



Annual Financial Report 2023

Management Discussion & Analysis

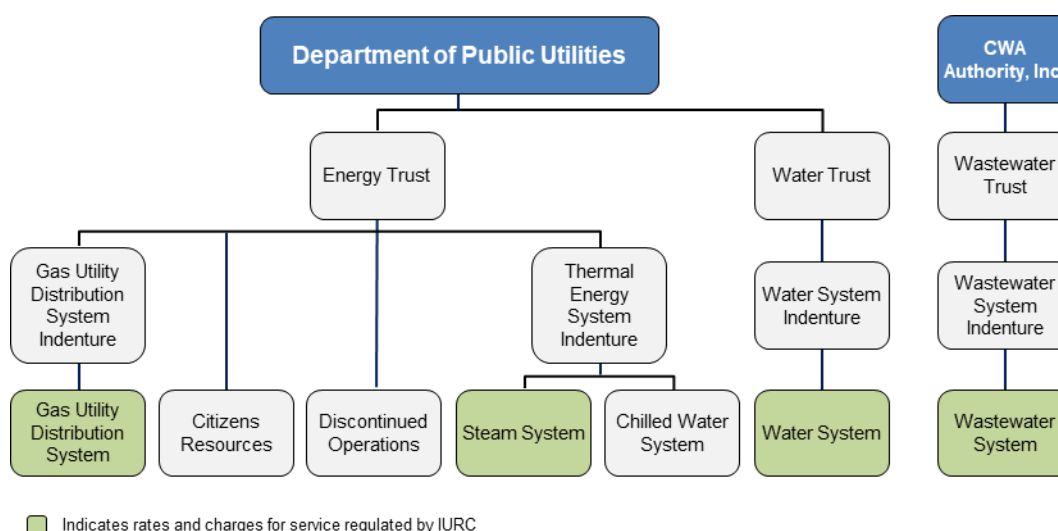
MANAGEMENT DISCUSSION AND ANALYSIS

Forward-looking Statements

Certain matters discussed in this report, except historical information, include forward-looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates, are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements contained in this Management Discussion and Analysis would prove to be accurate. We do not undertake to update or revise any forward-looking statement as a result of future events, new information, or otherwise.

Organization Structure

The chart below provides a diagram of the organization structure of Citizens Energy Group and CWA Authority, Inc. (CWA). The organization structure is further described and explained below the chart.



Citizens Energy Group (Citizens) is the trade name in which the Department of Public Utilities of the City of Indianapolis, Indiana (the Department) acting by and through its Board of Directors (the Board) for Utilities functions. The Department was formed in 1929 pursuant to a state statute (now IC 8-1-11.1, the Act) adopted by the Indiana legislature to provide the governance structure for the City of Indianapolis to act as a successor trustee of a public charitable trust (the Energy Trust) providing natural gas utility services in the City of Indianapolis and to own and operate other utility systems serving areas within and outside the City of Indianapolis. The Department is the governmental entity that owns the Energy Trust and Water Trust assets described below. Each trust is not an entity, but rather defines the nature in which the assets are held by the Department and the obligation imposed upon the Department to manage and operate those assets in accordance with the trust purposes which include the obligations to operate the facilities in public trust for the benefit of the inhabitants of Marion County, free from the influences of partisan political control or private interests. To preserve freedom from partisan political control, the Act creates the Board of Trustees (the Trustees) as a self-perpetuating body entrusted with the power to appoint the members of the Board annually. This two-board structure provides for oversight of the Board by the Trustees. Further, the Act intentionally insulates the Department from political control by isolating the two boards from the Mayor of Indianapolis or the City's legislative bodies.

The Gas Utility Distribution System, the Thermal Energy System, Citizens Resources, and certain other properties are subject to the Energy Trust. The Water System is subject to a separate public charitable trust (the Water Trust) that operates in substantially the same manner as the Energy Trust.

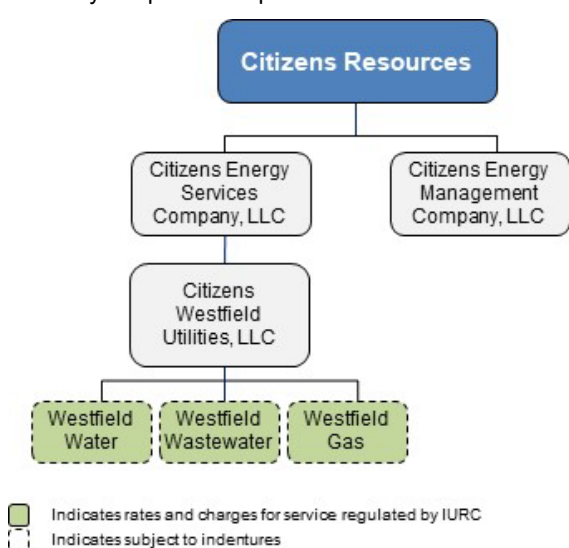
The Wastewater System is owned by CWA, a separate nonprofit corporation, which through an interlocal agreement entered into by and among Citizens, the City of Indianapolis, and the Sanitary District of the City (the "District"), acting by and through its Board of Public Works, pursuant to Indiana Code 36-1-7, has the power to exercise all rights and powers of Citizens, the City, and the District in connection with the provision of wastewater utility services, excluding in the case

of the City and the District, taxing power and taxing authority. CWA's board of directors comprises the same individuals who serve on the Board. The Wastewater System is managed by employees of Citizens under an operating agreement between Citizens and CWA. CWA is subject to a separate public charitable trust (the Wastewater Trust) that operates in substantially the same manner as the Energy Trust and the Water Trust.

Separate indentures exist to issue debt obligations for the Gas Utility Distribution System, the Thermal Energy System, the Water System, and the Wastewater System. Each indenture captures only the revenues from the respective System, pays the operating expenses of that System and then debt service on revenue bonds of that System. This structure is designed to achieve the desired separation of each System from other Systems or business segments owned or operated by Citizens and CWA. Each indenture permits Citizens or CWA, as applicable, authority to use residual revenues for other purposes permitted by the language of the respective indenture. Citizens' water indenture and CWA's wastewater indentures, however, permit only the use of the excess revenues for the water and wastewater systems, respectively.

In addition, as described above, each trust (i.e., the Energy Trust, the Water Trust, and the Wastewater Trust) exists separately from the other trusts. Thus, there are three separate public charitable trusts, each with a governmental entity serving as the trustee (the Energy Trust and the Water Trust assets being owned by the Department and the Wastewater Trust assets being owned by CWA). These separate trusts are designed to insulate one trust from liability for obligations of another trust, based on basic trust principles that two separate trusts do not become jointly liable solely because the same entity is the trustee of both.

The result of the foregoing is that Citizens and CWA have five distinct cash flow sources in which debt is isolated: (1) the Gas Utility Distribution System; (2) the Thermal Energy System; (3) the Water System; (4) the Wastewater System; (collectively, the four Systems) and (5) Citizens Resources. The cash flow for the four Systems is governed by the respective indentures for each System, which restricts the use of income and revenues of a respective System to the payment of operating expenses and debt service of the respective System before allowing any other use of funds by the System. The fifth source, Citizens Resources is a separate corporation whose stock is owned by the Department in its capacity as trustee of the Energy Trust. The preservation of the corporate organization form of Citizens Resources and its ability to operate for-profit businesses in furtherance of the Energy Trust purposes was specifically authorized by the



Act. The assets, liabilities and operations of Citizens Resources are by design isolated within the separate corporate structure of Citizens Resources, as a subsidiary corporation of Citizens, and each of the direct and indirect subsidiaries of Citizens Resources is a limited liability company or corporation designed to limit the liability of the immediate parent to its investment in the subsidiary.¹ Those structures do not insulate the parent from liability for an express assumed contractual liability or guaranty or for the parent's own acts or omissions. In addition to the separate trusts for the Water System and the Wastewater System, those structures along with certain provisions of the Operating Agreements and applicable trust indentures of such subsidiaries of Citizens Resources are the primary protection of Citizens' cash flow from any financial losses in Citizens Resources or its subsidiaries and affiliates.² Profits of Citizens Resources may roll up to Citizens through dividends declared by the board of Citizens Resources, but Citizens' exposure to liabilities of Citizens Resources should be limited by its corporate structure (and by that of its subsidiaries) and thus not imposed as a burden on the cash flows available in any System. See nearby for a diagram of Citizens Resources' organizational structure.

¹ Under public policy reflected in state law governing corporations and limited liability companies ("LLCs"), the parent stockholder of a subsidiary corporation or the parent member of a subsidiary LLC is given substantial protection against liability for the acts or debts of the subsidiary, subject to the established inherent limitations of these structures under such applicable state law.

² Since Citizens includes the results of operations of Citizens Resources and its subsidiaries and affiliates in its combined financial statements, an accounting loss within Citizens Resources will be reflected in Citizens' combined financial statements. This accounting result, though, does not create the basis upon which the liabilities of Citizens Resources or its subsidiaries or affiliates can be imposed upon Citizens or the cash flows held under any Indentures.

FINANCIAL RESULTS

The tables and discussion below summarize the financial results for each segment (in millions) and present an analysis of the results of our operations for the twelve months ended September 30, 2023, and 2022. For a more detailed understanding of these results, see the following notes to the combined financial statements:

- Note 1C – Global Supply Chain and Related Economic Impacts
- Note 3 – Long-Term Debt
- Note 5 – Revenue Recognition
- Note 8 – Financial Segment Information
- Note 11 – Discontinued Operations and Related Asset Retirement Obligations
- Note 12 – Rate and Regulatory Matters
- Note 13 – Commitments and Contingencies

SHARED SERVICES

Shared Services is comprised of various administrative and operational departments which provide support services to each of Citizens and CWA business segments and the combined enterprise as a whole, allocating the associated cost of the services to the appropriate segment. Management reviews the allocation methodology for shared services on a regular basis and refines the methodology as necessary.

| | 2023 | 2022 | Change |
|--------------------------|----------|----------|--------|
| Shared Services Expenses | \$ 109.1 | \$ 101.6 | \$ 7.5 |

These costs have been allocated to the appropriate business units and are reflected in the explanations that follow.

Fiscal Year 2023 as Compared with 2022

Shared services expenses were \$7.5 million higher, primarily driven by labor and related costs.

GAS

| | 2023 | 2022 | Change |
|-----------------------------|----------|----------|---------|
| Operating revenues | \$ 309.2 | \$ 286.9 | \$ 22.3 |
| Cost of goods sold | 158.1 | 135.7 | 22.4 |
| Margin | 151.1 | 151.2 | (0.1) |
| Other operating expenses | 95.8 | 96.8 | (1.0) |
| Operating income (loss) | 55.3 | 54.4 | 0.9 |
| Other income (expense), net | 4.2 | 2.9 | 1.3 |
| Interest charges | 5.7 | 5.1 | 0.6 |
| Segment income (loss) | \$ 53.8 | \$ 52.2 | \$ 1.6 |

| | | | |
|----------------------------|---------|---------|---------|
| Volume sales, million Dth | | | |
| Retail | 27.7 | 28.6 | (0.9) |
| Transportation | 16.7 | 18.5 | (1.8) |
| Power generation and other | 40.1 | 32.7 | 7.4 |
| Cost of gas sold, per Dth | \$ 5.09 | \$ 3.94 | \$ 1.15 |
| Heating degree days | 4,599 | 4,930 | (331) |

Fiscal Year 2023 as Compared with 2022

The increase in earnings of \$1.6 million was principally the result of:

- \$4.8 million of interest income; and
- \$1.0 million lower operating expenses for which the primary drivers were:
 - \$3.0 million decrease related to the repeal of the Indiana Utility Receipts Tax effective July 1, 2022; partially offset by
 - \$1.6 million increase in shared services allocations;

These improvements were **partially offset** by:

- \$3.7 million decreased other income resulting primarily from higher non-service costs for pension and post-employment benefit plans;
- \$0.6 million additional interest expense largely due to seasonal short-term borrowings; and
- \$0.1 million lower margin for which the primary drivers were:
 - \$3.1 million decrease related to the repeal of the Indiana Utility Receipts Tax effective July 1, 2022; offset by
 - \$3.1 million increase attributable to storage services.

STEAM

| | 2023 | 2022 | Change |
|------------------------------|---------|---------|--------|
| Operating revenues | \$ 77.5 | \$ 74.8 | \$ 2.7 |
| Cost of goods sold | 44.1 | 43.2 | 0.9 |
| Margin | 33.4 | 31.6 | 1.8 |
| Other operating expenses | 26.2 | 26.3 | (0.1) |
| Operating income (loss) | 7.2 | 5.3 | 1.9 |
| Other income (expense), net | 0.5 | 0.6 | (0.1) |
| Interest charges | 2.5 | 2.4 | 0.1 |
| Segment income (loss) | \$ 5.2 | \$ 3.5 | \$ 1.7 |
| Volume sales, million therms | 55.9 | 58.5 | (2.6) |
| Heating degree days | 4,599 | 4,930 | (331) |

Fiscal Year 2023 as Compared with 2022

The increase in earnings of \$1.7 million is primarily driven by:

- \$1.8 million increased margin for which the principal causes were:
 - \$2.5 million increase related to revenues from special contracts; partially offset by
 - \$0.8 million decrease attributable to the repeal of the Indiana Utility Receipts Tax effective July 1, 2022
- \$0.1 million lower operating expenses for which the most significant driver was a \$0.7 million decrease related to the repeal of the Indiana Utility Receipts Tax effective July 1, 2022. This decrease was partially offset by elevated costs in a variety of categories, none of which were individually significant.

