct sewers in areas with septic systems. The Barrett Law often forced homeowners to pay more than \$12,000 to connect to the sanitary sewer system. Instead, the city began funding STEP through wastewater rates and connection fees. Today, Citizens is continuing the city's approach to STEP.

In 2008, the City of Indianapolis determined there were about 24,800 homes in Marion County on septic systems. Between 2008 and 2014, about 7,700 homes in Indianapolis and Marion County have been or are in progress to be taken off septic systems as part of the Septic Tank Elimination Program (STEP). This represents a 31 percent reduction in the number of septic tanks endangering local water supplies.

The benefits of STEP are far-reaching:

- Reduced health hazards from dangerous bacteria exposure due to septic system failures in yards and ditches
- Cleaner area streams and neighborhood drainage ditches
- Possibly improved property values when homes with failing septic systems are connected to the sewer system

As a homeowner, there are three main costs prior to and after connecting to the sewer:

1. Construction costs to abandon your septic tank and install a sewer lateral on your property to connect your home to the sanitary sewer. You must hire a licensed and bonded general contractor or plumber to perform the work, and costs for these services are approximately \$2,000 to \$5,000, but vary per property.
2. A one-time connection fee of \$2,530 for single-family homes. The fee is paid in either one lump sum or over five years if the homeowner qualifies for the STEP Financial Assistance Plan. Citizens requires the sewer connection fee and any other permitting fees and charges be paid before construction permits are issued. If the connection fee isn't included in the contractor's bid for the work (the other permitting fees and charges are typically included in contractor's bids), then customers may pay the connection fee using one of the methods described in the section titled "How to Pay the Connection Fee."
3. The customer's monthly sewer bill. In its current general rate case before the Indiana Utility Regulatory Commission (IURC), Citizens has asked for permission to continue the STEP program. Citizens plans to invest about \$20 million per year in STEP, which would extend sewers to 800-1,000 homes annually. This long-term approach will eventually eliminate most of the septic tanks in Marion County, although some will remain in remote areas and in places where it is more practical to repair existing systems. In addition, Citizens has updated the STEP Master Plan. The plan utilizes a variety of factors to determine STEP project priorities including septic tank failure rates, housing density, and proximity to the current sewer system. The primary goal is to maximize the environmental benefits of each STEP project while minimizing the costs. We will continue to refine our evaluation and ranking methodologies as new information arises.

Wastewater Operations and Maintenance

Successful operation and maintenance of the community's wastewater collection and treatment systems is critical to ensuring the protection of human health and the environment. Citizens works with partner United Water to operate the Belmont and Southport Advanced Wastewater Treatment Plants. Combined these facilities have the capacity to treat 450 million gallons per day (MGD) of wastewater. In addition, more than 4,500 miles of sanitary and storm water sewers in Indianapolis and Marion county require around the clock care by United Water.

United Water conducts preventive maintenance such as sewer cleaning, televising, and inspection in an effort to reduce emergency

repairs, minimize sewage overflows and backups, as well as curtail unsafe neighborhood flooding due to blockages and debris. Predictive maintenance also is completed to identify potential problems, and depending on testing results, preventive maintenance is scheduled as follow-up.

Maintenance activities from 2008 through 2012 are recorded in the tables included with this summary. Citizens Water and United Water were recognized in 2012 and 2013 by the National Association of Clean Water Agencies (NACWA) for outstanding operations and maintenance of its wastewater treatment system.

Jamie Dillard,
Director,
Wastewater
Operations, at the
Belmont Advanced
Wastewater Treatment
Plant which is being
expanded to further
enhance water quality
in Marion County.

Sewer Cleaning and Maintenance Summary

Activity	2008	2009	2010	2011*	2012
Sewer line cleaning (feet)	2,075,819	2,270,326	2,097,808	2,221,529	2,028,393
Solids removed during cleaning (tons)	1,583	1,289	2,000	2,454	2,738
Sewer line televising/inspection (feet)	861,084	657,448	1,350,126	1,386,789	1,334,828
Structure cleaning	16,266	31,461	24,067	25,085	39,216
Sewer lines repaired or replaced (feet)	6,558	7,457	9,373	10,178	7,087
Structures repaired or replaced (each)	897	1,122	1,002	978	1,513
Spillway and outfall repairs (each)	51	53	47	72	28
Manhole adjustments (each)	277	438	201	77	233
Combined sewer outfall inspections (each)	49,425	47,756	45,671	45,805	42,782
Ditching (feet)	40,461	40,984	42,272	40,292	23,646

*Citizens assumed ownership of water and wastewater utilities in August 2011.

Service Requests Resolved

Description	2008	2009	2010	2011	2012
Sewer backups or surcharges	153	159	152	117	104
Broken structure*	29	61	54	66	32
Cave-in or depression	421	432	443	597	553
Ditching	44	57	40	58	70
Manhole	80	112	107	132	188
Obstructed (flow) structure	34	25	21	53	23
Odor	20	29	48	14	74
Overflows	163	148	100	226	103
Storm sewer problem or drainage	110	114	118	170	233
All other work activities	692	798	730	930	152
Total Service Requests Resolved*	1,746	1,935	1,813	2,363	1,532

*Includes broken grates only



Sustainable Operations

Citizens is taking a number of proactive measures to promote sustainability and efficient use of natural resources within its operations including:

