

Citizens Thermal Update

A Division of Citizens Gas & Coke Utility

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Citizens Thermal Keeps Expanding as Ratings Agency Improves Outlook



As Citizens Thermal Energy continues to expand its system, Fitch Ratings, the international credit ratings agency, has given a vote of confidence to the company's low cost and competitive services.

Fitch recently affirmed its "A-" rating on Thermal's series 2001 A revenue bonds and upgraded their outlook to "Positive." Fitch attributes the positive outlook

to "the system's success in realizing expected financial results, customer growth and operational synergies with other city business segments."

The ratings service added that continued successful execution of the company's business plan makes a rating upgrade to "A" likely. "Positive support for the rating derives from the system's low cost and competitive products and from the strong local economy," the ratings service said.

Citizens Thermal operates one of the nation's largest district steam and cooling systems. The company produces steam at its Perry K Steam Plant located Downtown across from Victory Field. Steam from this plant provides energy to more than 200 buildings and industries in the Downtown Indianapolis area. Citizens Thermal also operates two chilled water plants that provide air conditioning to more than 60 buildings in the Downtown area. Anchor customers of Citizens Thermal include the RCA Dome & Convention Center, Eli Lilly, General Motors, National Starch and the growing campus of Indiana University-Purdue University Indianapolis.

The positive outlook from Fitch is great news for Citizens Thermal and its customers, according to Bill Tracy, Vice President of Market Development. "Maintaining and possibly improving our already high credit rating means

we are able to hold down financing costs necessary to operate and expand our business," Tracy said. "While most energy companies have suffered credit downgrades over the past couple of years, Citizens Thermal looks forward to improving its financial standing while it continues to expand its system and maintain low rates."

Watch Us Grow!

Tangible evidence of Thermal's successful business strategy is currently evident in the form of system expansions on both the north and south sides of Downtown.

This winter Citizens Thermal Energy is expanding its district cooling business by extending chilled water mains to the north and south in the Indianapolis Downtown market. Work is

(Continued on page 2 and 3.)

*"Maintaining and possibly improving our already high credit rating means we are able to hold down financing costs necessary to operate and expand our business."
-- Bill Tracy, Vice President of Market Development*



A backhoe digs another trench for two 30-inch diameter ductile iron pipes that will carry chilled water to the National Headquarters of the American Legion and the Central Library Branch.

Clearing the Air Planning for Environmental Compliance

Editor's Note: Our newest column, Clearing the Air, will appear periodically to update our customers on activities at the steam plant to ensure compliance with the environmental laws and regulations.

NOx SIP Call, MACT, BART, NSR, RMRR, NAAQS ... The U.S. Environmental Protection Agency has created a veritable alphabet soup of programs that have the potential to impact the boilers at the Perry K Steam Plant over the next 5-7 years. The goal of these programs is to ensure continued improvement in air quality. The challenge for Citizens Thermal Energy is to develop a strategy to meet these new environmental program requirements while remaining a low-cost energy source for our customers.

The steam plant realized a reduction in emissions with the conversion of three of the boilers from coal-fired to coke oven gas/natural gas fired in the late 1990's. Case in point: during the summer, nitrogen oxides (NOx), interacts with volatile organic compounds to form ground-level ozone, commonly known as smog. NOx is a by-product of the combustion of fossil fuels. The reductions in NOx realized by the fuel switch will help the steam plant meet the required emission cap on NOx emissions during the summer ozone season without the construction of very large, very expensive, catalytic reduction devices that are being retrofitted onto many of the coal-fired boilers in Indiana.

In order to develop a comprehensive, long-term compliance plan, Citizens Thermal Energy has hired an outside engineering firm to assist with the evaluation of the regulatory programs and the status of the steam plant with respect to each of the programs. For example, the Maximum Achievable Control Technology, or "MACT" standard, will require reductions of mercury, particulate matter and hydrogen chloride from the coal-fired boilers. We have collected emissions data from the boilers, and the engineering firm is helping to design a set of compliance strategies upon which we can base future technology decisions and capital expenditures.

The first phase of this study included a rough order of magnitude evaluation of nine different strategies for meeting the regulation requirements. These nine strategies have been pared to four for continued evaluation and cost estimates during phase two of the study, which is nearing completion. With the results of this study, Citizens Thermal Energy will evaluate the impact of each option on all of the stakeholders in the process, including the customers of the district energy system.

In future columns, we will bring information to you on the various environmental programs and our strategies for long-term compliance.



Citizens Thermal Energy's Perry K Steam

Expansion (Continued from page 1)

already well under way with the expansion to the north. Two 30" diameter ductile iron pipes are being installed north along the American Legion Mall extending the system to meet the needs of the new Central Library Branch of the Indianapolis Marion County Public Library. The expansion also will serve the National Headquarters of the American Legion.