CHILLED WATER

| | 2023 | 2022 | Change |
|---------------------------------|---------|---------|--------|
| Operating revenues | \$ 39.2 | \$ 38.2 | \$ 1.0 |
| Cost of goods sold | 12.8 | 13.0 | (0.2) |
| Margin | 26.4 | 25.2 | 1.2 |
| Other operating expenses | 16.8 | 16.2 | 0.6 |
| Operating income (loss) | 9.6 | 9.0 | 0.6 |
| Other income (expense), net | 1.3 | 0.4 | 0.9 |
| Interest charges | 0.4 | 0.5 | (0.1) |
| Segment income (loss) | \$ 10.5 | \$ 8.9 | \$ 1.6 |
| Volume sales, million ton hours | 124.6 | 128.0 | (3.4) |
| Cooling degree days | 1,136 | 1,390 | (254) |

Fiscal Year 2023 as Compared with 2022

The increase in earnings of \$1.6 million was primarily the result of:

- \$1.2 million increased margin largely attributable to contractual inflation-indexed price increases; and
- \$0.9 million higher interest income; **partially offset by**
- \$0.6 million higher operating expenses, none of which were individually significant.

WATER

| | 2023 | 2022 | Change |
|-------------------------------|----------|----------|--------|
| Operating revenues | \$ 216.7 | \$ 209.9 | \$ 6.8 |
| Other operating expenses | 135.2 | 129.1 | 6.1 |
| Operating income (loss) | 81.5 | 80.8 | 0.7 |
| Other income (expense), net | 3.0 | 3.9 | (0.9) |
| Interest charges | 30.1 | 33.3 | (3.2) |
| Segment income (loss) | \$ 54.4 | \$ 51.4 | \$ 3.0 |
| Volume sales, billion gallons | 39.4 | 38.7 | 0.7 |
| Precipitation, inches | 35.1 | 42.6 | (7.5) |

Fiscal Year 2023 as Compared with 2022

The increase in earnings of \$3.0 million was primarily attributable to:

- \$6.8 million of increased revenue, for which the primary components were:
 - \$3.1 million higher sales volume coupled with growth;
 - \$3.1 million Distribution System Improvement Charge approved in November 2022; and
 - \$2.7 million Lead Service Line Replacement Plan approved in May 2022; partially offset by
 - \$2.0 million decrease attributable to the repeal of the Indiana Utility Receipts Tax effective July 1, 2022
- \$3.2 million reduced interest expense resulting from a lower amount of debt outstanding and bond refunding activities; and
- \$1.8 million higher interest income

These improvements were **partially offset** by:

- \$6.1 million higher operating expenses, for which the most significant drivers were:
 - \$2.5 million increased chemical costs;
 - \$2.1 million increased outside services;
 - \$3.5 million increase in costs across various categories, none of which were individually significant; partially offset by
 - \$2.2 million decrease attributable to the repeal of the Indiana Utility Receipts Tax effective July 1, 2022; and
- \$2.6 million decreased other income mostly due to higher non-service costs for pension and post-employment benefit plans.

WASTEWATER

| | 2023 | 2022 | Change |
|---|----------|----------|-----------|
| Operating revenues | \$ 321.8 | \$ 330.6 | \$ (8.8) |
| Other operating expenses | 188.1 | 179.8 | 8.3 |
| Operating income (loss) | 133.7 | 150.8 | (17.1) |
| Other income (expense), net | 10.6 | 1.9 | 8.7 |
| Interest charges | 49.7 | 42.9 | 6.8 |
| Segment income (loss) | \$ 94.6 | \$ 109.8 | \$ (15.2) |
| Treatment volume sales, billion gallons | 31.3 | 32.0 | (0.7) |
| Strength surcharge, million pounds | 44.1 | 72.1 | (28.0) |

Fiscal Year 2023 as Compared with 2022

The decrease in earnings of \$15.2 million is principally due to the following:

- \$8.8 million lower operating revenues, primarily due to lower industrial sales, including strength surcharges;
- \$8.3 million higher operating expenses, for which the principal driver was a \$5.2 million increase in depreciation expense attributable to a higher level of plant in service. The remaining amount is related to a variety of expense fluctuations, none of which were individually significant;
- \$6.8 million higher interest expense, for which primary causes include:
 - \$6.8 million interest on the Series 2022B bonds issued in November 2022; and
 - \$2.2 million lower capitalized interest; these increases were partially offset by
 - \$2.1 million reduced interest expense resulting from a lower amount of debt outstanding and bond refunding activities.

These decreases were **partially offset** by an \$8.7 million increase in interest income.

RESOURCES

| | 2023 | 2022 | Change |
|-----------------------------|---------|---------|----------|
| Operating revenues | \$ 43.7 | \$ 43.7 | \$ - |
| Cost of goods sold | 5.1 | 4.6 | 0.5 |
| Margin | 38.6 | 39.1 | (0.5) |
| Other operating expenses | 26.0 | 25.8 | 0.2 |
| Operating income (loss) | 12.6 | 13.3 | (0.7) |
| Other income (expense), net | 0.4 | 0.4 | - |
| Interest charges | 2.7 | 2.2 | 0.5 |
| Segment income (loss) | \$ 10.3 | \$ 11.5 | \$ (1.2) |

Fiscal Year 2023 as Compared with 2022

The decrease in earnings of \$1.2 million was primarily driven by:

- \$3.2 million decreased revenue due to a voluntary customer credit at Westfield Wastewater;
- \$0.5 million increased interest expense; **partially offset by**
- \$2.7 million increased operating margin from the Westfield utilities and CEMCO.

OTHER

| | 2023 | 2022 | Change |
|--|----------|----------|----------|
| Operating revenues | \$ - | \$ - | \$ - |
| Operating expenses | 0.1 | 0.1 | - |
| Operating income (loss) | (0.1) | (0.1) | - |
| Other income (expense), net | (2.7) | (2.4) | (0.3) |
| Interest charges | - | 0.2 | (0.2) |
| Income (loss) from discontinued operations | (0.4) | - | (0.4) |
| Segment income (loss) | \$ (3.2) | \$ (2.7) | \$ (0.5) |

In the table above, Other includes advertising and philanthropic costs which are not recoverable through rates and are funded by contributions from non-regulated segments. The former Manufacturing business segment has been reported as Discontinued Operations and is also included in Other.

Fiscal Year 2023 as Compared with 2022

The decrease in earnings of \$0.5 million is primarily the result of higher non-service costs for pension and post-employment benefit plans.

LIQUIDITY AND CAPITAL RESOURCES

Debt and Liquidity

Please see Notes 3 and 4 to the combined financial statements for information regarding changes to Citizens' and CWA's outstanding long-term debt and short-term borrowings, respectively. Management believes existing sources of liquidity are sufficient to meet its cash requirements for the foreseeable future. Management will continue to assess liquidity needs and monitor capital markets and other financing sources based on business conditions and Citizens' and CWA's operations. Though not currently anticipated, no assurances can be provided that Citizens and CWA will be able to access financing in the future on acceptable terms.

Capital Spending

For the twelve months ended September 30, 2023, capital expenditures, on an accrual basis, increased by \$12.7 million to \$363.2 million from \$350.5 million during the same period last year. This increase is summarized in the table below (in millions). Certain accrued expenditures, including all capitalized interest, have been included in Other for segment presentation of capital expenditures, while the capitalized interest amounts on the segmented statements of financial position are reflected as Property, Plant, and Equipment in their respective segments.

| Year To Date | Gas | Steam | Chilled Water | Water | Wastewater | Resources | Other | Total |
|--------------|----------------|---------------|------------------|----------------|------------------|----------------|-----------------|-----------------|
| 2023 | \$ 43.7 | \$ 8.6 | \$ 3.9 | \$ 72.4 | \$ 181.8 | \$ 28.6 | \$ 24.2 | \$ 363.2 |
| 2022 | 22.4 | 5.4 | 3.0 | 60.4 | 211.5 | 20.8 | 27.0 | 350.5 |
| | <u>\$ 21.3</u> | <u>\$ 3.2</u> | <u>\$ 0.9</u> | <u>\$ 12.0</u> | <u>\$ (29.7)</u> | <u>\$ 7.8</u> | <u>\$ (2.8)</u> | <u>\$ 12.7</u> |

Citizens' and CWA's projected capital spending requirement of \$375.9 million for fiscal year 2024 is summarized as follows (in millions):

| | Gas | Steam | Chilled Water | Water | Wastewater | Resources | Other | Total |
|------------------------|----------------|----------------|------------------|----------------|-----------------|----------------|----------------|-----------------|
| 2024 Projection | \$ 36.2 | \$ 20.4 | \$ 25.4 | \$ 57.2 | \$ 152.5 | \$ 45.9 | \$ 38.3 | \$ 375.9 |

Gas continues to invest in mains and services to maintain the safety and reliability of its underground distribution system. Gas had cash and cash equivalents of \$33.8 million at September 30, 2023. Gas expects to meet its capital spending requirements in 2024 through cash flows from operations and temporary seasonal borrowings.

Citizens Thermal's Steam business segment continues to invest in distribution assets and production equipment for its existing system as well as to meet future needs for customer growth. Chilled Water capital spending plans similarly include investments in existing distribution assets and production equipment in addition to investments to meet future needs for customer growth. At September 30, 2023, cash and cash equivalents of Steam and Chilled Water amounted to \$11.2 million and \$25.2 million, respectively. Steam expects to meet its capital spending requirements in 2024 through cash flows from operations and temporary seasonal borrowings while Chilled Water expects to meet its 2024 capital spending requirements through cash flows from operations.

The Water business segment has a capital improvement plan to address system reliability, maintain compliance with regulations, and implement various distribution system and treatment plant improvements. Water had cash and cash equivalents of \$19.8 million at September 30, 2023. Water expects to meet its capital spending requirements in 2024 through cash flows from operations and temporary seasonal borrowings.

The Wastewater business segment has a capital improvement plan to meet guidelines of the Combined Sewer Overflow Long-Term Control Plan and the overall needs of the Wastewater System. See Note 13 to the combined financial statements for additional information regarding the Combined Sewer Overflow Long-Term Control Plan. The capital improvement plan also includes other improvements to and expansion of the Wastewater System. Wastewater had cash and cash equivalents of \$118.3 million at September 30, 2023, including \$62.9 million in the construction fund. Wastewater expects to meet its capital spending requirements in 2024 through a combination of cash flows from operations and amounts from the construction fund.

Resources' capital spending projection for 2024 includes activities at Westfield Gas, Westfield Water, and Westfield Wastewater. Resources had cash and cash equivalents of \$27.7 million at September 30, 2023. Resources expects to meet its capital spending requirements in 2024 through a combination of cash flows from operations, issuance of new long-term debt, and temporary seasonal borrowings.

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Combined Statements of Financial Position

(In Thousands)

| | At September 30, 2023 | At September 30, 2022 |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Property, plant, and equipment, net | \$ 4,897,128 | \$ 4,590,199 |
| Intangible assets, net | 43,083 | 46,786 |
| Investments | | |
| Bond restricted funds | 259,296 | 256,907 |
| Other | 18,998 | 19,436 |
| Total investments | 278,294 | 276,343 |
| Current assets | | |
| Cash and cash equivalents | 248,566 | 240,884 |
| Short-term investments | 200 | 9,966 |
| Accounts receivable, less allowance for doubtful accounts of \$5,821 and \$6,704, respectively | 91,345 | 93,844 |
| Accrued utility revenue | 24,930 | 26,460 |
| Natural gas in storage | 44,215 | 52,236 |
| Materials and supplies | 19,168 | 15,917 |
| Other current assets | 16,686 | 18,929 |
| Current assets directly related to discontinued operations | 1,176 | 1,162 |
| Total current assets | 446,286 | 459,398 |
| Deferred charges and other non-current assets | | |
| Deferred charges | 30,527 | 25,722 |
| Prepaid retirement benefit costs | 70,412 | 10,927 |
| Non-current assets directly related to discontinued operations | 3,663 | 572 |
| Total deferred charges and other non-current assets | 104,602 | 37,221 |
| TOTAL ASSETS | \$ 5,769,393 | \$ 5,409,947 |
| CAPITALIZATION AND LIABILITIES | | |
| Capitalization and non-current liabilities | | |
| Retained earnings | \$ 1,472,345 | \$ 1,247,178 |
| Accumulated other comprehensive income (loss) | 34,783 | (15,698) |
| Long-term debt (excluding current maturities) | 3,219,671 | 3,237,758 |
| Retirement benefits | 41,611 | 43,851 |
| Contributions in aid of construction | 488,874 | 409,791 |
| Other long-term liabilities | 90,636 | 62,609 |
| Non-current liabilities directly related to discontinued operations | 13,661 | 14,087 |
| Total capitalization and non-current liabilities | 5,361,581 | 4,999,576 |
| Current liabilities | | |
| Current maturities of long-term debt | 116,629 | 109,946 |
| Short-term borrowings | 20,000 | - |
| Accounts payable and accrued expenses | 178,137 | 207,743 |
| Accrued taxes | 71,218 | 71,237 |
| Customer deposits | 9,752 | 7,842 |
| Other current liabilities | 11,921 | 13,493 |
| Current liabilities directly related to discontinued operations | 155 | 110 |
| Total current liabilities | 407,812 | 410,371 |
| Commitments and contingencies (see note 13) | | |
| TOTAL CAPITALIZATION AND LIABILITIES | \$ 5,769,393 | \$ 5,409,947 |

The accompanying notes are an integral part of these combined financial statements.

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Combined Statements of Operations and Comprehensive Income

(In Thousands)

| | Fiscal Year Ended September 30, | |
|--|---------------------------------|-------------------|
| | 2023 | 2022 |
| Operating revenues | \$ 983,125 | \$ 972,358 |
| Operating expenses | | |
| Cost of goods sold | 198,414 | 186,555 |
| Operations and maintenance | 295,646 | 282,373 |
| Depreciation and amortization | 134,328 | 127,560 |
| Taxes | 54,976 | 62,276 |
| Total operating expenses | 683,364 | 658,764 |
| Operating income | 299,761 | 313,594 |
| Other income (expense), net | | |
| Interest income | 20,604 | 2,439 |
| Non-operating post-employment benefits, net | (958) | 6,964 |
| Other | (2,274) | (1,843) |
| Total other income (expense), net | 17,372 | 7,560 |
| Income before interest charges | 317,133 | 321,154 |
| Interest charges | | |
| Interest on long-term debt | 137,934 | 135,388 |
| Other interest, including net premium amortization | (46,813) | (48,905) |
| Total interest charges | 91,121 | 86,483 |
| Income from continuing operations | 226,012 | 234,671 |
| Loss from discontinued operations | (435) | (21) |
| Net income | \$ 225,577 | \$ 234,650 |
| Retirement benefit liability changes: | | |
| Net gain (loss) arising during period | 52,819 | 75,976 |
| Amortization of prior service credit | (2,163) | (2,163) |
| Amortization of (gain) loss | (426) | 5,474 |
| Total retirement benefit liability changes | 50,230 | 79,287 |
| Unrealized gain (loss) on available-for-sale investments | 251 | (2,306) |
| Total other comprehensive income (loss) | 50,481 | 76,981 |
| Total comprehensive income | \$ 276,058 | \$ 311,631 |

The accompanying notes are an integral part of these combined financial statements.