- **Implementing Energy Efficiency Measures** – In addition to promoting energy efficiency for customers, Citizens has identified and implemented measures in our operating facilities to reduce energy consumption and enhance the efficiency of our operations. Occupancy sensors have been installed in conference rooms and other areas that are not occupied on a regular basis, and lighting fixtures in production areas is being retrofitted with more efficient fixtures that also provide for enhanced workspace lighting for the safety of workers engaged in equipment maintenance. Building energy efficiency measures are also being implemented at the General Office using EPA's Energy Star program as the benchmark for improvements. Energy recovery opportunities are also being implemented, most recently with the installation of topping turbines at the Perry K Steam Plant to capture energy associated with the reduction in steam pressure needed prior to distribution to customers.
- **Voluntary Site Remediation** – Citizens continues to work closely with IDEM to minimize environmental impact from its former Indianapolis Coke operation, which ceased production in 2007. Main plant site investigation activities as well as the operation of interim measures designed to protect the environment are on-going. As the investigation activities are completed, Citizens will remove plant structures and will conduct full scale remediation. The highest and best use for the Prospect site has been identified, recognizing that the remediation and redevelopment process is expected to take several years. Citizens will continue to seek input from all Trust stakeholders as the site is remediated and possible new uses for the site are identified.

- **Recycling** – Citizens has implemented mixed-stream recycling programs at many of our Marion County locations and will be working to deploy the program across the organization (into the new businesses) in the coming year. Mixed-stream recycling supports recycling of aluminum, paper and paperboard, plastics, glass, and many other materials to reduce the future consumption of natural resources.
- **Sustainable Purchasing Decisions** – To minimize the environmental impacts associated with the large volumes of paper used by Citizens for customer bills, a paper supply certified by the Forest Stewardship Council has been identified. This certification is granted to organizations that demonstrate sustainable practices in logging, forest management, etc. For plain paper copiers and printers, Citizens purchases paper with a minimum 30 percent recycled content. Citizens has also engaged a cleaning service that is certified by Green Seal to meet environmental standards for cleaning products to reduce the toxicity, waste, and potential exposures.
- **Vehicle Idling Policy** – The unnecessary idling of gasoline and diesel vehicles wastes fuel, creates air pollution, and causes premature engine wear. This Vehicle Idling Reduction Program applies to all Citizens Energy Group owned or leased motor vehicles and will result in health benefits from cleaner air, cost savings from reduced fuel costs and less wear and tear on publicly owned vehicle. All employees are instructed to avoid all unnecessary vehicle idling. In cases where vehicle idling may be necessary to perform our critical work, it is limited to less than five (5) minutes in any one-hour period. A limited exception to this program is provided where vehicle idling is necessary to power equipment used by distribution and maintenance crews to perform installation, maintenance and repairs, and to provide power to vehicle safety lights and/or directional arrow lights used to direct traffic in the street. Limited idling also is permitted for certain diesel vehicles during cold weather.





Sustaining Our Groundwater Resources

When precipitation reaches a depth where the ground is filled with water, called the saturated zone, it becomes part of an aquifer. The top of the saturated zone is called the water table. Groundwater is susceptible to contamination from a variety of sources including underground containing gasoline and other chemicals; chemical spills; and pollution from landfills.

Citizens Water accesses ground water from nine strategically located wellfields. A wellfield is the land above and surrounding wells drilled into an aquifer; the surface area that contributes groundwater to the aquifer is called a wellfield protection area.

Approximately 60 percent of the state's public drinking water currently comes from groundwater sources, according to the Indiana Department of Environmental Management (IDEM). In addition, groundwater also is expected to be the primary source of drinking water in the future. As a result, Citizens Water and other utilities across Indiana have committed to minimizing the risk of groundwater contamination through best management practices and by educating the public of the need to protect water resources.

Citizens Water has submitted updated Wellhead Protection Plans in Marion and Hamilton Counties, which is implemented in accordance with the state Wellhead Protection Rule and local ordinances. The program involves working with local planning teams and regulators to:

- Map the wellhead protection areas and post signs identifying their locations
- Identifying potential sources of groundwater contamination
- Working with businesses to prevent spills and releases of chemicals
- Prepare contingency plans in case of contamination
- Encourage the public to report potential sources of contamination

Citizens Water also works to educate the public and businesses on ways they can protect groundwater from contamination. Individuals are urged to protect groundwater by adopting these environmentally friendly practices including:

- Keep contaminants stored in a safe place that is off the ground. Chemicals such as furniture

strippers, lawn and garden chemicals, cleaning chemicals and solvents, gasoline, oil, and others all can contaminate groundwater supplies.

- If your home has a septic system, be sure to have it inspected and pumped every three to five years. A system that is not functioning properly can impact groundwater.
- Dispose of unwanted and unused household hazardous waste at an Indianapolis ToxDrop site. A list of Saturday collection locations, as well as special events throughout the year, is available at www.indy.gov/ToxDrop.
- Participate in the city's curbside or drop-off recycling program. Visit www.indy.gov/SustainIndy for details.

Businesses are urged to protect groundwater and prevent pollution in the following ways:

- Develop a spill prevention control and countermeasures plan for chemicals, fuels and lubricants that are stored on site. Train employees and implement the plan in your place of business.

- Maintain an inventory of all on-site chemicals, fuels and lubricants, and ensure that they are stored, used and disposed of properly. Minimize the quantities of these materials that are stored on-site.
- Provide secondary containment for chemicals, fuels and lubricants stored in large containers (55 gallons and larger).
- Have absorbents on hand to help take care of a chemical spill, should one occur.
- If the business has an underground storage tank, ensure that it meets the U.S. Environmental Protection Agency (EPA) and IDEM requirements for release detection, spill and overflow prevention and corrosion protection. Visit www.in.gov/IDEM for more information.
- If the business has a septic system, be sure to have it inspected and pumped every three to five years. A system that is not functioning properly can impact groundwater sources.
- Contact Citizens Water Central Control in case of a chemical or fuel spill inside the groundwater protection area at (317)941-7135. Alternatively, contact Citizens' environmental emergency response number at (317)402-8636.

