

Citizens Thermal Update

A Division of Citizens Gas & Coke Utility

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New Chilled Water Plant Construction is Moving Right Along

Citizens Thermal Energy's chilled water system expansion is well underway with the construction of its new plant at 821 N. Illinois Street. The plant, which is scheduled to be completed in late June, will start providing chilled water to be used for process cooling and air conditioning by new and expanding buildings in the Downtown Indianapolis area this summer.

The new chilled water plant, which will initially add 4,000 tons of cooling capacity, is part of a more than \$7 million CTE chilled water system expansion project that has been underway since late last year. The plant will help serve the growth of various Downtown facilities, including the new Clarian Clinical Laboratory Building and the Indiana University Medical Information Sciences Building. Both facilities will be major anchors of the growing life sciences industry in Indianapolis, and are currently under construction on the northwest side of Downtown. CTE will provide steam and chilled water services to both buildings.

"The construction of the new chilled water plant is progressing nicely. The six cooling towers have been installed, and the chillers should be installed and ready for service by the third week in June," says Jamie Dillard, CTE Assistant General Manager. He adds, "The trees and shrubs are in, and we're in the process of putting up the ornamental fence that will enclose the property along its boundaries on Illinois and West Streets."

The completion of the new plant will add some much needed capacity to CTE's chilled water system, and reinforce our ongoing commitment to provide our customers with the highest possible levels of reliable and effective energy services.

"With the addition of our new facility, we will have plenty of chilled water to meet our customers' peak needs this summer," says Bill Tracy, Senior Vice President of Operations for Citizens Gas & Coke Utility. "The new plant will also provide us with substantial growth potential. Although the new plant's initial chilled water capacity will be 4,000 tons, the facility is designed to grow to approximately 24,000 tons in the future," Tracy concludes.



Looking north: Trees, shrubs and an ornamental fence will enclose the property along Illinois Street.



(Left) The six cooling towers have been installed and workers are preparing to connect the lines that run to the refrigerant condensers on the chillers.

(Below) Workers install supports for the piping that will connect to the chillers.



Citizens Thermal Energy Continues to Earn Customer Loyalty

The results of the Citizens Thermal Energy (CTE) Customer Relationship Assessment for 2005 indicate high levels of customer satisfaction and loyalty.

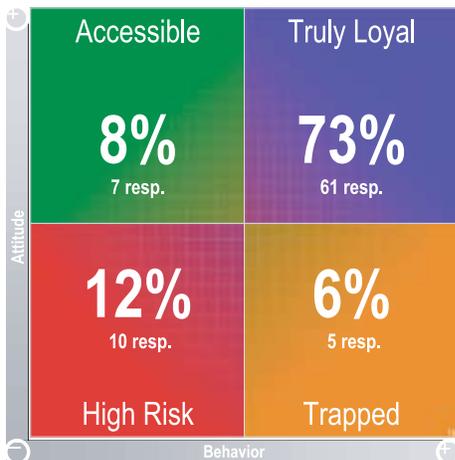
The study was conducted to quantify customer loyalty by sector, identify customer service improvement priorities and compare CTE's performance with prior years.

Interviews were conducted by Walker Information's call center during a three-week period from January 24, 2005 to February 11, 2005. A total of 89 customers responded for a 35 percent response rate, and 63 of the respondents were steam only customers, 23 were steam and chilled water customers and three were chilled water only customers.

The following points represent some of the assessment's key results:

- 100 percent of the sampled customers said their experience with CTE met or exceeded their expectations. This is clear endorsement of CTE's success in consistently providing its customers with good service.
- CTE's image ratings continue to be very strong. Reputation perceptions rose in 2005 and are now significantly improved over 2002 levels.
- Value perceptions are continuing on an upward trend and nearly 50 percent of customers said CTE offers "excellent" or "very good" value.
- CTE's work in the community is now viewed by customers as a component of their customer care focus.

The analysis presented customer loyalty in four different segments. Nearly three-quarters (73 percent) of CTE customers are "Truly Loyal." Truly Loyal customers do not plan to investigate energy alternatives and are unlikely to consider alternatives when presented with them. The next largest segment are "High Risk" customers. These customers do plan to investigate alternatives and will consider alternatives when presented to them. These customers will need "special handling" in the coming year in an effort to convert them to "Truly Loyal."