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Combined Statements of Cash Flows

(In Thousands)

| | Fiscal Year Ended September 30, | |
|--|---------------------------------|------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 225,577 | \$ 234,650 |
| Depreciation and amortization | 103,891 | 98,657 |
| Allowance for doubtful accounts | 7,639 | 6,157 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable and accrued utility revenue | (3,610) | (20,036) |
| Natural gas in storage | 8,021 | (15,686) |
| Accounts payable and accrued expenses | (20,090) | 18,096 |
| Retirement benefits | (11,495) | (10,026) |
| Other operating activities | 20,773 | (26,970) |
| Change in net liabilities of discontinued operations | (3,486) | (5,123) |
| Net cash provided by operating activities | 327,220 | 279,719 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Construction expenditures | (376,104) | (343,014) |
| Other investing activities | 10,597 | (9,983) |
| Net cash used in investing activities | (365,507) | (352,997) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings and bank lines of credit | 63,500 | 4,000 |
| Repayment of short-term borrowings and bank lines of credit | (41,500) | (10,500) |
| Principal payments of long-term debt and bond refunding | (237,144) | (196,505) |
| Proceeds from issuance of long-term debt and bond refunding | 260,107 | 170,718 |
| Bond issuance costs | (3,804) | (1,519) |
| Contributions in aid of construction | 5,292 | 10,146 |
| Other financing activities | (109) | 1 |
| Net cash provided by (used in) financing activities | 46,342 | (23,659) |
| Net change in cash, cash equivalents, and restricted cash | 8,055 | (96,937) |
| Cash, cash equivalents, and restricted cash at beginning of period | 493,202 | 590,139 |
| Cash, cash equivalents, and restricted cash at end of period | \$ 501,257 | \$ 493,202 |
| Supplemental Cash Flows Information - Interest paid net of amounts capitalized | \$ 117,510 | \$ 109,825 |
| Non-cash Investing Activities | | |
| Construction work-in-progress accrued at end of period | \$ 51,849 | \$ 61,872 |
| The table below provides a reconciliation of cash, cash equivalents, and restricted cash as reported in the Combined Statements of Financial Position to the amount reported in the Combined Statements of Cash Flows: | | |
| Cash and cash equivalents | \$ 248,566 | \$ 240,884 |
| Restricted cash included in Bond restricted funds | 246,284 | 243,895 |
| Restricted cash included in Other current assets | 2,638 | 4,790 |
| Restricted cash included in Investments, Other | 3,769 | 3,633 |
| Cash, cash equivalents, and restricted cash at end of period | \$ 501,257 | \$ 493,202 |

The accompanying notes are an integral part of these combined financial statements.

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Combined Statements of Equity
(In Thousands)

| | <u>Retained Earnings</u> | <u>Accumulated Other Comprehensive Loss</u> | <u>Total</u> |
|--|------------------------------|---|----------------------------|
| Balance at September 30, 2021 | \$ 1,012,938 | \$ (92,679) | \$ 920,259 |
| Comprehensive income | | | |
| Net income | 234,650 | - | 234,650 |
| Unrealized gain (loss) on available-for-sale investments | - | (2,306) | (2,306) |
| Retirement benefit liability changes | - | 79,287 | 79,287 |
| Total comprehensive income | 234,650 | 76,981 | 311,631 |
| Customer benefit distributions | (410) | - | (410) |
| Balance at September 30, 2022 | <u>\$ 1,247,178</u> | <u>\$ (15,698)</u> | <u>\$ 1,231,480</u> |
| Comprehensive income | | | |
| Net income | 225,577 | - | 225,577 |
| Unrealized gain (loss) on available-for-sale investments | - | 251 | 251 |
| Retirement benefit liability changes | - | 50,230 | 50,230 |
| Total comprehensive income | 225,577 | 50,481 | 276,058 |
| Customer benefit distributions | (410) | - | (410) |
| Balance at September 30, 2023 | <u>\$ 1,472,345</u> | <u>\$ 34,783</u> | <u>\$ 1,507,128</u> |

The accompanying notes are an integral part of these combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

1. NATURE OF OPERATIONS AND PRESENTATION

A. Nature of Operations

Operations of Citizens Energy Group and Subsidiary (Citizens or the Company) include activities in five business segments: Gas, Steam, Chilled Water, Water, and Resources. Steam and Chilled Water comprise the Thermal Energy System (Citizens Thermal or Thermal). Operations of CWA Authority, Inc. (CWA) include activities for the Wastewater business segment. Resources includes several wholly-owned subsidiaries, the most significant of which is Citizens Energy Services Corporation, LLC (CESCO) which serves as a holding company for several subsidiaries, including Citizens Westfield Utilities, LLC (CWU). The rates and charges for gas, steam, water, and wastewater services are regulated by the Indiana Utility Regulatory Commission (IURC).

CWU serves as a holding company for the gas, water, and wastewater utilities for the Westfield service area, which includes Westfield Gas, LLC (Westfield Gas), Citizens Water of Westfield, LLC (Westfield Water), and Citizens Wastewater of Westfield, LLC (Westfield Wastewater), all of which operate as regulated investor-owned utilities.

B. Basis of Presentation

The accompanying financial statements reflect the combined operations of commonly controlled entities, including Citizens, CWA, and certain non-profit instrumentalities. The accounting records conform to the accounting standards prescribed by the Federal Energy Regulatory Commission, National Association of Regulatory Utility Commissioners and accounting principles generally accepted in the United States of America (GAAP). The effects of all intercompany transactions have been eliminated.

On June 6, 2023, the Indiana Utility Regulatory Commission approved the merger between Citizens Westfield Water and Southern Madison Utilities, LLC as more fully described in Note 12, Regulatory Matters. The merger was a non-cash common control acquisition by Westfield Water. As a result, Westfield Water acquired the business at its historical cost basis. The transaction did not impact the Company's carrying basis in any entity nor did the Company recognize any gain or loss in connection with the transaction. The Company accounted for the merger using the guidance prescribed by ASC 805-50, "Transactions between Entities Under Common Control". Accordingly, the financial statements of Westfield Water, the receiving and surviving entity, are reporting results of operations in Note 9 for the period in which the merger occurred as though the merger had occurred at the beginning of the financial period. Results of prior period operations and financial position for Westfield Water, presented in Note 9, have been recast to furnish comparative information in accordance with ASC 805-50-45-5.

C. Global Supply Chain and Related Economic Impacts

As a result of economic conditions stemming from shifts in consumer demand, labor shortages and current events in the Ukraine and the Middle East, among others, the Company is experiencing issues with its supply chain for certain materials, including increasing prices, scarcities/shortages, and longer fulfillment times for orders from suppliers. These constraints in the supply chain could restrict availability and delay the construction, maintenance, and/or repair of items which are needed to support normal operations or are required to execute the Company's continued capital investment in utility plant and equipment.

While the Company to date has successfully navigated the operational challenges presented by supply chain issues, the extent of supply chain disruption and its future impact on the Company's financial position, results of operations and cash flows is uncertain and cannot be reasonably estimated at this time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Use of Estimates

The preparation of the combined financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the amounts reported in the combined financial statements and the accompanying notes. Key estimates include the recoverability of regulatory assets; fair value estimates; asset lives used in computing depreciation and amortization; asset retirement obligations; other reserves and accruals; and the estimated impact of contingencies and ongoing litigation. While management believes that its estimates are reasonable when considered in conjunction with the Company's combined financial position and results of operations, actual results could differ materially from those estimates.

B. Property, Plant, and Equipment, Depreciation, and Maintenance

Property, plant, and equipment consist primarily of utility plant. The cost of additions includes contracted cost, direct labor and fringe benefits, materials, overheads, and for additions meeting certain criteria, capitalized interest. Maintenance and repairs of property units are charged to expense as incurred.

Depreciation on plant for regulated utilities is computed on a straight-line basis using rates approved by the IURC. Depreciation on Chilled Water plant is computed on a straight-line basis over the estimated remaining useful lives of the various classes of depreciable plant in service. Periodic depreciation rate studies include a review of depreciable plant remaining useful lives.

Citizens and CWA utilize the composite method of depreciation. Accordingly, the original cost of depreciable property and equipment retired or replaced and the cost of removal, less salvage, are charged to accumulated depreciation.

Property, plant, and equipment, net at September 30 is as follows (in thousands):

| | 2023 | 2022 | Useful Lives |
|--|--------------|--------------|----------------|
| Collection | \$ 2,651,951 | \$ 2,561,461 | 30 - 60 years |
| Distribution | 2,536,617 | 2,393,809 | 15 - 125 years |
| Treatment | 1,817,061 | 1,778,978 | 36 - 65 years |
| Pumping | 397,375 | 385,343 | 40 - 55 years |
| Source of supply | 288,492 | 274,058 | 30 - 75 years |
| General plant | 185,650 | 176,497 | 5 - 50 years |
| Production | 142,938 | 137,901 | 35 - 60 years |
| Transmission | 110,408 | 105,250 | 25 - 60 years |
| Gas Storage | 38,210 | 37,191 | 25 - 60 years |
| Utility plant in service | 8,168,702 | 7,850,488 | |
| Construction work-in-progress | 634,454 | 532,981 | |
| Total property, plant, and equipment at cost | 8,803,156 | 8,383,469 | |
| Accumulated depreciation | (3,908,850) | (3,796,366) | |
| Leased right-of-use assets (see Note 10) | 2,822 | 3,096 | |
| Total property, plant, and equipment, net | \$ 4,897,128 | \$ 4,590,199 | |

Depreciation expense was \$130.1 million and \$123.3 million for the twelve months ended September 30, 2023 and 2022, respectively.

Interest capitalized represents the cost of borrowed funds used for construction purposes and is charged to major construction projects during the construction period with a corresponding credit to Other Interest Charges. The total amount of interest capitalized was \$18.1 million and \$19.9 million for the twelve months ended September 30, 2023 and 2022, respectively.

C. Cash, Cash Equivalents and Restricted Cash

For purposes of the Combined Statements of Financial Position and Cash Flows, Citizens and CWA consider investments purchased with a maturity of three months or less to be cash equivalents. The carrying value equals fair value for these financial instruments. Included in cash and cash equivalents on the Combined Statements of Financial Position are money market funds, certificates of deposit and US Treasury Bills of \$22.4 million and \$22.8 million at September 30, 2023 and 2022, respectively.

Restricted cash primarily relates to bond and debt service reserve funds which Citizens and CWA are required to maintain as security for the bonds per the terms of the bond indentures. Also included are special deposits for interest and principal which are designated as restricted because Citizens and CWA are required to make monthly payments into these deposit accounts to accumulate cash for debt service payments to the bondholders. These funds, which are presented in the Combined Statements of Financial Position in the line item labeled, "Bond restricted funds", are comprised of cash and cash equivalents, are held in the custody of the bond trustees, and are not available for another use.

Restricted cash also includes cash amounts representing margin collateral for commodity acquisition transactions which are presented in the Combined Statements of Financial Position in the line item labeled, "Other current assets". Lastly, restricted cash includes construction-related insurance collateral deposits and funds held in a trust covering certain medical benefit obligations (see Note 7), presented in the Combined Statements of Financial Position in the line item labeled, "Investments, Other". See the Combined Statements of Cash Flows for a reconciliation of cash, cash equivalents and restricted cash.

D. Bond Issuance Costs

Bond premiums, discounts and debt issuance costs are recorded as an offset to the related debt liability and are amortized over the lives of the respective issues through the effective interest method. For regulated business segments, the unamortized portions of bond issuance costs of the refunded bonds are recorded as deferred charges and are amortized over the life of the refunding bond issue.

E. Inventory

Material and supplies, maintained at average cost, are recorded as inventory when received and subsequently charged to expense or capitalized to plant when installed. Natural gas in storage is generally recoverable through gas cost adjustments (see note 2F) and maintained at the weighted-average cost of gas. There were no net realizable value adjustments in 2023 and 2022.

F. Recoverable (Refundable) Gas and Fuel Costs

The difference between actual gas costs, including unrealized gains and losses and settled amounts associated with Hedging Transaction Costs, and the amounts of gas costs recovered by Gas and Westfield Gas through rates is deferred and recovered (or refunded) through gas cost adjustments (GCA) permitted by the IURC. Gas is authorized to change its GCA factors quarterly as a result of changes in market prices. Gas is authorized to utilize a flex mechanism in its quarterly filings to change its GCA factors within a fixed, known, and measurable range, on a monthly basis, through a Monthly Price Update as a result of changes in market prices. Westfield Gas is authorized to change its GCA factors quarterly as a result of changes in market prices. The difference between actual fuel costs, including unrealized gains and losses and settled amounts associated with Hedging Transaction Costs, and the amounts of fuel costs recovered by Steam through rates is deferred and recovered (or refunded) through the fuel adjustment clause (FAC) permitted by the IURC. Steam is authorized to change its FAC factors each quarter as a result of changes in market prices.