Sustaining Our Businesses

Quality and Strategic Planning

In the late 1980s, Citizens began pursuing a corporate culture that would focus on continually improving customer satisfaction and enable processes to better complement one another. In the spirit of continuous improvement, we adopted the Criteria for Performance Excellence as our overall improvement framework. Today, our key approaches to continuous improvement comprise the Criteria, the ISO 9001:2008 Quality Management System (QMS) Standards, the ISO 14001:2004 Environmental Management System (EMS) Standards, and Citizens' Performance Improvement Cycle that includes the Problem Solving Process.

We also use other tools to help us improve performance. These include: action learning, process mapping, risk assessments, economic value added, regression analysis (driver models), gap analysis, quadrant analysis, and benchmarking. We engage a number of cross-functional teams at both a strategic and tactical levels to solve problems using our Performance Improvement Cycle, raise organizational awareness and develop policies and procedures. These teams also serve to foster collaboration and provide a venue for developing employee skills.

Citizens is a customer-driven organization, with customer satisfaction embedded into our culture. Our employees understand that the Trust depends on the community and customers we serve. If the community thrives, the Trust survives!

Citizens understands that "If you can't measure it, you can't manage it." Through the Strategic Planning Process strategic objectives and metrics are selected based on gaps in performance or strategic priorities. A balanced scorecard approach is used for alignment and integration of data for tracking performance.



Example of strategic inputs:

- ERM Analysis
- Benchmarking Studies
- SWOT Analysis
- Surveys
- Key Suppliers
- Market Analysis
- Regulatory Analysis
- Trends from Industry Comparative Data
- Current, Historical Performance
- Budget/Forecasting Analysis
- Baldrige Feedback
- Utility News



Performance Results

The Criteria focus on the five key areas of organizational performance. Below are a few of our results.

Product and Process Outcomes

- The 2013 American Gas Association Best Practices Survey shows that Citizens has 99.7 percent plastic or 99.8 protected steel pipe which places Citizens first when compared to a benchmarked group of utilities.
- Citizens' commitment to improve infrastructure positively impacts Water Distribution System Integrity – Total # of Breaks per Mile at lowest level since 2008.
- System Reliability above target (99.5%) for Gas, Steam, Chilled Water, Water and Wastewater.
- Water chemistry impacts the reliability of our chilled water system and customer's equipment. Our water quality, measured by mild steel and copper corrosion rates, exceeds industry standards.
- Gas Residential heating bills are consistently below the 20 city benchmark average.
- Water Asset acquisition, year-one savings achieved are nearly double the year-three target.
- In 2009, Steam installed two topping turbines to produce electricity and lower costs. Steam estimates savings of \$800,000 between 2009 and 2013.

Customer Focused Outcomes

- Our 2012 Gas Customer Satisfaction Index (90% residential, 10% commercial) remains well above peers.
- In 2012, Citizens Gas ranked 1st in the Midwest Midsize Companies in the J.D. Power Residential Customer Satisfaction Index and 2nd among all Midwest Utilities.
- Thermal's Overall Customer Satisfaction remains high at 97% (in 2011).
- Our current Water Customer Satisfaction Rate (taste, smell, clarity, safe/healthy, reliability and conservation) is approximately 80%.

Workforce Focused Outcomes

- Most employees (over 80%) say they are "Proud to Work for Citizens" and are "Motivated to Do Work Well".
- Results for Employee Engagement measures are at or above the National Benchmark for most employee segments.
- Incentives increased health screening participation – 92% in 2012.
- Investments in employee development exceed all industry benchmarks.

Leadership and Governance Outcomes

- Citizens employees contribute to our communities by serving on boards and committees, volunteering their time and talent, and giving generously to the United Way.
- Innovative approaches to community redevelopment and investment have improved the quality of life in our community (\$100M in last 10yrs; unrestricted income).
- Minority/Women Business spending increased to 25% of Addressable Spend and exceeds the industry benchmark of 10%.
- Innovative beneficial reuse of bottom ash at Steam saves approximately 2,515 tons of landfill space and \$350K to-date.

Financial and Market Outcomes

- Citizens Gas, Thermal, Water and Wastewater Divisions have maintained adequate debt service coverage ratios which has resulted in our ability to maintain our excellent bond rating even in this economic downturn.
- Citizens Gas maintains a strong market share (60%) compared to the nation (50%).
- Chilled water continues to grow. Buildings served increased 57% since 2001.
- Citizens helps customers and the community become more energy efficient through rebate, weatherization, and education programs.





Citizens supplies water for the recycling water fountain at the Indiana Statehouse.

Recognition for Quality

For the second year in a row, Citizens Energy Group was honored with the Partnership of Excellence (TPE) top honor, the Platinum, Governor's Award for Excellence.

TPE is Ohio, Indiana & West Virginia's Baldrige-based awards program. TPE assists organizations using the internationally-recognized Criteria for Performance Excellence. TPE's primary product is a comprehensive assessment that helps organizational leaders better understand and prioritize key strengths and opportunities for improvement. While the assessment is the foundation, TPE's main focus is on organizational learning, resource optimization and continuous improvement.

All of the applicants were evaluated rigorously by an independent board of examiners in seven areas defined by the Criteria for Performance Excellence: leadership; strategic planning; customer focus; measurement, analysis and knowledge management; workforce focus; operations focus; and results. The evaluation process for each of the recipients included more than 1,000 hours of review and a three-day site visit by a team of examiners.

Citizens is the first organization to be named a recipient of the Governor's Award two years in a row. Citizens' 2012 recognition only included gas and thermal service, whereas the 2013 recognition honors Citizens for service in water, wastewater, gas and thermal.