Once the extension to these buildings is complete, Citizens Thermal will continue to extend the lines north and west toward the north end of the Downtown Canal. Clarian is building a Consolidated Laboratory at the north end of the downtown canal. Clarian has signed an agreement requesting both chilled water and steam for the building, which is scheduled to be occupied in late 2005 or early 2006. Citizens Thermal plans to eventually serve the new buildings in that area, which are part of the planned Bio-Science initiative currently being developed.

Citizens Thermal Energy also is expanding its chilled water system south from the Downtown business district area towards the Lilly Corporate Center campus. Two 36" ductile iron pipes are being installed south along Delaware Street. This construction



Keeping traffic moving is an ongoing challenge during the chilled water system expansion near Conseco Fieldhouse.

Snow melt systems make driveways and sidewalks safer

Automatic snow melt systems in sidewalks and driveways are bringing comfort, convenience and safety to Downtown Indianapolis.

These systems eliminate the need to shovel snow or scatter salt on the sidewalks and driveways. They lessen the liability issues of someone slipping on an ice-covered sidewalk, the housekeeping problems of salt and sand being carried into buildings, and the potential damage related to using the corrosive ice melting materials. Given all the positive values, more building owners are finding the installation and operating costs of snow melt systems justified.

The systems work by installing polymer (plastic) coils in the sidewalk prior to pouring the concrete. The sidewalk installation will also include temperature and moisture sensors to activate the heating system when the conditions are right for the accumulation of snow and ice.

The coils contain a water and glycol solution similar to the antifreeze coolant in automobiles. When the conditions call for operation of the heating system, the glycol solution is pumped through a heat exchanger that heats the solution to a temperature of about 135°F. This warm glycol is then pumped through the coils in the sidewalk at a rate adequate to keep the surface of the sidewalk just above the freezing point. The heat source for the heat exchanger is typically steam supplied by Citizens Thermal Energy in the downtown business district or may be provided by a natural gas-fired hot water boiler if district steam is not available. The systems also typically keep the surface dry by evaporating the moisture that does collect on the sidewalk.

Snow melt coils also work well when installed under asphalt surfaces, stairways, or sloped driveways. The installed cost of the snow and ice melting systems are typically \$7.50 to \$13 per square foot of area, depending on the overall size of the area and the surface material. The operating costs will vary depending on the weather conditions and the heating source, but convenience and housekeeping savings typically justify the costs of operating the systems. If you would like more information on the installation and operation of a snow and ice melting system, please feel free to call us at 317-927-4360.

No More Snow



A snow melt system is installed in the sidewalk at 300 North Meridian Street in Downtown Indianapolis. A similar system is planned for the front entrance of the expanded Indianapolis Marion County Central Public Library currently under construction.

Expansion (Continued from page 2)

project recently began in the intersection of Pennsylvania and Washington Streets, located near the Lilly campus. This particular project should be complete around May 1, 2004.

“The current expansions are the first of several system expansions we expect to complete in the near future. We know providing low-cost heating and cooling services is a major factor for continued economic growth across Downtown Indianapolis. Our low-cost energy services help existing Downtown entities grow and are a key factor in helping the city attract new business and industry,” Tracy concluded.



A worker uses a torch to thaw ice that has formed on a section of iron pipe for the chilled water expansion.

Mark Your Calendar

Chilled water customers are invited to a luncheon meeting on Tuesday, March 23 at the Indiana Convention Center -- Wabash Ballroom 1. After a business update, a tour of the Citizens Chilled Water Facility on West Street will be offered. Look for details in your mail.



We Want To Hear From You!

Your comments and suggestions on topics that are of interest to you will help us develop a more effective newsletter to meet your needs. Please e-mail ideas and suggestions to Jerri Patton in our Sales & Marketing Department at Jpatton@CGCU.com.

New Customer



The new Hilton Gardens Inn at the corner of Pennsylvania and Market Streets has opened and is being served by Citizens Thermal. The hotel is using both steam and district chilled water.

Steam and Chilled Water Service Telephone Numbers

Dave Toombs,
Thermal General Manager,
317-927-4356 (office)
317-727-1342 (cell)

Jamie Dillard,
Assistant General Manager
317-927-4360 (office)

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

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

Jeff Hansen, Manager
Customer Services and Distribution
317-693-8704 (office)
317-695-2019 (cell)

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

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

Jim Teso, Facilities Manager
(Chilled Water Operations)
317-236-6702 (office)
317-695-0145 (cell)

Other telephone numbers: Marketing - Steam and Chilled Water

Bill Tracy, Vice President,
Market Development
317-927-4534 (office)

Jeff Harrison, Director,
Market Development
317-927-4791 (office)

Lane Dunagin,
Industrial Sales Consultant
317-927-4347 (office)
317-694-2776 (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
317-261-8807 (office)
317-431-4414 (cell)

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



Employee Spotlight - Jeff Bales

Jeff Bales works at our Perry K station as a Plant Welder. He welds steam lines, does structural welding, and some maintenance work. Getting the job done right is Jeff's focus every day. Jeff also knows safety is very important when doing this kind of work. Jeff loves the work environment at Perry K as it provides him with freedom for him to do his work.