G. Intangible Assets

Intangible assets at September 30, 2023 and September 30, 2022 consist of \$43.1 million and \$46.8 million, respectively, of Thermal customer contracts. The customer contracts intangible assets are finite-lived and amortized on a straight-line basis over their expected useful lives which range from 20 to 30 years. Gross carrying values of intangible customer contracts were \$104.5 million as of September 30, 2023 and 2022, respectively. Accumulated amortization for all intangible customer contracts was \$61.4 million and \$57.7 million at September 30, 2023 and 2022, respectively. Amortization expense of such assets was \$3.7 million in each of the years ended September 30, 2023 and 2022. Estimated aggregate amortization expenses for each of the five succeeding fiscal years are as follows (in thousands):

| | | |
|------|----|-------|
| 2024 | \$ | 3,703 |
| 2025 | | 3,703 |
| 2026 | | 3,703 |
| 2027 | | 3,703 |
| 2028 | | 3,116 |

H. Asset Impairment

Long-lived assets and certain amortizing intangible assets held and used by Citizens and CWA are reviewed for impairment using undiscounted cash flows, whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. No asset impairments were recorded in fiscal years 2023 or 2022.

I. Customers' Advances and Contributions in Aid of Construction (CIAC)

The Company may receive advances and contributions from customers, home builders, and real estate developers to fund construction necessary to extend service to new areas. Water, Wastewater, and Resources advances for construction are refundable for up to ten years as new customers begin to receive service or other contractual obligations are fulfilled. Advances not refunded within 10 years are transferred to CIAC. The balances of advances for construction are reported in the Statement of Financial Position in Other long-term liabilities.

Contributions in aid of construction are permanent collections of plant assets or cash for a particular construction project. The IURC requires the water and wastewater utilities of Citizens and Resources to record CIAC as a deferred credit. Utility plant funded by contributions is depreciated and contribution balances are amortized as a reduction to depreciation expense. The values of CIAC, net of amortization, recorded at September 30, 2023 for Water, Wastewater, and Resources are \$227.3 million, \$127.8 million, and \$133.7 million, respectively, versus the values at September 30, 2022 for Water, Wastewater, and Resources of \$191.6 million, \$112.1 million, and \$106.1 million, respectively.

J. Taxes

Citizens and CWA are generally subject to payroll and other miscellaneous taxes. Additionally, Citizens is subject to property taxes, and CWA makes payments in lieu of taxes (PILOT). In general, Citizens and CWA are exempt from federal, state, and local income taxes as either political subdivisions of the State of Indiana or pursuant to Internal Revenue Code section 115 as applicable. Through June 30, 2022, Citizens was subject to utility receipts taxes which were included in rates charged to customers in all rate-regulated business units. CWA was exempt from utility receipts taxes pursuant to Indiana law. The utility receipts tax was repealed by the State of Indiana effective July 1, 2022.

K. Derivatives and Hedging

In fiscal years 2023 and 2022, Citizens entered into certain derivative and economic hedging transactions with the objective of decreasing the volatility associated with fluctuating natural gas prices. Through a combination of fixed-price purchases, call options, futures, contracted interstate pipeline storage, and on-system company-operated storage, Citizens mitigates the risk of price volatility on approximately 80 percent of its anticipated system supply demand. Citizens' Annual Hedging Plan sets guidelines to support prudent risk management strategies within designated parameters. These instruments, in conjunction with physical gas supply contracts, are designated to cover estimated gas customer requirements. Such energy contracts, to the extent they are not considered "normal" as defined by Financial Accounting Standards Board (FASB) guidance, are recognized at fair value as derivative assets or liabilities on the Combined Statements of Financial Position. Gains/losses and fees associated with these derivatives, when realized, are generally included in the Gas and Fuel Cost Adjustment trackers. Accordingly, the offset to the change in fair value of these derivatives is recorded as a regulatory asset or liability.

The following tables present information (in thousands) about the Company's derivative instruments and hedging activities. The first table provides a financial position overview of the Company's derivative assets and liabilities at September 30, 2023 and September 30, 2022, while the latter table provides a breakdown of the related impact on the results of operations for the twelve months ended September 30, 2023 and 2022. The Company generally recovers all derivative costs through its regulatory mechanism for gas cost adjustments; hence there is minimal financial risk to the Company with respect to these derivative instruments. Individual derivative asset and liability transactions are offset and the net amount is reported in the Combined Statements of Financial Position if, and only if, there is currently an enforceable legal right to offset the amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously. Individual derivative transactions are typically offset at the legal entity and counterparty level. The impact of netting derivative assets and liabilities is presented in the table below (in thousands):

Fair Value of Derivative Instruments

| Derivative Instrument | Derivative Designation | Combined Statement of Financial Position Location | September 30, 2023 | | September 30, 2022 | |
|-----------------------|------------------------------|---|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
| | | | Derivative Assets Fair Value | Derivative Liabilities Fair Value | Derivative Assets Fair Value | Derivative Liabilities Fair Value |
| Commodity Contracts | Not accounted for as a hedge | Other current assets (liabilities) | \$ 4,968 | \$ (3,563) | \$ 18,297 | \$ (3,216) |

Commodity contracts represent exchange-traded options and futures. The margin receivable, which is excluded from the table above, was \$0.1 million at September 30, 2023. The margin payable, which is excluded from the table above, was \$5.9 million at September 30, 2022. At September 30, 2023 and 2022, the Company had 22.8 million and 24.1 million dekatherms, respectively, of net energy derivative volumes outstanding related to its natural gas hedges.

Derivative Impact on Combined Statement of Operations

| Derivative Instrument | Derivative Designation | Combined Statement of Operations Location | Fiscal Year Ended September 30, | |
|-----------------------|------------------------------|---|---------------------------------|-------------|
| | | | 2023 | 2022 |
| Commodity Contracts | Not accounted for as a hedge | (Gain)/loss in cost of goods sold | \$ 11,280 | \$ (55,581) |

As noted above, the derivative impact in utility cost of goods sold is recovered through regulatory gas rate adjustments in subsequent months. The derivative impact on cash flow for the fiscal years ended September 30, 2023 and 2022 is included in cash flows from operating activities.

L. Fair Value Measurements

FASB guidance requires additional disclosures about Citizens' and CWA's financial assets and liabilities which are measured at fair value. Assets and liabilities recorded at fair value in the Combined Statements of Financial Position are categorized based upon the level of judgment associated with the inputs used to measure their value. Hierarchical levels, as defined in FASB guidance and explained in the following paragraphs, are directly related to the amount of subjectivity associated with the inputs to fair valuations of these assets and liabilities:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets carried at Level 1 fair value generally are financial derivatives, investments and equity securities listed in active markets. The fair values of the bond restricted funds, Grantor Trust investments, and commodity contracts have been determined using quoted prices in an active market.

Level 2—Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability. Fair value assets and liabilities that are generally included in this category are derivatives with fair values based on inputs from actively quoted markets.

Level 3—Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the financial assets measured at fair value on a recurring basis, based on the hierarchy, at September 30, 2023 and September 30, 2022 (in thousands). There were no financial liabilities at September 30, 2023 and September 30, 2022.

| September 30, 2023 Fair Value Measurements Using | | | |
|--|---|--|--|
| Description | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial Assets: | | | |
| Cash equivalents | \$ 22,410 | \$ - | \$ - |
| Bond restricted funds | 246,284 | - | - |
| Grantor Trust investments | 15,180 | - | - |
| Derivative assets | 1,405 | - | - |
| Total financial assets measured at fair value | <u>\$ 285,279</u> | <u>\$ -</u> | <u>\$ -</u> |
| September 30, 2022 Fair Value Measurements Using | | | |
| Description | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial Assets: | | | |
| Cash equivalents | \$ 22,831 | \$ - | \$ - |
| Bond restricted funds | 243,895 | - | - |
| Grantor Trust investments | 15,055 | - | - |
| Derivative assets | 15,081 | - | - |
| Total financial assets measured at fair value | <u>\$ 296,862</u> | <u>\$ -</u> | <u>\$ -</u> |

Under the terms of various trust indentures, Citizens and CWA are required to maintain bond restricted funds. These bond restricted funds are invested in short-term securities, commercial paper, a guaranteed investment contract, and cash equivalents. Due to the nature of these investments, cost approximates fair market value of \$259.3 and \$256.9 million at September 30, 2023, and September 30, 2022, respectively. In accordance with fair value disclosure guidance, \$13.0 million of investments in a guaranteed investment contract are excluded in determining the fair value of bond restricted funds pursuant to ASC 825-10-50-8c at September 30, 2023, and September 30, 2022. Gross deposits to the bond restricted fund investments during fiscal years 2023 and 2022 were \$251.5 million and \$299.3 million, respectively.

The Grantor Trust investments are a variety of debt and equity mutual funds invested per the investment policy of the Grantor Trust.

Gains/losses and fees associated with the commodity-based derivatives, when realized, are recoverable through the Gas and Fuel Cost Adjustment trackers. There were no transfers between levels during the year.

Management has estimated the fair value of the outstanding debt securities based on the coupons of the outstanding bonds and the current market yields. These are Level 2 fair value measurements. Management established the corresponding price to the call date as well as the price to maturity. The fair value was determined based on the lower of these two prices. Using this method, the estimated fair value of debt is \$3.0 billion at September 30, 2023, and \$3.3 billion at September 30, 2022, versus the carrying value of \$3.3 billion at September 30, 2023, and \$3.3 billion at September 30, 2022. In the case of Resources debt, the carrying value approximates fair value.

Customers' advances for construction have a carrying value at September 30, 2023, for Water, Wastewater, and Resources of \$19.8 million, \$9.0 million, and \$19.8 million, respectively, versus the carrying values at September 30, 2022, for Water, Wastewater, and Resources of \$14.9 million, \$5.7 million, and \$13.7 million, respectively. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables, including new customer connections, customer consumption levels, and future rate increases. Portions of these non-interest-bearing instruments are payable annually through 2032 and amounts not paid by the respective contract expiration dates become non-refundable. The fair value of these amounts would, however, be less than their carrying value due to the non-interest-bearing feature.

M. Comprehensive Income (Loss)

Comprehensive income (loss) is primarily a measure of all changes in equity of an enterprise which result from the transactions or other economic events during the period. This information is reported in the Combined Statements of Operations and Comprehensive Income. Citizens' components of accumulated other comprehensive (loss) income (AOCI) include the impact of pension and other post-employment benefits and mark to market valuation adjustments for available-for-sale investments. The following table presents changes in accumulated other comprehensive (loss) income by component for the twelve months ended September 30, 2023 (in thousands):

| | Pension Plan | Other Postemployment Benefits | Other | Total |
|---|--------------|-------------------------------|------------|-------------|
| Accumulated other comprehensive income (loss) at September 30, 2021 | \$ (98,073) | \$ 4,500 | \$ 894 | \$ (92,679) |
| Other comprehensive income (loss) before reclassifications | 57,100 | 18,896 | (2,306) | 73,690 |
| Amounts reclassified from accumulated other comprehensive income (loss) | 5,064 | (1,773) | - | 3,291 |
| Net current-period other comprehensive income (loss) | 62,164 | 17,123 | (2,306) | 76,981 |
| Accumulated other comprehensive income (loss) at September 30, 2022 | \$ (35,909) | \$ 21,623 | \$ (1,412) | \$ (15,698) |
| Other comprehensive income (loss) before reclassifications | 52,014 | 1,628 | - | 53,642 |
| Amounts reclassified from accumulated other comprehensive income (loss) | (729) | (2,683) | 251 | (3,161) |
| Net current-period other comprehensive income (loss) | 51,285 | (1,055) | 251 | 50,481 |
| Accumulated other comprehensive income (loss) at September 30, 2023 | \$ 15,376 | \$ 20,568 | \$ (1,161) | \$ 34,783 |

3. LONG-TERM DEBT

Long-term debt consisted of the following (due dates are presented on a calendar-year basis):

| | September 30, 2023 | | | September 30, 2022 | | |
|---|---|--------------------|---|---|--------------------|---|
| | Long-term debt excl. current maturities | Current maturities | Unamortized (Discount), Premium, and (Issuance Costs) | Long-term debt excl. current maturities | Current maturities | Unamortized (Discount), Premium, and (Issuance Costs) |
| Gas | | | | | | |
| Gas Utility Distribution System Series 2013A, Second Lien Revenue Refunding Bonds, 4.125% to 5.250%, due 2027 to 2030 | \$ 54,465 | \$ - | \$ 720 | \$ 54,465 | \$ - | \$ 835 |

| | (In Thousands) | | | | | |
|--|--|-----------------------|---|--|-----------------------|---|
| | September 30, 2023 | | | September 30, 2022 | | |
| | Long-term debt excl. current maturities | Current maturities | Unamortized (Discount), Premium, and (Issuance Costs) | Long-term debt excl. current maturities | Current maturities | Unamortized (Discount), Premium, and (Issuance Costs) |
| Gas Utility Distribution System Series 2017A, Second Lien Revenue Refunding Bonds 5.00%, due 2025 to 2027 | 49,825 | - | 3,076 | 49,825 | - | 4,097 |
| Gas Utility Distribution System Series 2020A Second Lien Revenue Refunding Bonds 5.00%, due 2024 | - | 16,964 | 651 | 16,965 | 16,160 | 1,981 |
| Subtotal Gas | 104,290 | 16,964 | 4,447 | 121,255 | 16,160 | 6,913 |
| <u>Thermal</u> | | | | | | |
| Thermal Energy System Series 2013A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2023 to 2033 | 5,220 | 405 | 9 | 5,625 | 385 | 16 |
| Thermal Energy System Series 2014A, First Lien Revenue Refunding Bonds, 4.00% to 5.00%, due 2023 to 2034 | 23,605 | 1,585 | 1,482 | 25,190 | 1,505 | 1,723 |
| Thermal Energy System Series 2016A, First Lien Revenue Refunding Bonds, 5.00%, due 2023 to 2029 | 25,520 | 10,665 | 1,277 | 36,185 | 10,150 | 2,266 |
| Subtotal Thermal | 54,345 | 12,655 | 2,768 | 67,000 | 12,040 | 4,005 |
| <u>Water</u> | | | | | | |
| Water Utility Series 2011D (ILPIBB 2007B) *, First Lien Net Revenue Bonds, 5.25%, due 2024 to 2025 | 12,340 | 23,380 | (49) | 35,720 | 21,475 | (52) |
| Water Utility Series 2014A, First Lien Net Revenue Bonds, 4.00% to 5.00%, due 2023 to 2044 | 8,080 | 625 | 433 | 22,960 | 605 | 1,283 |
| Water Utility Series 2016A, First Lien Revenue Bonds, 5.00%, due 2023 to 2046 | 46,530 | 1,390 | 7,324 | 61,790 | 1,320 | 10,084 |
| Water Utility Series 2016B, First Lien Refunding Revenue Bonds, 4.00% to 5.00%, due 2023 to 2038 | 171,090 | 4,410 | 19,760 | 196,345 | 4,345 | 24,657 |
| Water Utility Series 2018A, First Lien Refunding Revenue Bonds, 3.50% to 5.00%, due 2023 to 2038 | 303,045 | 1,350 | 29,958 | 352,610 | 1,865 | 38,199 |
| Water Utility Series 2021A First Lien Revenue Bonds 3.00% to 5.00%, due 2023 to 2051 | 75,120 | 1,805 | 14,701 | 76,925 | 1,715 | 15,757 |
| Water Utility Series 2023A First Lien Revenue Refunding Bonds 4.00% to 5.00%, due 2025 to 2044 | 89,620 | - | 12,271 | - | - | - |
| Subtotal Water | 705,825 | 32,960 | 84,398 | 746,350 | 31,325 | 89,928 |
| <u>Wastewater</u> | | | | | | |
| CWA Wastewater Utility Series 2012A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2038 to 2042 | 53,925 | - | 3,711 | 53,925 | 4,560 | 3,865 |