Number One in the Midwest for Customer Service

For the third year in a row, customers rated Citizens Energy Group the highest mid-size gas utility in the Midwest for customer satisfaction, according to an annual study by J.D. Power.

"Achieving this honor for the third straight year is extraordinary given the sweeping changes to customer service that we implemented last fall, such as combined billing, a combined call center and combined meter reading for gas, water and wastewater customers. We greatly appreciate the patience our customers have had with us, and we are grateful for their continued loyalty," said Carey Lykins, President & CEO of Citizens Energy Group.

Mike Strohl, Senior Vice President, Customer Relationships and Corporate Affairs, added that the J.D. Power Award is "indicative of the unwavering dedication and commitment Citizens employees have to preserving the utility's 125 year reputation for outstanding customer service."

The J.D Power study, now in its 12th year, measures residential customer satisfaction with gas companies across six factors (listed in order of importance): billing and payment; price; corporate citizenship; communications; customer service; and field service. This is the fourth J.D. Power Award for Citizens.

Sustainable Savings

When Citizens Energy Group proposed acquiring the city's water and wastewater utilities we projected the transfer would achieve \$60 million in annual savings after three years of operating the combined utilities. Savings are well ahead of schedule and plan.

Citizens projects it will achieve \$149.8 million in savings after the first two years of operating the community's water and wastewater systems -- \$111.9 million of savings were achieved in year one, and \$37.9 million in savings are projected in year two. Citizens is required to submit reports to the Indiana Utility Regulatory Commission twice per year for a period of four years that quantify savings achieved from the transfer. Methodology for measuring the savings was agreed upon by the IURC and the Indiana Office of Utility Consumer counselor.

The benefits of these savings are being shared across all five Citizens utilities and they are being achieved while meeting the primary commitments Citizens made to the community when it was entrusted with the community's vital water and wastewater systems:

- **Quality drinking water and well managed water resources** – Amidst the worst drought in 24 years last summer, Citizens ensured safe, high quality drinking water and long-term water supplies.
- **Consent decree compliance** – Citizens remains ahead of schedule on compliance with the federal consent decree to reduce combined sewer overflows to area rivers and streams.
- **STEP program continuing** – Citizens is on track to extend sewers to nearly 8,000 residents in areas of the city where failing septic tanks are endangering human health and the environment.
- **Community dialogue** – Citizens continues receiving input from four public and technical advisory groups concerning ongoing operations and customer service.
- **Supplier diversity** – Citizens is well on its way to achieving supplier diversity goals – 15, 8 and 3 percent of addressable spending with minority, women and veteran owned suppliers. In 2012, Citizens achieved nearly \$90 million in spending with diverse suppliers.

Sustaining Our Systems

Perhaps at no time was Citizens' reputation for system reliability tested more than during the summer of 2012 when the worst drought in 24 years gripped Indiana and much of the nation. Citizens employees worked long hours to keep the water system operating efficiently, including repair numerous main breaks that occurred due to the high system pressures.

Carefully planned inspections, maintenance and replacement programs have made Citizens a leader for providing safe, reliable utility service. These plans are backed by continually updated emergency preparedness plans. Citizens is bringing these same rigorous reliability and integrity metrics to Citizens Water.

Water Operations

In 2013 alone, Citizens will invest about \$63 million in our water system and approximately \$231 million in our wastewater system. Our investments over the next two years on the water and wastewater systems will total nearly \$560 million. Over the next 12 years we will invest about \$4 billion to improve the reliability of both systems and to meet environmental mandates.

Water System Investments:

- A main replacement program
- Review hydraulic network model to identify weak points and install new system improvement piping to provide better flow
- Replace and or install meters at key system locations to allow better monitoring and better system operation
- Repair and replace all out of service system pumps to in service status to minimize overworked segments of system
- Update leak detection program to identify leaks before they become a problem
- Conduct comprehensive system review and develop new demand forecast, hydraulic supply model, and network design model
- Update water supply plan, including an updated conservation plan

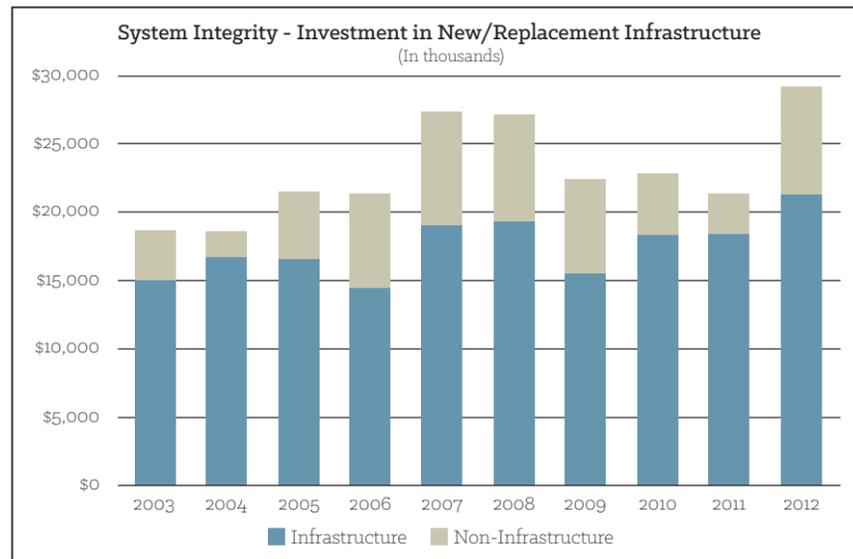
Wastewater System Investments:

- Repair and replacements of aging sewer mains
- Improvements to sewer treatment plants
- Continued work on construction of a combined sewer overflow system to minimize raw sewage overflows into the White River and other area streams