Other indications of customer loyalty are their likelihood to recommend CTE and likelihood to continue as a customer. The likelihood of customers recommending CTE to other businesses is at 75 percent, its highest point in three years. The prospects of customers continuing to do business with CTE are strong and stable, with nearly 4-out-of-5 (79 percent) planning to continue their CTE relationship.

"While CTE has a very high percentage of Truly Loyal customers, there are opportunities for further improvement," says Linda Johnson, Citizens Manager of Market Research. She adds, "From analyzing the attitudes and perceptions of CTE's customers, it is clear that they are pleased with the division's commitment to be customer focused. This is a strength that should be further reinforced in the marketplace through communications with our current customers, as well as throughout the sales process."

Bill Tracy Promoted to Senior V.P. at Citizens Gas & Coke Utility

Citizens Gas & Coke Utility has announced that Bill Tracy has been promoted to Senior Vice President of Operations, assuming overall responsibilities for the utility's Gas and Thermal Divisions.



Tracy, who had been Vice President of Market Development, will retain responsibilities for marketing and new business development for the utility. He will report to Carey Lykins, Executive Vice President and Chief Operating Officer.

"Bill Tracy has considerable experience in operations management having directed our Thermal Division when it was part of Indianapolis Power & Light. He also has been very successful in establishing and maintaining key customer relationships. Bill's combined talents in operations and marketing will help the utility grow its Gas and Thermal Divisions," said Lykins.

Tracy joined Citizens Gas in 2001 as Vice President of Market Development after the utility acquired the thermal energy assets of IPL. Tracy joined IPL in 1967 as an electrician at the Perry K Steam Plant. He advanced through numerous positions of increasing responsibility, culminating in his promotion to Vice President of Thermal Systems. He also served as Vice President of Operations for Mid-America Energy Resources and Indianapolis Campus Energy and was President of Cleveland Energy Resources, all wholly-owned subsidiaries of IPL.

Tracy attended Indiana University and Purdue University Indianapolis focusing on engineering and management studies.

Where Have The Dogs Gone?

After the last two cool summers, you may be asking, whatever happened to the dog days?

When the Dog Days Began

In ancient times, Europeans viewing the night sky played connect the dots with the stars to come up with what we now know as the constellations. They saw images of bears, (Ursa Major and Ursa Minor), twins, (Gemini), a bull, (Taurus), and dogs, (Canis Major and Canis Minor).

The brightest of the stars in Canis Major (the big dog) is Sirius, which also happens to be the brightest star in the night sky. In July, Sirius, the “dog star,” rises and sets with the sun, and the ancients believed that its heat added to the heat of the sun, creating a stretch of hot and sultry weather. They named this period of time, from 20 days before the conjunction to 20 days after, “dog days” after the dog star.

Today, the dog days occur during the period between July 3 and August 11. Although it is certainly the warmest period of the summer, the heat is not due to the added radiation from a far-away star. Instead, the heat of summer is a direct result of the earth’s tilt.



Will the Dog Days Return This Year?

Well, if you’re looking for a straight answer from the National Weather Service, you’ll be sadly disappointed.

Once again the NWS has used your tax dollars to boldly predict “a 50 percent chance for warmer or cooler than normal weather across the Midwest this summer.” Here’s another prediction from the NWS: “The weather in the Midwest figures to be highly variable again this summer with alternating warmer and cooler than normal periods.”

Of course if the dogs do return, Citizens Thermal Energy will have enough chilled water to meet customers’ cooling needs.

Fuel Mix Helps CTE Mitigate Rising Energy Prices

A diverse fuel mix is helping Citizens Thermal Energy control costs as market prices for coal and natural gas remain quite high.

In 2004, about 44 percent of the steam distributed by CTE was generated by the Covanta municipal refuse incinerator. The fuel mix for CTE’s Perry K Steam Plant was about 27 percent coal, 20 percent coke oven gas, 8 percent natural gas and 1 percent fuel oil.

CTE currently burns low-sulfur Illinois basin coal produced at a mine near Farmersburg, Indiana. Prices for Illinois basin coal have risen nearly 40 percent since early 2002.