| | (In Thousands) | | | | | |
|--|---|--------------------|---|---|--------------------|---|
| | September 30, 2023 | | | September 30, 2022 | | |
| | Long-term debt excl. current maturities | Current maturities | Unamortized (Discount), Premium, and (Issuance Costs) | Long-term debt excl. current maturities | Current maturities | Unamortized (Discount), Premium, and (Issuance Costs) |
| CWA Wastewater Utility Series 2014A, First Lien Revenue Bonds, 4.25% to 5.00%, due 2023 to 2044 | 120,410 | 5,275 | 8,613 | 202,755 | 5,025 | 14,908 |
| CWA Wastewater Utility Series 2015A, First Lien Revenue Bonds, 3.25% to 5.00%, due 2023 to 2045 | 93,000 | 3,425 | 11,013 | 138,915 | 3,260 | 16,839 |
| CWA Wastewater Utility Series 2016A, First Lien Revenue Bonds 5.00%, due 2023 to 2046 | 149,315 | 3,695 | 25,133 | 174,020 | 3,520 | 30,271 |
| CWA Wastewater Utility Series 2016B, Second Lien Revenue Refunding Bonds, 3.00% to 5.00%, due 2023 to 2046 | 37,425 | 965 | 1,301 | 38,390 | 935 | 1,495 |
| CWA Wastewater Series 2016C, First Lien Revenue Bonds (SRF), 2.00%, due 2024 to 2036 | 8,165 | 595 | (47) | 8,760 | 585 | (54) |
| CWA Wastewater Series 2017A, First Lien Revenue Bonds (SRF), 3.53%, due 2024 to 2047 | 138,838 | 3,873 | (56) | 142,712 | 3,741 | (61) |
| CWA Wastewater Series 2019A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2023 to 2049 | 38,830 | 730 | 7,097 | 39,560 | 695 | 7,458 |
| CWA Wastewater Series 2019B, First Lien Revenue Bonds (SRF), 2.99%, due 2024 to 2050 | 164,745 | 4,155 | (61) | 168,900 | 4,034 | (65) |
| CWA Wastewater Series 2020A, First Lien Revenue Bonds 4.00% to 5.00% due 2023 to 2050 | 54,170 | 1,015 | 11,368 | 55,185 | 990 | 11,915 |
| CWA Wastewater Series 2020B, First Lien Revenue Bonds (SRF) 2.56%, due 2024 to 2051 | 65,582 | 1,673 | (64) | 67,254 | 1,631 | (68) |
| CWA Wastewater Series 2021-1, First Lien Revenue Refunding Bonds 3.00% to 5.00%, due 2023 to 2041 | 426,305 | 14,650 | 87,867 | 440,955 | 13,955 | 97,022 |
| CWA Wastewater Series 2021-2, Second Lien Revenue Refunding Bonds 3.00% to 5.00%, due 2023 to 2041 | 170,055 | 5,830 | 37,976 | 175,885 | 5,555 | 41,652 |
| CWA Wastewater Series 2021A, First Lien Revenue Bonds 3.00% to 5.00%, due 2023 to 2051 | 43,030 | 765 | 7,678 | 43,795 | 715 | 8,133 |
| CWA Wastewater Series 2021B, First Lien Revenue Bonds (SRF) 2.38%, due 2024 to 2052 | 50,087 | 1,249 | (49) | 51,336 | 1,220 | (52) |
| CWA Wastewater Series 2022A, First Lien Revenue Refunding Bonds 5.00%, due 2023 to 2037 | 86,520 | 4,205 | 6,560 | 90,725 | - | 7,347 |
| CWA Wastewater Series 2022B, First Lien Revenue Refunding Bonds 5.00% to 5.25%, due 2023 to 2052 | 148,050 | 1,950 | 5,551 | - | - | - |

| | (In Thousands) | | | | | |
|--|---|--------------------|---|---|--------------------|---|
| | September 30, 2023 | | | September 30, 2022 | | |
| | Long-term debt excl. current maturities | Current maturities | Unamortized (Discount), Premium, and (Issuance Costs) | Long-term debt excl. current maturities | Current maturities | Unamortized (Discount), Premium, and (Issuance Costs) |
| CWA Wastewater Series 2023A First Lien Revenue Refunding Bonds 4.00% to 5.00%, due 2027 to 2041 | 122,025 | - | 15,977 | - | - | - |
| Subtotal Wastewater | 1,970,477 | 54,050 | 229,568 | 1,893,072 | 50,421 | 240,605 |
| Resources | | | | | | |
| Citizens Westfield Utilities Series 2018A, Refunding Revenue Bonds, 80% of 3-month LIBOR plus 1.90%, due 2023 (repaid June 2023) | - | - | - | 5,000 | - | (45) |
| Citizens Westfield Water Series 2019A, Revenue Bonds, 4.00%, due 2048 | 20,000 | - | (65) | 20,000 | - | (69) |
| Citizens Westfield Wastewater Series 2019A, Revenue Bonds, 5.00%, due 2048 | 22,660 | - | 2,250 | 22,660 | - | 2,297 |
| Citizens Westfield Water Series 2022A, Revenue Bonds, 4.00%, due 2052 | 16,000 | - | (1,170) | 16,000 | - | (1,079) |
| Citizens Westfield Gas Series 2022A Revenue Bonds 4.05%, due 2029 | 4,000 | - | (122) | 4,000 | - | (134) |
| Subtotal Resources | 62,660 | - | 893 | 67,660 | - | 970 |
| Total | \$ 2,897,597 | \$ 116,629 | \$ 322,074 | \$ 2,895,337 | \$ 109,946 | \$ 342,421 |

* Indianapolis Local Public Improvement Bond Bank (ILPIBB)

Principal maturities of long-term debt for the next five fiscal years and thereafter are as follows (in thousands):

| | |
|----------------------------|---------------------|
| 2024 | \$ 116,630 |
| 2025 | 108,219 |
| 2026 | 118,953 |
| 2027 | 118,982 |
| 2028 | 126,298 |
| Thereafter | 2,425,145 |
| Total principal maturities | <u>\$ 3,014,227</u> |

Recent Debt Transaction Activity

On November 17, 2022, CWA issued \$150.0 million of First Lien Revenue Bonds, Series 2022B. The Series 2022B bonds were issued at a premium of \$6.9 million and have principal maturities between 2023 and 2052 with coupons ranging from 5.0% to 5.25%. The bonds were issued to fund capital improvements.

On August 1, 2023, Water issued \$89.6 million of First Lien Revenue Refunding Bonds, Series 2023A. The Series 2023A bonds were issued at a premium of \$13.6 million and have principal maturities between 2025 and 2044 with coupons ranging from 4.0% to 5.0%. The 2023A bonds were issued to partially refund Series 2014A First Lien Revenue Bonds, Series 2016A First Lien Revenue Bonds, Series 2016B First Lien Refunding Revenue Bonds, and Series 2018A First Lien Refunding Revenue Bonds.

On August 1, 2023, CWA issued \$122.0 million of First Lien Revenue Refunding Bonds, Series 2023A. The Series 2023A bonds were issued at a premium of \$17.6 million and have principal maturities between 2027 and 2041 with coupons ranging from 4.0% to 5.0%. The 2023A bonds were issued to partially refund the Series 2014A First Lien Revenue Bonds, Series 2015A First Lien Revenue Bonds, and Series 2016A First Lien Revenue Bonds.

In addition, on August 1, 2023, CWA executed a forward refunding commitment whereby CWA will issue \$126.9 million of First Lien Revenue Refunding Bonds, Series 2024A, with a settlement date of July 3, 2024. The bonds will be issued at a premium of \$9.2 million and have principal maturities between 2027 and 2045 with coupons of 5.0%. The 2024A bonds will be issued to partially refund the Series 2014A First Lien Revenue Bonds and Series 2015A First Lien Revenue Bonds.

Covenants

Citizens and CWA are obligated to satisfy certain covenants, including meeting certain minimum debt service coverage requirements for each bond issue, which are generally calculated as earnings before interest, taxes, depreciation, and amortization, including certain adjustments, divided by the relevant debt service.

Citizens and CWA have rate covenants specifying in the event that debt service covenants cannot be met, Citizens and CWA shall take any appropriate action under the law and within its power, to generate income and revenues of the GUDS, Water System, Wastewater System and Thermal Energy System, respectively, in the amounts required to satisfy the covenants for subsequent fiscal years. These actions include, but are not limited to, the filing of a proceeding seeking additional revenues or other relief before the IURC.

Citizens' and CWA's rate covenant debt service coverage ratios, as defined by each indenture, are summarized as follows for 2023:

| | Minimum Coverage Requirement | 2023 Actual |
|--|------------------------------------|----------------|
| GUDS Revenue Refunding Bonds Series 2013A, Series 2017A, and Series 2020A Second Lien Revenue Refunding Bonds | 1.0 | 3.43 |
| Thermal Energy System Revenue Bonds Series 2013A, Series 2014A, and Series 2016A | 1.0 | 1.87 |
| Water Utility Net Revenue Bonds Series 2011D, Series 2014A, Series 2016A, Series 2016B, Series 2018A, Series 2021A, and Series 2023A. | 1.2 | 1.75 |
| CWA Wastewater Utility Revenue Bonds Series 2012A, Series 2014A, Series 2015A, Series 2016A, Series 2016C, Series 2017A, Series 2019A, Series 2019B, Series 2020A, Series 2020B, Series 2021-1, Series 2021A, Series 2021B, Series 2022A, Series 2022B, and Series 2023A. | 1.2 | 1.98 |
| CWA Wastewater Utility Revenue Second Lien Bonds Series 2016B and 2021-2 | 1.1 | 1.75 |
| Citizens Westfield Water Revenue Bonds Series 2019A and Series 2022A | 1.2 | 4.97 |
| Citizens Westfield Wastewater Revenue Bonds Series 2019A | 1.2 | 9.89 |
| Citizens Westfield Gas Revenue Bonds Series 2022A | 2.0 | 5.06 |

As of September 30, 2023, the Water System maintains \$6.9 million in the Rate Stabilization Fund, which is recorded as cash and cash equivalents on the Combined Statement of Financial Position. For purposes of calculating and satisfying its rate covenant per the Water System indenture, Citizens may transfer funds from the Rate Stabilization Fund to revenues in any fiscal year, so long as the funds were not transferred to the Rate Stabilization Fund during such fiscal year. These funds were transferred to the Rate Stabilization Fund in fiscal 2012 and continue to be available to support net revenues of the Water System in future years.

In addition, in order to issue additional bonds CWA is required by the terms of the State Revolving Fund (SRF) Financial Assistance Agreement to demonstrate its ability to pay first and second lien debt service and make payments in lieu of property taxes, summarized as follows:

| | Minimum Coverage Requirement | 2023 Actual |
|---|------------------------------------|----------------|
| CWA Wastewater Utility First Lien Debt, Second Lien Debt, Other Payments | 1.0 | 1.46 |

4. SHORT-TERM AND OTHER BORROWINGS

Citizens Gas, Thermal, Water, and Wastewater have established lines of credit with terms and conditions as outlined in the table below:

| Entity | Credit Capacity | Maturity Date | Interest Rate | Commitment Fee | Amount Outstanding at (in millions) | |
|------------|--------------------|--------------------|----------------------------|-------------------|--|-----------------------|
| | | | | | September 30, 2023 | September 30, 2022 |
| Gas | 50.0 million | September 29, 2024 | SOFR ¹ + 0.62% | 0.250% | \$ - | \$ - |
| Gas | 25.0 million | August 1, 2025 | SOFR + 0.90% | 0.200% | - | - |
| Thermal | 20.0 million | July 25, 2025 | BSBY ² + 1.125% | 0.125% | - | - |
| Water | 25.0 million | November 18, 2022 | 82% of LIBOR + 1.31% | 0.200% | * | - |
| Water | 15.0 million | April 30, 2025 | SOFR + 1.60% | 0.200% | - | - |
| Water | 25.0 million | November 2, 2023 | 83% of BSBY + 0.95% | 0.250% | - | - |
| Water | 25.0 million | November 18, 2024 | 82% of SOFR + 1.31% | 0.200% | 20.0 | ** |
| Wastewater | 50.0 million | October 14, 2022 | 80% of LIBOR + 0.68% | 0.220% | * | - |
| Wastewater | 45.0 million | July 15, 2026 | 80% of BSBY + 0.55% | 0.325% | - | - |
| Wastewater | 50.0 million | October 14, 2025 | SOFR + 0.68% | 0.240% | - | ** |

¹ Secured Overnight Financing Rate (SOFR)

* Line of credit matured prior to September 30, 2023.

² Bloomberg Short-Term Bank Yield Index (BSBY)

** Line of credit initiated after September 30, 2022.

The Wastewater line of credit was renewed on October 14, 2022 with an interest rate of SOFR + 0.68% and a maturity date of October 14, 2025.