- Continued extension of sewer mains in conjunction with the Septic Tank Elimination Program (STEP)
- Upgrade SCADA monitoring system to assist in the reduction of sewer overflows

Energy Operations

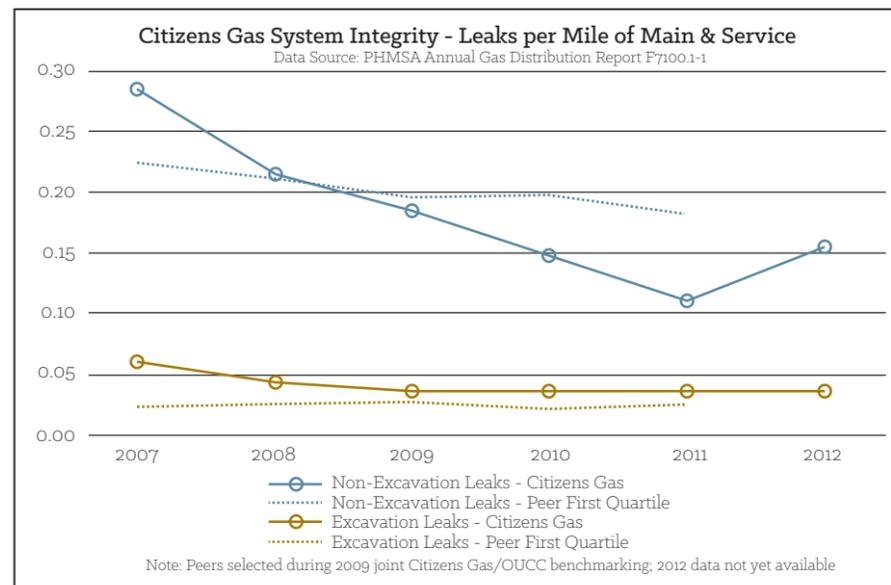
Citizens Gas spends a significant percentage of its annual capital budget on new and/or replacement infrastructure. This significant investment is further evidence of Citizens dedication to maintaining its gas system in a safe and reliable manner.



This chart above shows the capital invested in our gas distribution system infrastructure compared to the total annual capital. On average, Citizens Gas spends approximately \$0.75 out of every \$1.00 of authorized capital on new and/or replacement infrastructure.

Citizens Gas' operational effectiveness centers on its ability to deliver services through a safe and dependable system. This effectiveness is exemplified in the overall integrity of its distribution system that is measured in terms of the number of leaks per mile of pipe.

Leaks caused by a third party (i.e. contractors, homeowners, etc.) have remained relatively constant which is attributed to our ongoing pipeline safety/awareness messages. Non-Excavation leaks continue to decline overall which can be directly attributed to capital investments into the gas system infrastructure. The chart does indicate a slight increase in non-excavation leaks between years 2011 and 2012 due to the gas system density in the area being surveyed. 2011 resulted in the completion of a five year leak survey cycle and a slight increase at the end of a cycle is a normal occurrence. Citizens expects the decline in system leaks per mile to continue in 2012 coinciding with gas



To ensure adequate water supply, Citizens rehabilitated a dam on Fall Creek near 38th Street.



system improvements. We are approaching the 1st quartile 2011 AGA System Reliability Peer Benchmark for excavation leaks of .03 leaks per system mile.

Operating divisions utilize a variety of instruments to monitor the output and quality of the production and delivery processes. These include a Gas Control Center, which monitors system pressures and flows on more than 4,000 miles of pipeline systems, and the Thermal Control Centers at Perry K and West Street Chilled Water, which monitors

Sustaining Our Systems [cont.]

more than 47 miles of steam and chilled water lines. The appropriate parameters are alarmed with visual and audible indications that notify the operators of any process problems. The operators are trained to react to the alarms and correct the relevant problems. In addition, computerized maintenance management systems are used to schedule and record maintenance activities.

Citizens maintains 24-hour remote video monitoring of all key facilities and we have staff available 24 hours a day 365 days a year to respond to customer requests and emergencies.

In addition to this monitoring and response capabilities, we have programmed inspection and maintenance of all gas piping systems, which meet or exceed state and federal laws. All of our work is conducted by employees or contractors who have been qualified under federal requirements to safely perform work on the gas piping system, and to respond to emergencies. In addition, our work is audited and inspected by outside agencies including the Pipeline Safety Division of the Indiana Utility Regulatory Commission and Aegis, our liability insurance carrier. We also subject our systems to audits conducted by third party engineering firms.

Citizens Gas has implemented Integrity Management Programs for our distribution and high-pressure gas pipelines. This is a process of assessing and mitigating pipeline risks to reduce both the likelihood and consequence of incidents.

The Gas and Thermal Divisions test new production or delivery systems off-line to ensure systems operate as intended and the goals for the system are met. In the event off-line testing is unavailable, pilot programs are utilized to fine tune new systems. Similar techniques are used in modifications to boiler control systems and other critical applications so steam and chilled water service interruptions are avoided.

The steam distribution system contains 730 manholes that consist of an assortment of valves, traps, anchors, and expansion joints. These components are scheduled to be inspected

once a year. Data from these inspections are compiled so we can schedule repairs with customer needs in mind. To provide the best service and minimize interruptions of service to our customers we schedule this work to be completed at night, weekends, or sometimes on holidays. Whenever we have one of our main steam lines down for repair, once the work begins it will continue until all repairs are complete.

Citizens Thermal annually performs thermal infrared scans of its entire distribution system, which provides the utility with data to determine locations of existing leaks and “hot spots” within the distribution system that would not be detected at the surface level. Annually, Citizens Thermal spends about \$1,800,000 to repair manholes, replace customer service lines, repair mains, and upgrade the system’s main steam valves and trap assemblies.