Also, a more than 50 percent increase in the market price for Appalachian coal used at Indianapolis Coke, has raised the cost of coke oven gas supplied to Perry K.

The U.S. Energy Information Administration (EIA), indicates that coal prices are rising due to a number of factors including:

- Huge increases in demand for coal and coke in China, which is experiencing rapid economic growth and industrialization;
- Increased exports of U.S. coal to meet demand in other developing countries and Europe. The weak U.S. dollar is encouraging U.S. coal producers to export coal; and
- Recovery of the U.S. economy, which is increasing electricity demand.

Coal prices and supply are also being impacted by production problems at U.S. mines, a shortage of miners, and frequent problems at the railroads and barge companies.

Meanwhile, natural gas prices continue an upward trend which began five years ago. EIA predicts natural gas will average \$7.01 per MMBtu in 2005 and \$7.33 in 2006.

Natural gas prices are being driven higher by:

- Increased demand for natural gas because of its superior performance in all home uses;
- Increased demand for gas among power generators facing stringent federal clean air standards.
- Federal environmental policies that have restricted development of natural gas supplies throughout the U.S.

While energy analysts don’t expect energy prices to fall to levels of five years ago, analysts expect there may at least be a small reduction of natural gas prices over the next few years as imports of liquefied natural gas (LNG) continue to grow.



U.S. coal mines are struggling to meet demand.

New Managers Named at Citizens Thermal Energy

Jeff Hansen has assumed the position of Facilities Manager for Citizens Thermal's Chilled Water Plants and Bob Asher is the new Thermal Customer Service/Distribution Manager.

In his new role, Hansen is responsible for the West Street facility, the ICE Plant, the new Illinois Street Plant and CTE's three satellite plants.

Hansen joined Citizens Gas in 2000 when the utility acquired the thermal energy assets of Indianapolis Power & Light. Hansen had been Manager for Chilled Water Plants at IPL and became Customer Service and Distribution Manager for Steam after joining Citizens. In addition, Hansen has been a member of Citizens Sarbanes-Oxley Team responsible for

completing documentation and testing internal controls for compliance with the new accounting standards.

"Jeff has proven expertise in managing chilled water plants and considerable knowledge of HVAC systems. Jeff's experience and knowledge will be great assets as we continue to expand our chilled water business," said Dave Toombs, General Manager of Citizens Thermal.

Meanwhile, Asher's responsibilities include leadership and management of the customer billing, customer service, and the steam and chilled water distribution systems at CTE. Asher had been Project Coordinator for CTE at the Lilly Greenfield site since joining CTE in 2002. Prior to working for CTE, Asher



Bob Asher



Jeff Hansen

spent 20 years with the U.S. Navy retiring as a Senior Chief Gas Turbine Specialist and as the Principal Assistant to the Department Head.

"Bob's extensive background in budgets and cost control, combined with his leadership ability will continue to enhance the function and capability of Thermal customer service, billing, and distribution systems," Toombs said.

Employee Spotlight - Jeremiah Ward

If Jeremiah Ward is not doing his job right, many customers would notice right away. Jeremiah is a Control Operator in the Steam Plant. One of the most important things he does is maintain a constant flow of steam to customers. He also monitors steam temperature to be sure the right temperature gets to the right place! If something is needed after hours and the customer service line is called it's Jeremiah or another Control Operator that will answer the call. He will take the customer's feedback and use the information to correct the problem. Before coming to Thermal eight years ago, Jeremiah worked at Citizens' Indianapolis Coke facility. He enjoys the controlled environment his position offers and likes being part of something



that has an affect on so many people. When not working, he enjoys racing four-wheelers and spending time with his 2-year-old son.

Steam and Chilled Water Service Telephone Numbers

Dave Toombs,
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317-927-4356 (office)
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Sharon Connell,
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Toll Free Number - Customer Service & Billing
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Jeff Hansen, Facilities Manager
(Chilled Water Operations)
317-236-6702 (office)
317-695-2019 (cell)

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

Bob Asher,
Customer Service Distribution Manager
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317-431-3256 (cell)

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

Other telephone numbers: Marketing - Steam and Chilled Water

Bill Tracy, Senior Vice President,
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Steam and Chilled Water Service Emergency Contacts:

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