The Water line of credit was renewed on November 18, 2022 with an interest rate of 82% of one-month SOFR + 1.31% and a maturity date of November 18, 2024.

The Water line of credit was renewed on December 15, 2022 with an interest rate of SOFR + 1.60% and a maturity date of April 30, 2025.

The Water line of credit interest rate was revised on December 28, 2022 from 83% of London Interbank Offer Rate (LIBOR) + 0.95% to 83% of BSBY + 0.95%. The maturity date remained unchanged.

On February 23, 2023, the Gas line of credit capacity was increased from \$25.0 million to \$50.0 million and the interest rate was revised to SOFR + 0.62%. The maturity date remains unchanged.

The Water line of credit was renewed on November 2, 2023 with an interest rate of 83% of BSBY + 1.40% and a maturity date of November 2, 2026.

Resources

Westfield Gas, Westfield Water, and Westfield Wastewater have established lines of credit with terms and conditions as outlined in the table below.

| Entity | Credit Capacity | Maturity Date | Interest Rate | Commitment Fee | Amount Outstanding at (in millions) | |
|----------------------|--------------------|------------------|------------------|-------------------|--|-----------------------|
| | | | | | September 30, 2023 | September 30, 2022 |
| Westfield Gas | 7.0 million | March 30, 2025 | BSBY + 1.65% | 0.250% | \$ 3.0 | \$ 1.0 |
| Westfield Water | 7.0 million | March 10, 2025 | BSBY + 0.90% | 0.100% | - | - |
| Westfield Wastewater | 5.0 million | March 10, 2025 | BSBY + 0.90% | 0.100% | - | - |

Outstanding borrowings with maturities of twelve months or less from the balance sheet date are presented as current liabilities in the Combined Statements of Financial Position in the line item labeled, "Short-term borrowings." Outstanding borrowings with maturities greater than twelve months from the balance sheet date are classified as non-current liabilities in the Combined Statements of Financial Position in the line item labeled, "Other long-term liabilities". Certain line of credit agreements require the Company to maintain a zero balance on the line of credit for a stipulated time period each year. Borrowings under these agreements are presented as current liabilities in the Combined Statements of Financial Position in the line item labeled, "Short-term borrowings."

5. REVENUE RECOGNITION

Citizens recognizes revenue consistent with amounts billed under tariff offerings or at contractually agreed upon rates based on actual delivery of utility service, including estimated volumes delivered when billings have not yet occurred. The majority of the Company's revenues have fixed pricing based on the contractual terms of the published tariffs, with variability in expected cash flows attributable to the customer's volumetric demand during the billing period. Utility receipts taxes were recognized on a gross basis as part of revenues through June 30, 2022. The utility receipts tax was repealed by the State of Indiana effective July 1, 2022.

Performance obligations are satisfied over time as utility services are delivered and consumed with billings generally occurring monthly and related payments due within 30 days. Using this output method for revenue recognition provides a faithful depiction of the transfer of utility services as customers obtain control of the service provided and simultaneously benefit from its use at delivery.

Substantially all the Company's revenues result from tariff-based or fixed-price at-will contracts which either have an expected duration of one year or less, or, in the case of longer-term contracts, are based on a single performance obligation (the delivery of utility services) which will not have future performance obligations for disclosure.

Revenues from Contracts with Customers

Utility services for gas, steam, water, and wastewater are marketed throughout the Company's service territory using published tariff rates. The tariff rates are established by the IURC. Each tariff, which is assigned to customers based on customer class, has multiple components, such as a commodity charge, demand charge, facility or service charge and transportation costs. The Company considers each of these components to be aggregated into a single performance obligation for providing utility service which is satisfied over time and is provided and consumed over the billing period (generally one month). As such, revenue from contracts with customers for such contracts is equivalent to the service supplied and billed in that period, including unbilled estimates. Additionally, utility services are typically at-will and customers can cancel service at any time, without a substantive penalty. The Company maintains common utility credit risk mitigation practices, including requiring deposits and actively pursuing collection of past due amounts with the exception of the temporary suspension of shutoffs noted below. Contracts with chilled water customers are based on a fixed capacity charge and a variable usage charge, resulting in performance obligations similar to that of the regulated utilities.

Monthly billing dates for utility services provided to customers are depicted in the table below.

| <u>Gas</u> | <u>Steam</u> | <u>Chilled Water</u> | <u>Water</u> | <u>Wastewater</u> | <u>Westfield Utilities</u> |
|---------------------------------|---------------------------|---------------------------|---------------------------------|---------------------------------|-----------------------------|
| Cycle basis throughout month | Billed at end of month | Billed at end of month | Cycle basis throughout month | Cycle basis throughout month | Billed near end of month |

Unbilled revenues, if applicable, are recognized by applying customer billing rates to the estimated volumes delivered but not yet billed. Unbilled revenues can vary significantly from period to period as a result of factors such as seasonality, weather, customer usage patterns, average price in effect per customer class, timing of rendering bills and meter reading schedules. The accrual for unbilled revenues is reversed in the subsequent accounting period when meters are read and customers are billed.

Revenues and, where applicable, costs are influenced by seasonal weather patterns, with peak sales for gas and steam occurring during the winter heating months, and during the summer months for chilled water and water. Revenues for wastewater are generally independent of seasonality. Residential and commercial customers are more impacted by weather than industrial customers. The Normal Temperature Adjustment (NTA) adjusts monthly billings to normalize Gas and Steam margin collected from certain customer classes during heating months.

Alternative Revenue Programs

Alternative Revenue Programs represent regulator-approved programs which allow for the adjustment of billings and revenue for certain broad, external factors such as normalization programs that adjust revenues for the effects of weather

or programs designed to compensate for fluctuations in consumer demand. Such programs typically enable the Company to adjust rates in the future, usually as a surcharge applied to future billings, in response to past activities or completed events. Alternative Revenue Programs represent a contract between the utility and its regulators, not customers, and are therefore not within the scope of the accounting guidance for recognizing revenue from contracts with customers. When the criteria to recognize revenues from Alternative Revenue Programs have been met in accordance with ASC 980-605-25, a regulatory asset is established and the revenue is presented as a component of operating revenues. When amounts previously recognized under Alternative Revenue Programs accounting guidance are billed, the regulatory asset is reduced and a customer account receivable is recorded.

Disaggregated Revenues

Revenue by customer class is most meaningful to the Company as each respective customer class collectively represents unique customer expectations of service, generally has different energy and demand requirements, and operates under custom pricing structures approved by the IURC. Additionally, each customer class is impacted differently by weather and a variety of economic factors. Analyzing revenues disaggregated by customer class allows management to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Disaggregated revenues are presented as follows (in thousands):

| Twelve Months Ended September 30, 2023 | | | | | | | | |
|--|------------|--------------|--------------------------|--------------|-------------------------|------------------|--------------------------------------|--------------|
| | <u>Gas</u> | <u>Steam</u> | <u>Chilled Water</u> | <u>Water</u> | <u>Waste- Water</u> | <u>Resources</u> | <u>Intercompany Eliminations</u> | <u>Total</u> |
| Residential | \$ 192,526 | \$ - | \$ - | \$ 125,052 | \$ 161,399 | \$ 27,148 | \$ - | \$ 506,125 |
| Commercial | 77,646 | 44,749 | 38,787 | 69,615 | 106,901 | 7,190 | (9,873) | 335,015 |
| Industrial | 31,426 | 32,453 | 377 | 10,848 | 35,867 | 607 | (13,207) | 98,371 |
| Other | 7,589 | 288 | - | 11,210 | 17,635 | 8,629 | (1,843) | 43,508 |
| Revenues - Contracts w/Customers | 309,187 | 77,490 | 39,164 | 216,725 | 321,802 | 43,574 | (24,923) | 983,019 |
| Alternative Revenue Programs | - | - | - | - | - | 106 | - | 106 |
| Gross Operating Revenues | \$ 309,187 | \$ 77,490 | \$ 39,164 | \$ 216,725 | \$ 321,802 | \$ 43,680 | \$ (24,923) | \$ 983,125 |

| Twelve Months Ended September 30, 2022 | | | | | | | | |
|--|------------|--------------|--------------------------|--------------|-------------------------|------------------|--------------------------------------|--------------|
| | <u>Gas</u> | <u>Steam</u> | <u>Chilled Water</u> | <u>Water</u> | <u>Waste- Water</u> | <u>Resources</u> | <u>Intercompany Eliminations</u> | <u>Total</u> |
| Residential | \$ 175,572 | \$ - | \$ - | \$ 120,066 | \$ 160,506 | \$ 26,690 | \$ - | \$ 482,834 |
| Commercial | 69,260 | 43,500 | 37,846 | 71,098 | 109,153 | 8,005 | (10,503) | 328,359 |
| Industrial | 20,871 | 31,027 | 349 | 10,225 | 45,129 | 782 | (1,256) | 107,127 |
| Other | 21,168 | 308 | - | 8,504 | 15,809 | 8,197 | - | 53,986 |
| Revenues - Contracts w/Customers | 286,871 | 74,835 | 38,195 | 209,893 | 330,597 | 43,674 | (11,759) | 972,306 |
| Alternative Revenue Programs | - | - | - | - | - | 52 | - | 52 |
| Gross Operating Revenues | \$ 286,871 | \$ 74,835 | \$ 38,195 | \$ 209,893 | \$ 330,597 | \$ 43,726 | \$ (11,759) | \$ 972,358 |

Accounts Receivable and Unbilled Revenue

Amounts due from customers are reflected on the Combined Statements of Financial Position in the line items labeled "Accounts receivable" for revenue billed to customers and "Accrued utility revenue" which represents unbilled customer revenues. Unbilled revenues relate to a portion of a customer's consumption of utility services from the date of the last cycle billing date through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage and customer rates. The Company had no contract assets or liabilities during the periods presented. Additionally, the Company has not incurred any significant costs to obtain or fulfill contracts. The opening and closing balances for customer accounts receivable and accrued utility revenue for the twelve months ended September 30, 2023, and 2022 are presented in the tables below.

Citizens and CWA offer flexible payment plans to customers experiencing hardship. At September 30, 2023, the Company's allowance for doubtful accounts is \$5.8 million compared with \$6.7 million at September 30, 2022. The adverse impact economic conditions may have on customers' ability to pay is unknown and difficult to predict; however, management is monitoring changing circumstances and will adjust, if necessary, the allowance for doubtful accounts as additional information becomes available.

Accounts Receivable, net

| <u>\$ Thousands</u> | <u>Gas</u> | <u>Steam</u> | <u>Chilled Water</u> | <u>Water</u> | <u>Wastewater</u> | <u>Resources</u> | <u>Total</u> |
|-------------------------------|-------------------|-----------------|----------------------|-------------------|-------------------|------------------|-------------------|
| Balance at September 30, 2023 | \$ 16,735 | \$ 5,170 | \$ 6,373 | \$ 28,771 | \$ 30,072 | \$ 4,224 | \$ 91,345 |
| Balance at September 30, 2022 | 26,415 | 5,987 | 5,083 | 22,152 | 31,447 | 2,760 | 93,844 |
| Increase (Decrease) | <u>\$ (9,680)</u> | <u>\$ (817)</u> | <u>\$ 1,290</u> | <u>\$ 6,619</u> | <u>\$ (1,375)</u> | <u>\$ 1,464</u> | <u>\$ (2,499)</u> |
| Balance at September 30, 2022 | \$ 26,415 | \$ 5,987 | \$ 5,083 | \$ 22,152 | \$ 31,447 | \$ 2,760 | \$ 93,844 |
| Balance at September 30, 2021 | 11,676 | 5,094 | 6,120 | 24,914 | 28,522 | 3,276 | 79,602 |
| Increase (Decrease) | <u>\$ 14,739</u> | <u>\$ 893</u> | <u>\$ (1,037)</u> | <u>\$ (2,762)</u> | <u>\$ 2,925</u> | <u>\$ (516)</u> | <u>\$ 14,242</u> |

Accrued Utility Revenue

| <u>\$ Thousands</u> | <u>Gas</u> | <u>Steam</u> | <u>Chilled Water</u> | <u>Water</u> | <u>Wastewater</u> | <u>Resources</u> | <u>Total</u> |
|-------------------------------|-----------------|--------------|----------------------|-----------------|-------------------|------------------|-------------------|
| Balance at September 30, 2023 | \$ 3,568 | \$ - | \$ - | \$ 8,882 | \$ 11,839 | \$ 641 | \$ 24,930 |
| Balance at September 30, 2022 | 4,044 | - | - | 9,192 | 12,565 | 659 | 26,460 |
| Increase (Decrease) | <u>\$ (476)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (310)</u> | <u>\$ (726)</u> | <u>\$ (18)</u> | <u>\$ (1,530)</u> |
| Balance at September 30, 2022 | \$ 4,044 | \$ - | \$ - | \$ 9,192 | \$ 12,565 | \$ 659 | \$ 26,460 |
| Balance at September 30, 2021 | 3,510 | - | - | 9,061 | 13,690 | 562 | 26,823 |
| Increase (Decrease) | <u>\$ 534</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 131</u> | <u>\$ (1,125)</u> | <u>\$ 97</u> | <u>\$ (363)</u> |

Accounts receivable and unbilled revenues can vary significantly from period to period as a result of weather, customer usage patterns, customer mix, commodity costs, changes in tariff rates, timing of customer collections, timing of rendering customer bills, and meter reading schedules.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as shown in the accompanying Combined Statements of Financial Position are comprised of the following components at September 30 (in thousands):

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| Accounts payable | \$ 80,615 | \$ 115,089 |
| Accrued interest | 58,086 | 58,977 |
| Customer credit balances | 14,778 | 14,247 |
| Salaries and employee benefits | 19,889 | 12,330 |
| Post-employment benefits | 3,557 | 3,701 |
| Other | 1,212 | 3,399 |
| Total accounts payable and accrued expenses | <u>\$ 178,137</u> | <u>\$ 207,743</u> |

7. RETIREMENT PLANS

Citizens has a non-contributory defined benefit pension plan covering substantially all full-time employees. The policy of Citizens is to fund amounts necessary to maintain the plan on an actuarially sound basis. Contributions are intended to provide not only benefits attributed to service-to-date but also for benefits expected to be earned in the future. Citizens also has a defined-benefit pension plan for certain Water bargaining employees. Citizens elected to freeze the plan as of September 30, 2011, and the participants are no longer accruing benefits.