Emergency Preparedness

Being properly prepared for an emergency is the first step to ensuring safety and reliability. Citizens uses a risk management process to identify and measure risks, and then develop effective solutions that ensure safety and reliability.

Communications with emergency responders and contractors is key to effective emergency preparedness. Citizens communicates regularly with the local police, fire and EMT providers in the counties in which it operates to continually share information about our respective emergency response plans. For example, each year we hold training luncheons and dinners with emergency responders across our service territories to share the latest information on natural gas pipeline safety. We also periodically hold similar training events with third party contractors and excavators to make them aware of various aspects of pipeline safety.

Citizens also utilizes bill inserts, brochures and print and radio ads to communicate with the general public about water quality, home heating and pipeline safety.



Sustaining our Water Supply

Citizens has both short and long-term plans to sustain our water supplies.

The Citizens Water Wise Plan focuses on ongoing water conservation efforts focused on reducing demand during periods of peak demand. The foundation of this plan is implementation of the Marion County Water Shortage Ordinance through Citizens' Drought Management Plan. The Drought Plan establishes tiers for water conservation measures that are tied to operational factors such as water levels in area reservoirs. The tiers range from a water shortage alert that calls for every other day mandatory water use restrictions to a water emergency that bans most outdoor water uses.

Continual communications with customers is a key factor in ensuring the ongoing success of Citizens Water Wise initiatives.

Citizens also has a water resource planning process that is part of a larger comprehensive resource planning process. The water planning process involves coordinated planning among four functional areas:

- **Water Operations** – Focused on non-profit operations of Citizens Water
- **Corporate Development** – Focused on development of growth opportunities and acquisitions
- **Capital Program & Engineering** – Focused on the efficient, safe and reliable design of capital projects
- **External Contractors** – Focused on efficient, safe and reliable design and construction of capital projects

The water planning process assumes coverage for Citizens' current service area plus wholesale water sales to adjoining communities. The design assumes a moderate drought with no mandatory restrictions on usage. It also assumes a long-term approach to securing supply utilizing a diverse portfolio of options.

About 60 percent of Citizens' supply and production are provided by the White River, Central Canal, Morse Reservoir, and the White River North and White River treatment plants. Fall Creek, Geist Reservoir, and the Fall Creek Treatment Plant provide 15 percent of total supply. Eagle Creek, Eagle Creek Reservoir, and TW Moses Treatment Plant provide 9 percent of supply. The remaining 16 percent is supplied by ground water from Citizens' nine well fields in the White River Aquifer.

Water supply is heavily weather dependent with average daily supply at 140 million gallons per day (mgd) and the all-time record daily supply of 233 mgd, established in late June 2012. During normal weather conditions, the Citizens Water system has 254 mgd available, but during a moderate drought the number falls to 217 mgd.

The planning process predicts peak system demand in 25 years using peak demand trends across the various distribution districts, demographic projections and aggregate pressure demands across the entire system. The analysis predicts .65 percent growth rate in demand, which results in 41 mgd of additional supply needed in 25 years.

Identified water resource options for the next 25 years include water conservation, system optimization, water reuse, local water supply, local water storage, purchased water, water use restrictions, and regional water resources.

The cost of the various water supply options varies widely with local supplies costing \$157 million and regional supplies costing up to \$800 million. The most cost effective supply scenario is using a mix of water conservation, water reuse, system optimization, local supply, local storage, water purchases and water use restrictions. Based on the various available scenarios, Citizens is prepared to meet the long term water supply needs of Central Indiana.





Sustaining our Economy

Sound utility systems are vital to the economic development and quality of life in any community. Safe, reliable and affordable utility services are a key factor in both retaining and attracting businesses to a community.

When Citizens took ownership of these utilities we knew we would need to undertake an extensive and disciplined investment program to upgrade the infrastructure. Water and wastewater investments by Citizens will total nearly \$4 billion over the next 12 years. To put this number into perspective, our investments will exceed the cost of Interstate 69 from Evansville to Indianapolis by about \$400 million.

Specifically our investments break down as follows:

- **Water System** – About \$1.4 billion will be invested in the water system to ensure safe, reliable and high quality drinking water. Investments will be targeted at reducing the 700 costly water main breaks that occur each year.

- **Wastewater System** – Approximately \$2.5 billion will be invested in the wastewater system to prevent combined sewer overflows, extend sewers to areas served by failing septic tanks and improve treatment plants.

While these investments will increase rates significantly, they also will provide tremendous benefits to the U.S. and Indiana economies. Citizens recently commissioned Black and Veatch, a world renowned engineering and construction firm, to undertake a study to determine the economic impact of our water and wastewater investments over the next 12 years. Here are the results:

- **Jobs** – Our water and wastewater investments will create nearly 68,000 good paying jobs in the U.S. including 40,000 jobs right here in Indiana. The estimated average salary of these jobs is more

than \$52,000. Total labor income is estimated at \$3.6 billion, including \$2 billion in Indiana.

- **Boost to U.S. and Indiana economies** – Citizens' water and wastewater investments will increase total economic output of the U.S. by about \$9.5 billion, including a \$4.9 billion boost to the Indiana economy.
- **Nearly \$1 billion in tax revenue** – Citizens' water and wastewater investments will generate about \$243 million in Indiana state and local tax revenues. Our investments also will generate about \$658 million in federal tax revenues, including \$351 million from Indiana.
- **Companies relocating to Indianapolis** – While it is difficult to quantify, large scale public works investments such as the Indianapolis Tunnel System have typically resulted in a number of companies relocating offices to the host city.

While the direct economic impact as estimated by our study is enormous, cleaning up area rivers and streams will have even greater economic and quality of life impacts on our community. As has been seen in other places like New York and Chicago, cleaner rivers and streams help revitalize neighborhoods and whole communities.

Imagine a day in a little over 10 years, when families can enjoy canoeing and fishing on the White River in downtown Indianapolis. Imagine the residential and commercial development that will occur along a clean White River. The people at Citizens that are making these projects happen are genuinely excited about what they are doing because they know their work will have a huge positive impact on our community for generations to come.

Sustaining Thermal Operations

An ongoing project to convert Citizens Perry K Steam plant to burn natural gas rather than coal will sustain our environment and the company's thermal energy business.

Perry K has burned coal since it opened in 1893 as an electric power plant. Today the plant produces steam to heat large buildings and industries throughout the downtown area. Facing increased federal clean air requirements, Citizens has decided to convert the plant's boilers to use clean-burning natural gas produced here in the U.S. Sticking with coal would have required much more extensive renovations to Perry K to meet new federal regulations designed to control a wide range of emissions including sulfur dioxide, nitrogen oxide, and particulates.

Faced with implementing the EPA's Boiler MACT II standards, Citizens determined that it could lower capital costs by approximately \$15 million by modifying the Perry K boilers to burn natural gas.

Natural gas will provide dramatic reductions in the full range of air emissions, including those that form ground level ozone. Natural gas also will reduce greenhouse gas emissions tied to global warming about 45 percent.

The big difference between gas and coal is lower costs for fuel and ash handling. With coal there are higher costs for coal transportation, storage, crushing, and handling. Coal also produces a lot of ash that must be collected, stored, hauled, and properly disposed of. All of these activities mean higher costs. The conversion will reduce annual operating costs about \$5 million compared to operating modified coal boilers that would meet the new clean air standard.

Although the conversion will eliminate 34 positions at Citizens, most or all of the reduction will be handled through attrition.

The conversion to natural gas is not simply a short-term bet on lower fuel costs. Considering all of the factors involved, converting Perry K to natural gas is the sustainable choice for our environment and our business.

Sustainable Growth

Part of Citizens Energy Group's mission is build and renew our businesses to remain competitive, add value and create the greatest long-term benefit for our customers and communities. Citizens is fulfilling this part of its mission by keeping its current businesses financially strong and through acquisitions and the development of new businesses.

Citizens Utilities of Westfield

Citizens Energy Group is excited about creating Citizens Utilities of Westfield to continue the outstanding service

customers have come to enjoy, while ensuring water supply vital to the community's ongoing growth.

Pending approval from the Indiana Utility Regulatory Commission, Citizens will create an integrated gas, water, and wastewater utility for the Westfield community. As we have done with the Westfield Gas system since 2005, Citizens is committed to expanding and upgrading the water and wastewater systems to ensure reliability, water quality, environmental protection and growth of residential areas and businesses in the Westfield area.

The new Citizens Utilities of Westfield will have rates based on the operating costs and system investments necessary in Westfield, not the costs and investments necessary in Indianapolis. While the Westfield City Council has already approved rate increases in each of the next five years, Citizens estimates it will be able to reduce rate increases about 16 percent by the year 2022. Rates will be regulated by the IURC.

With access to nine well fields, three reservoirs and the White River, no water utility in Central Indiana is better positioned to provide water supply security for the people of Westfield. As the largest water supplier in Central Indiana, Citizens' ownership will allow for a more regional approach to water supply planning that will ensure a more sustainable water supply for Westfield and all of the communities that we serve.

Citizens has a proven track record for providing outstanding customer service for newly acquired utility customers, including in Westfield. Citizens Utilities of Westfield customers will enjoy the convenience of a combined gas, water, and wastewater bill, with multiple payment options such as budget billing and online bill payment. Our plans to retain Westfield employees will be a key factor in our ability to provide excellent service and system reliability.

Citizens of South Madison

Citizens Energy Group recently acquired Southern Madison Utilities LLC. (SMU). SMU is a small unregulated utility serving 28 retail customers in Madison County and a small portion of Hamilton County. The utility also supplies wholesale water supplies to the Town of Pendleton, Indiana. Citizens is operating the utility as Citizens South Madison.

The acquisition was attractive to Citizens because it improves water supply diversity in order to ensure reliable water service to customers in the rapidly growing Fishers area and the northeast perimeter of the Citizens Water Service territory. Citizens South Madison pumps about 200,000 gallons of water per day from one well field and treatment plant, but has access to approximately 1.5 million gallons of daily water supply.

Mark Wild, Engineering Project Manager, and Drew McClay, Environmental Engineer, oversee the conversion of the Perry K Steam Plant to natural gas.



Kinetrex – Midwest's Leading Provider of LNG

Kinetrex Energy is positioned to be the leading supplier of liquefied natural gas in the Midwest.

Kinetrex is maximizing use of Citizens' two LNG storage facilities and access to four interstate pipelines. With facilities near Interstate 65, 69, 70 and 74, Kinetrex is strategically positioned to meet regional demand for this clean, affordable and domestically abundant fuel.

Affordable, clean, and domestically abundant, natural gas is growing in popularity for a wide range of markets including transportation, power generation, energy production, and other high-horsepower applications.

- **Affordable** – Growing production of natural gas in the U.S. has resulted in a 68 percent decrease in the price of natural gas over the past six years. Natural gas prices have been very stable over the last five years, compared to petroleum based fuels which

have been highly volatile due to world demand and overseas security threats. For more information see Henry Hub (henryhub.com).

- **Clean** – Natural gas is the cleanest burning fossil fuel, reducing carbon dioxide emissions 30 percent compared to oil-based fuels. For many applications, natural gas will allow you to meet EPA Tier 4 emission levels, helping you avoid additional compliance costs associated with diesel.
- **Abundant** – Thanks to growing production from shale formations, the United States now has more than a 100 year supply of natural gas.