In addition to providing defined benefit pension plan benefits, Citizens offers other retirement benefits to eligible employees including pension restoration plans, a supplemental benefits plan, thrift savings plans and post-retirement health care and life insurance benefits. The pension restoration plans provide retirement benefits for employees whose retirement benefit exceeds the maximum allowable benefit under the Internal Revenue Code for qualified pension plans and thrift plans. The supplemental benefit plan covers certain former employees of Indianapolis Water Company.

The thrift savings plans are defined contribution plans covering most employees. Citizens matches a portion of the contributions made by the employees to the savings plans. The cost to Citizens for its matching portion was \$2.6 million and \$2.3 million for the years ended September 30, 2023 and 2022, respectively. Citizens provides post-employment health and dental benefits to eligible retirees, which includes payment of up to 80 percent of single and dependent

coverage premiums until age 65. Certain active non-bargaining employees, previously on the legacy Water post-employment health plan, will receive benefits for life upon retirement. The percentage of premiums paid by Citizens is dependent upon the age and years of service at the date the employee retires. The post-employment benefit plans are unfunded. Citizens accrues the expected cost of post-employment health benefits during the years in which employees render service.

Citizens also assumed responsibility for benefits of the legacy Water plan with respect to employees that were retired (as well as eligible dependents) as of the date of acquisition of the water utility. These benefits continue for the life of the participants. A restricted funds trust (Grantor Trust) had been established by previous owners of the Water operations to fund retiree medical benefit obligations of the legacy Water plan. Contributions to the trust had been made periodically by the previous owners. Citizens acquired the Grantor Trust as part of the acquisition and continues to make contributions to the trust from operating revenues of the Water System as authorized by the IURC. Benefits are paid from the Grantor Trust. Assets of the Grantor Trust are recorded as Other Investments on the Company's balance sheet. Fair value of the Grantor Trust assets are \$15.2 million and \$15.1 million at September 30, 2023 and 2022, respectively.

The following table sets forth the funded status of the defined benefit pension and other post-retirement benefit plans as of the measurement date, reconciled with the amount reported in Citizens' and CWA's Combined Statements of Financial Position at September 30, 2023 and 2022 (in thousands):

| | Defined Benefit Plan | | Other Benefits | |
|--|----------------------|------------------|--------------------|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Projected Benefit Obligation (PBO) | \$ 349,686 | \$ 368,248 | \$ 44,786 | \$ 47,101 |
| Plan assets at fair value | 423,761 | 379,747 | - | - |
| Funded status | <u>\$ 74,075</u> | <u>\$ 11,499</u> | <u>\$ (44,786)</u> | <u>\$ (47,101)</u> |
| <i>Amounts recognized in the Consolidated Statements of Financial Position consist of:</i> | | | | |
| Non-current assets | \$ 74,075 | \$ 11,499 | \$ - | \$ - |
| Current liabilities | - | - | (3,567) | (3,713) |
| Non-current liabilities | - | - | (41,219) | (43,388) |
| Net amounts recognized | <u>\$ 74,075</u> | <u>\$ 11,499</u> | <u>\$ (44,786)</u> | <u>\$ (47,101)</u> |
| <i>Amounts in Accumulated Other Comprehensive Income (AOCI), not in costs:</i> | | | | |
| Prior service cost | \$ 231 | \$ 324 | \$ (9,055) | \$ (11,312) |
| Net loss/(gain) | (15,607) | 35,585 | (11,513) | (10,311) |
| Total amounts in AOCI | <u>\$ (15,376)</u> | <u>\$ 35,909</u> | <u>\$ (20,568)</u> | <u>\$ (21,623)</u> |
| Accumulated Benefit Obligation (ABO) | \$ 326,639 | \$ 341,411 | | |

An increase in the discount rate was the primary driver for the decrease in the projected benefit obligation in 2023.

In accordance with the Pri-2012 Total Dataset Mortality Table using MP-2021, Citizens applied the mortality assumptions which were used in the determination of the projected benefit obligation as of September 30, 2023. The net periodic benefit cost for these plans included the following components (in thousands):

| | Defined Benefit Plan | | Other Benefits | |
|---|----------------------|------------------|----------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| Service cost-benefits attributed to service during the period | \$ 10,137 | \$ 17,002 | \$ 784 | \$ 1,363 |
| Interest cost | 17,884 | 10,969 | 2,222 | 1,219 |
| Expected return on assets | (16,864) | (23,067) | - | - |
| Amortization of prior service cost | 94 | 94 | (2,257) | (2,257) |
| Amortization of loss | - | 4,989 | (426) | 484 |
| Settlement loss recognized | 294 | 101 | - | - |
| Net periodic benefit cost | <u>\$ 11,545</u> | <u>\$ 10,088</u> | <u>\$ 323</u> | <u>\$ 809</u> |

Accounting for pensions and other post-retirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually with assistance from the Company's actuarial consultants who provide guidance in establishing the assumptions. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in

capital markets and the overall economy. These differences will impact the amount of pension and other post-retirement benefit expense that the Company recognizes.

The significant assumptions related to the Company's benefit obligations as of September 30 and net periodic benefit costs for the years ended September 30 are as follows:

| | Citizens Defined Benefit Plan | | Water Defined Benefit Plan | | Citizens Post-Retirement Benefit | | Other Benefit Plans | |
|---------------------------------------|----------------------------------|-------|-------------------------------|-------|--|-------|------------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Projected benefit obligation | | | | | | | | |
| Discount rate | 5.63% | 5.15% | 5.51% | 5.00% | 5.58% | 5.11% | 5.54 - 5.58% | 5.05 - 5.11% |
| Rate of compensation increase | 4.54% | 4.40% | - | - | - | - | 3.90% | 3.90% |
| Health care cost trend rate | n/a | n/a | n/a | n/a | 8.50% | 8.00% | n/a | n/a |
| Ultimate trend rate | n/a | n/a | n/a | n/a | 5.05% | 5.05% | n/a | n/a |
| Year rate reaches ultimate trend rate | n/a | n/a | n/a | n/a | 2031 | 2029 | n/a | n/a |
| Net periodic benefit costs | | | | | | | | |
| Discount rate | 5.15% | 2.73% | 5.00% | 2.13% | 5.11% | 2.47% | 5.05 - 5.11% | 2.37 - 2.53% |
| Expected return on plan assets | 4.43% | 5.12% | 4.43% | 5.12% | n/a | n/a | n/a | n/a |
| Rate of compensation increase | 4.40% | 4.32% | n/a | n/a | n/a | n/a | 3.90% | 3.75% |
| Health care cost trend rate | n/a | n/a | n/a | n/a | 8.00% | 8.00% | n/a | n/a |
| Ultimate trend rate | n/a | n/a | n/a | n/a | 5.05% | 5.00% | n/a | n/a |
| Year rate reaches ultimate trend rate | n/a | n/a | n/a | n/a | 2029 | 2028 | n/a | n/a |

To calculate the expected long-term rate of return on assets for fiscal year 2023, Citizens used the plan assets fair market value and an expected long-term rate of return, based on a targeted 51 percent equity, 34 percent debt, and 15 percent alternative investment allocation for the plan. To calculate the expected long-term rate of return on assets for fiscal year 2022, Citizens used the plan assets fair market value and an expected long-term rate of return, based on a targeted 60 percent equity and 40 percent debt allocation for the plan.

Assets of the defined benefit plan consist principally of various mutual fund investments in long-term and intermediate-term fixed income securities and common stocks. Alternative investments are comprised of an investment in a common collective fund valued at the net asset value (NAV) as a practical expedient. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. The measurement date of September 30 was used to determine the pension cost for the years 2023 and 2022.

The following table presents the pension assets measured at fair value on a recurring basis, based on the hierarchy as of September 30, 2023 and 2022 (in thousands). See Note 2L for additional guidance on fair value measurement.

| 2023 Fair Value Measurements Using | | | | | |
|------------------------------------|-------------------|---|--|--|--|
| Description | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Valued at Net Asset Value (NAV) |
| Pension Assets: | | | | | |
| Cash equivalents | \$ 10,069 | \$ 10,069 | \$ - | \$ - | \$ - |
| Equities | 244,700 | 244,700 | - | - | - |
| Fixed income | 150,164 | 150,164 | - | - | - |
| Alternative investments | 18,828 | - | - | - | 18,828 |
| Total plan assets | <u>\$ 423,761</u> | <u>\$ 404,933</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,828</u> |
| 2022 Fair Value Measurements Using | | | | | |
| Description | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Valued at Net Asset Value (NAV) |
| Pension Assets: | | | | | |
| Cash equivalents | \$ 13,550 | \$ 13,550 | \$ - | \$ - | \$ - |
| Equities | 222,823 | 222,823 | - | - | - |
| Fixed income | 143,374 | 143,374 | - | - | - |
| Total plan assets | <u>\$ 379,747</u> | <u>\$ 379,747</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Citizens' pension plan weighted-average asset allocation as of September 30, 2023 and 2022, by asset category is as follows:

| | <u>2023</u> | <u>2022</u> |
|---------------------------|--------------------|-------------|
| Equity securities | 58% | 59% |
| Debt securities | 36% | 38% |
| Alternative investments | 4% | 0% |
| Cash and cash equivalents | 2% | 3% |
| | <u>100%</u> | <u>100%</u> |

The primary investment objective of the retirement funds is to earn a reasonable rate of return over a market cycle within a prudent level of risk. These investment objectives are long-term in nature.

Employer contribution, participant contributions and benefits paid during the year (in thousands):

| | <u>Defined Benefit Plan</u> | | <u>Other Benefits</u> | |
|---|-----------------------------|-------------|-----------------------|-------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Employer contributions (net of participant contributions) | \$ 22,836 | \$ 21,036 | \$ 3,693 | \$ 3,987 |
| Benefits paid | 24,305 | 18,403 | 3,693 | 3,987 |

Citizens expects to contribute, at a minimum, \$10.9 million to the pension plans in fiscal year 2024. The following retirement benefit payments, which reflect future service, as appropriate, are expected to be paid (in thousands):

| | <u>Defined Benefit Plan</u> | <u>Other Benefits</u> |
|-------------------|-----------------------------|-----------------------|
| 2024 | \$ 19,411 | \$ 3,567 |
| 2025 | 20,087 | 3,560 |
| 2026 | 21,103 | 3,586 |
| 2027 | 21,734 | 3,673 |
| 2028 | 22,647 | 3,714 |
| Years 2029 - 2033 | 125,866 | 18,725 |

8. FINANCIAL SEGMENT INFORMATION

Operations of Citizens include activities in five reportable segments: Gas, Steam, Chilled Water, Water, and Resources. In addition to these business segments, Other is utilized to capture non-revenue generating segment costs (see discussion below). Operations of CWA include activities for the Wastewater business segment. The Chief Executive Officer is the chief operating decision maker for Citizens and CWA.

Gas activities include purchasing natural gas, operating underground natural gas storage facilities in Indiana, and distributing natural gas to residential, commercial, and industrial customers located in Marion County, Indiana.

Steam activities include the production, purchase, and distribution of steam for use in industrial processes and heating buildings in the downtown Indianapolis area.

Chilled Water activities include the production and distribution of chilled water for use in cooling buildings in the central downtown Indianapolis area.

Water activities include the treatment and distribution of drinking water to residential, commercial, and industrial customers located in and around Marion County, Indiana.

Wastewater activities include wastewater collection and treatment services for residential, commercial, and industrial customers located in and around Marion County, Indiana.

Resources conducts for-profit business activities to ultimately provide enhanced benefits to Citizens' beneficiaries. Resources includes several wholly-owned subsidiaries under CESCO, which serves as a holding company for several LLC subsidiaries. CESCO subsidiaries include: Citizens Westfield Utilities, which is the holding company for the three utilities serving Westfield (Westfield Gas, Westfield Water, and Westfield Wastewater). In addition, Resources provides stormwater management services to the Cities of Indianapolis and Beech Grove through Citizens Energy Management Company, LLC.

Other includes certain non-profit instrumentalities, as well as advertising and philanthropic costs that are not recoverable through rates and are funded by contributions from non-regulated segments. Other also includes shared services

comprised of various administrative and operational departments that provide support services to each of Citizens and CWA business segments and the combined enterprise as a whole and allocates the associated cost of the services to the appropriate segment. Management reviews the allocation methodology for shared services on a regular basis and refines the methodology as necessary. The former Manufacturing business segment has been reported as Discontinued Operations and is also included in Other. To the extent certain business segments purchase services from one another, these amounts have been eliminated on the face of the combined financial statements. Such transactions are reported gross for segment presentation, with eliminating entries reported as Eliminations.