Among Kinetrex's largest customers is United Parcel Service, which recently signed a 2 million gallon month contract with the new company to be its sole LNG supplier in the Midwest.

Supporting a Sustainable Community

Citizens is proud to support environmentally-focused initiatives and events throughout Central Indiana that promote development of a more sustainable community.

Promoting Energy Efficiency

The Citizens Gas rate structure included about \$3.3 million in funding in 2013 for the Citizens Energy Savers energy efficiency programs. Working with our Energy Efficiency Oversight Board, we believe we have developed a portfolio of programs that offer our customers a comprehensive set of tools to better manage their energy costs. Citizens Energy Savers rebates are available to residential and business customers towards the purchase of programmable thermostats and high efficiency natural gas furnaces, boilers and water heaters. Citizens Energy Savers also includes a Business Custom Program that offers incentives for projects to reduce natural gas consumption. The portfolio achieved a net therm savings of more than 1.7 million therms.

Conservation Education Outreach

Citizens continues to educate students on energy and water conservation. In partnership with the Indianapolis Colts and their popular mascot, Blue, Citizens introduced a school education program called Blue is the New Green. Blue and his emcee entertained students with fun games and bright visuals leaving them with a clear message about conservation. The show was presented at 20 Marion County schools in 2012 and more than 7,000 students participated. Citizens also completed our second conservation poster contest for Marion County students in kindergarten through eighth grade. Students were asked to create a poster that demonstrates conservation in their home or community. More than 1,300 students from 65 schools participated.

Conservation Advertising

Citizens has sponsored paid advertising to promote energy efficiency and water conservation. Advertising partners to promote energy and water conservation include the Indianapolis Colts, Indianapolis Indians and the Indianapolis Motor Speedway.

Water Education Outreach

Citizens has begun developing an education outreach program about the water cycle targeted at elementary school children. The program will compliment educational outreach by other organizations such as the Upper White River Watershed Alliance.

Home Energy Challenge Game and Kit Program

This program is a collaborative effort with Indianapolis Power and Light to encourage customers to take the Citizens Home Energy Challenge to learn ways to save energy. In addition to the education piece, the customer is mailed an energy efficiency kit with low flow fixtures and compact fluorescent light bulbs.

Multi-Family Low Flow Fixture Program

We targeted a variety of apartment communities with natural gas water heating and installed low-flow fixtures designed to reduce both natural gas and water consumption. In the low-income apartments we partnered with IPL and those tenants also received compact fluorescent lights.

Low Income Weatherization Program

Citizens continues to provide weatherization services to low income and working poor residents in Marion County. The program provided comprehensive weatherization improvements to 108 low-income households with high energy use. Comprehensive weatherization improvements, such as insulation and new furnaces and water heaters, can reduce a family's energy use nearly 35 percent.

EcoHouse Home Retrofit Program

This collaborative effort between the City of Indianapolis, the Indianapolis Neighborhood Housing Partnership (INHP) and the Department of Energy provided low interest loans for energy efficiency improvements to low to moderate income homeowners in Indianapolis. Through an energy audit, projected energy savings from improvements was determined. Citizens provided incentives to help offset the cost of insulation and air sealing measures up to 50% of the cost with a maximum incentive of \$1,600 making the monthly loan payment more in line with monthly energy savings.

SWEEPS Program

This program includes a partnership with the City of Indianapolis and Department of Energy and is co-funded by Indianapolis Power & Light. Through this partnership, participating homeowners within the Near Eastside Neighborhood of Indianapolis will be provided with an Income Qualified Weatherization (IQW) Energy Audit, associated Audit Report, and health and safety check of their home. Participants will receive energy efficient upgrade measures including air sealing, direct install measures, and attic insulation.

Be WinterWise Event

For the past six years, Citizens Energy Group has sponsored a Be WinterWise Event during a Saturday in October. Customers attending the event have received information about energy conservation and safety. They also are eligible for free Lowes gift cards, free furnace checkups, and free smoke alarms and carbon monoxide detectors. This year Be WinterWise participants also received information on how to conserve water.

White River Cleanup

Citizens is the lead sponsor for this annual event which has removed hundreds of tons of trash from the banks of the White River on a Saturday in April for the past 20 years.

Earth Day Indiana

Citizens is a proud supporter of the Earth Day Indiana Festival where we have provided Indiana residents valuable information on how to conserve energy and water in their homes.

Reconnecting to Our Waterways

Citizens plays an active role in Reconnecting to Our Waterways a grassroots movement that is helping neighbors strengthen local waterways, and in turn, helping waterways strengthen neighborhoods.

Youth Outdoor Exploration

Citizens helps sponsor the Youth Outdoor Exploration, formerly the Dirty Dozen Hunting & Fishing Club. The Exploration provides outdoor programming for inner city youth focusing on conservation, fishing and hunting methods and safety.

Department of Natural Resources Fishing Pond

Citizens sponsors the very popular fishing pond at the Indiana State Fair through which the Indiana Department of Natural Resources promotes fishing throughout the state.

Supporting Sustainable Neighborhoods

Citizens supports development of sustainable communities through our work with Local Initiatives Support Corporation (LISC). We are a long time contributor and active participant in LISC's Indianapolis programs and projects including the Center for Working Families (CWF) and Quality of Life Initiatives (QoL). We also are active supporters of the 6Great Indianapolis Neighborhood Initiatives (GINI) Steering Committee.

In partnership with the Indianapolis Colts and their popular mascot, Blue, Citizens recently introduced a school education program called Blue is the New Green. Blue and his emcee entertain students with fun games and bright visuals leaving them with a clear message about conservation.





www.citizensenergygroup.com