Operating revenues and operating expenses are set forth in the Combined Statements of Operations. Operating income represents operating revenues less operating expenses directly attributable to the segments and an allocation of certain operating expenses benefiting each. Segment information as of and for the years ended September 30, 2023, and September 30, 2022 are summarized as follows:

Segment Footnote - Combined Statement of Financial Position*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**At September 30, 2023*

| | Gas | Steam | Chilled Water | Water | Waste- water | Resources | Other | Elimin- ations | Total |
|---|------------|------------|------------------|--------------|-----------------|------------|-----------|-------------------|--------------|
| Assets | | | | | | | | | |
| Property, plant, and equipment | \$ 394,269 | \$ 80,304 | \$ 67,710 | \$ 1,362,283 | \$ 2,622,558 | \$ 348,697 | \$ 21,307 | \$ - | \$ 4,897,128 |
| Intangibles | - | 11,252 | 31,831 | - | - | - | - | - | 43,083 |
| Investments | 12,282 | 12,594 | 13,017 | 71,771 | 181,921 | 1,359 | 350 | (15,000) | 278,294 |
| Cash and cash equivalents | 33,776 | 11,176 | 25,205 | 19,797 | 118,258 | 27,666 | 12,688 | - | 248,566 |
| Other current assets | 78,375 | 11,135 | 8,090 | 45,626 | 49,236 | 6,649 | (904) | (487) | 197,720 |
| Deferred charges and other non-current assets | 22,051 | 5,999 | 6,083 | 18,995 | 5,329 | 660 | 45,485 | - | 104,602 |
| Total assets | \$ 540,753 | \$ 132,460 | \$ 151,936 | \$ 1,518,472 | \$ 2,977,302 | \$ 385,031 | \$ 78,926 | \$ (15,487) | \$ 5,769,393 |
| Capitalization and Liabilities | | | | | | | | | |
| Equity | \$ 368,047 | \$ 45,194 | \$ 121,242 | \$ 347,290 | \$ 442,144 | \$ 149,307 | \$ 33,904 | \$ - | \$ 1,507,128 |
| Long-term debt | 108,737 | 43,602 | 13,511 | 790,223 | 2,200,045 | 63,553 | - | - | 3,219,671 |
| Retirement benefit and Other long-term liabilities | 6,287 | 19,611 | 590 | 269,878 | 168,981 | 159,987 | 24,448 | (15,000) | 634,782 |
| Current mat. of long-term debt | 16,964 | 7,278 | 5,377 | 32,960 | 54,050 | - | - | - | 116,629 |
| Short-term borrowings | - | - | - | 20,000 | - | - | - | - | 20,000 |
| Other current liabilities | 40,718 | 16,775 | 11,216 | 58,121 | 112,082 | 12,184 | 20,574 | (487) | 271,183 |
| Total capitalization and liabilities | \$ 540,753 | \$ 132,460 | \$ 151,936 | \$ 1,518,472 | \$ 2,977,302 | \$ 385,031 | \$ 78,926 | \$ (15,487) | \$ 5,769,393 |

Segment Footnote - Combined Statement of Financial Position*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**At September 30, 2022*

| | Gas | Steam | Chilled Water | Water | Waste- water | Resources | Other | Elimin- ations | Total |
|---|------------|------------|------------------|--------------|-----------------|------------|-----------|-------------------|--------------|
| Assets | | | | | | | | | |
| Property, plant, and equipment | \$ 367,792 | \$ 76,402 | \$ 66,459 | \$ 1,287,135 | \$ 2,478,018 | \$ 291,424 | \$ 22,969 | \$ - | \$ 4,590,199 |
| Intangibles | - | 12,235 | 34,551 | - | - | - | - | - | 46,786 |
| Investments | 3,789 | 12,052 | 15,748 | 75,366 | 177,628 | 1,222 | 538 | (10,000) | 276,343 |
| Cash and cash equivalents | 38,928 | 8,050 | 22,963 | 31,160 | 95,342 | 32,258 | 12,183 | - | 240,884 |
| Other current assets | 105,622 | 13,673 | 6,552 | 37,579 | 50,202 | 6,456 | 315 | (1,885) | 218,514 |
| Deferred charges and other non-current assets | 5,822 | 1,895 | 438 | 15,756 | 3,456 | 640 | 9,214 | - | 37,221 |
| Total assets | \$ 521,953 | \$ 124,307 | \$ 146,711 | \$ 1,446,996 | \$ 2,804,646 | \$ 332,000 | \$ 45,219 | \$ (11,885) | \$ 5,409,947 |
| Capitalization and Liabilities | | | | | | | | | |
| Equity | \$ 301,581 | \$ 36,349 | \$ 118,081 | \$ 289,608 | \$ 346,228 | \$ 134,170 | \$ 5,463 | \$ - | \$ 1,231,480 |
| Long-term debt | 128,168 | 51,618 | 19,387 | 836,278 | 2,133,677 | 68,630 | - | - | 3,237,758 |
| Retirement benefit and Other long-term liabilities | 6,409 | 14,740 | 613 | 230,334 | 142,213 | 120,814 | 25,215 | (10,000) | 530,338 |
| Current mat. of long-term debt | 16,160 | 6,922 | 5,118 | 31,325 | 50,421 | - | - | - | 109,946 |
| Short-term borrowings | - | - | - | - | - | - | - | - | - |
| Other current liabilities | 69,635 | 14,678 | 3,512 | 59,451 | 132,107 | 8,386 | 14,541 | (1,885) | 300,425 |
| Total capitalization and liabilities | \$ 521,953 | \$ 124,307 | \$ 146,711 | \$ 1,446,996 | \$ 2,804,646 | \$ 332,000 | \$ 45,219 | \$ (11,885) | \$ 5,409,947 |

Segment Footnote - Combined Statement of Operations*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Twelve Months Ended September 30, 2023*

| | Gas | Steam | Chilled Water | Water | Waste- water | Resources | Other | Elimin- ations | Total |
|--|------------------|-----------------|------------------|------------------|------------------|------------------|-------------------|-------------------|--------------------------|
| Operating revenues | | | | | | | | | |
| Customer revenues | \$ 292,271 | \$ 72,759 | \$ 39,164 | \$ 215,350 | \$ 320,625 | \$ 42,956 | \$ - | \$ - | \$ 983,125 |
| Intercompany revenues | 16,916 | 4,731 | - | 1,375 | 1,177 | 724 | - | (24,923) | - |
| Gross operating revenues | 309,187 | 77,490 | 39,164 | 216,725 | 321,802 | 43,680 | - | (24,923) | 983,125 |
| Operating expenses: | | | | | | | | | |
| Cost of goods sold | 158,097 | 44,151 | 12,761 | - | - | 5,060 | - | (21,655) | 198,414 |
| Operations and maintenance | 69,478 | 19,664 | 8,553 | 92,834 | 90,939 | 17,302 | 137 | (3,261) | 295,646 |
| Depreciation and amortization | 19,733 | 5,686 | 5,554 | 28,454 | 68,783 | 6,118 | - | - | 134,328 |
| Taxes | 6,588 | 813 | 2,681 | 13,971 | 28,324 | 2,599 | - | - | 54,976 |
| Total operating expenses | 253,896 | 70,314 | 29,549 | 135,259 | 188,046 | 31,079 | 137 | (24,916) | 683,364 |
| Operating income (loss) | 55,291 | 7,176 | 9,615 | 81,466 | 133,756 | 12,601 | (137) | (7) | 299,761 |
| Other income (expense), net: | | | | | | | | | |
| Interest income | 5,016 | 664 | 1,315 | 2,843 | 10,517 | 198 | 636 | (585) | 20,604 |
| Non-operating post-employment benefits, net | (710) | (121) | (1) | (85) | (36) | (5) | - | - | (958) |
| Other | (150) | - | - | 255 | 121 | 255 | (3,340) | 585 | (2,274) |
| Total other income (expense), net | 4,156 | 543 | 1,314 | 3,013 | 10,602 | 448 | (2,704) | - | 17,372 |
| Income (loss) before interest charges | 59,447 | 7,719 | 10,929 | 84,479 | 144,358 | 13,049 | (2,841) | (7) | 317,133 |
| Interest charges: | | | | | | | | | |
| Interest on long-term debt | 6,816 | 2,979 | 913 | 36,352 | 87,948 | 2,926 | - | - | 137,934 |
| Other interest, including net (premium) discount amortization | (1,131) | (463) | (501) | (6,279) | (38,226) | (213) | - | - | (46,813) |
| Total interest charges | 5,685 | 2,516 | 412 | 30,073 | 49,722 | 2,713 | - | - | 91,121 |
| Income (loss) from continuing operations | 53,762 | 5,203 | 10,517 | 54,406 | 94,636 | 10,336 | (2,841) | (7) | 226,012 |
| Loss from discontinued operations | - | - | - | - | - | - | (442) | 7 | (435) |
| Net income (loss) | <u>\$ 53,762</u> | <u>\$ 5,203</u> | <u>\$ 10,517</u> | <u>\$ 54,406</u> | <u>\$ 94,636</u> | <u>\$ 10,336</u> | <u>\$ (3,283)</u> | <u>\$ -</u> | <u>\$ 225,577</u> |

Segment Footnote - Combined Statement of Operations*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Twelve Months Ended September 30, 2022*

| | Gas | Steam | Chilled Water | Water | Waste- water | Resources | Other | Elimin- ations | Total |
|--|------------------|-----------------|------------------|------------------|-------------------|------------------|-------------------|-------------------|--------------------------|
| Operating revenues | | | | | | | | | |
| Customer revenues | \$ 282,943 | \$ 69,855 | \$ 38,195 | \$ 208,956 | \$ 329,358 | \$ 43,051 | \$ - | \$ - | \$ 972,358 |
| Intercompany revenues | 3,928 | 4,980 | - | 937 | 1,239 | 675 | - | (11,759) | - |
| Gross operating revenues | 286,871 | 74,835 | 38,195 | 209,893 | 330,597 | 43,726 | - | (11,759) | 972,358 |
| Operating expenses: | | | | | | | | | |
| Cost of goods sold | 135,719 | 43,226 | 12,965 | - | - | 4,587 | - | (9,942) | 186,555 |
| Operations and maintenance | 67,857 | 19,279 | 8,017 | 84,863 | 86,730 | 17,320 | 103 | (1,796) | 282,373 |
| Depreciation and amortization | 19,224 | 5,526 | 5,500 | 28,071 | 63,595 | 5,644 | - | - | 127,560 |
| Taxes | 9,626 | 1,533 | 2,645 | 16,140 | 29,491 | 2,841 | - | - | 62,276 |
| Total operating expenses | 232,426 | 69,564 | 29,127 | 129,074 | 179,816 | 30,392 | 103 | (11,738) | 658,764 |
| Operating income (loss) | 54,445 | 5,271 | 9,068 | 80,819 | 150,781 | 13,334 | (103) | (21) | 313,594 |
| Other income (expense), net: | | | | | | | | | |
| Interest income | 169 | 48 | 248 | 1,060 | 890 | 21 | 180 | (177) | 2,439 |
| Non-operating post-employment benefits, net | 2,975 | 579 | 150 | 2,145 | 929 | 186 | - | - | 6,964 |
| Other | (300) | - | - | 687 | 66 | 240 | (2,536) | - | (1,843) |
| Total other income (expense), net | 2,844 | 627 | 398 | 3,892 | 1,885 | 447 | (2,356) | (177) | 7,560 |
| Income (loss) before interest charges | 57,289 | 5,898 | 9,466 | 84,711 | 152,666 | 13,781 | (2,459) | (198) | 321,154 |
| Interest charges: | | | | | | | | | |
| Interest on long-term debt | 7,590 | 2,740 | 1,168 | 38,463 | 83,104 | 2,323 | 178 | (178) | 135,388 |
| Other interest, including net (premium) discount amortization | (2,501) | (353) | (631) | (5,136) | (40,185) | (99) | - | - | (48,905) |
| Total interest charges | 5,089 | 2,387 | 537 | 33,327 | 42,919 | 2,224 | 178 | (178) | 86,483 |
| Income (loss) from continuing operations | 52,200 | 3,511 | 8,929 | 51,384 | 109,747 | 11,557 | (2,637) | (20) | 234,671 |
| Loss from discontinued operations | - | - | - | - | - | - | (41) | 20 | (21) |
| Net income (loss) | <u>\$ 52,200</u> | <u>\$ 3,511</u> | <u>\$ 8,929</u> | <u>\$ 51,384</u> | <u>\$ 109,747</u> | <u>\$ 11,557</u> | <u>\$ (2,678)</u> | <u>\$ -</u> | <u>\$ 234,650</u> |

Segment Footnote - Combined Statement of Cash Flows*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**For the Twelve Months Ended September 30, 2023 (In Thousands)*

| | Gas | Steam | Chilled Water | Water | Waste- water | Resources | Other | Total |
|---|-----------|-----------|------------------|-----------|-----------------|-----------|-----------|------------|
| Net cash provided by (used in) operating activities | 42,231 | 19,221 | 18,374 | 66,052 | 150,262 | 26,153 | 4,927 | \$ 327,220 |
| Investing Activities: | | | | | | | | |
| Construction expenditures | (41,286) | (8,631) | (2,744) | (72,277) | (215,968) | (26,160) | (9,038) | (376,104) |
| Other investing activities | 9,941 | - | - | 320 | 348 | - | (12) | 10,597 |
| Net cash provided by (used in) investing activities | (31,345) | (8,631) | (2,744) | (71,957) | (215,620) | (26,160) | (9,050) | (365,507) |
| Financing Activities: | | | | | | | | |
| Proceeds from bank line of credit | 41,500 | - | - | 20,000 | - | 2,000 | - | 63,500 |
| Repayment of bank line of credit | (41,500) | - | - | - | - | - | - | (41,500) |
| Principal payments of long-term debt and bond refunding | (16,160) | (6,922) | (5,118) | (138,820) | (65,124) | (5,000) | - | (237,144) |
| Proceeds from issuance of long-term debt and bond refunding | - | - | - | 103,246 | 156,861 | - | - | 260,107 |
| Bond issuance costs | - | - | - | (1,050) | (2,741) | (13) | - | (3,804) |
| Contributions in aid of construction and customer advances, net | - | - | - | 7,616 | 3,919 | (6,243) | - | 5,292 |
| Other financing activities | (1,537) | - | (8,000) | - | - | 4,800 | 4,628 | (109) |
| Net cash provided by (used in) financing activities | (17,697) | (6,922) | (13,118) | (9,008) | 92,915 | (4,456) | 4,628 | 46,342 |
| Net change in cash, cash equivalents, and restricted cash | (6,811) | 3,668 | 2,512 | (14,913) | 27,557 | (4,463) | 505 | 8,055 |
| Cash, cash equivalents & restricted cash - beginning of period | 47,507 | 20,102 | 28,711 | 79,988 | 271,231 | 33,480 | 12,183 | 493,202 |
| Cash, cash equivalents & restricted cash - end of period | \$ 40,696 | \$ 23,770 | \$ 31,223 | \$ 65,075 | \$ 298,788 | \$ 29,017 | \$ 12,688 | \$ 501,257 |
| Reconciliation: | | | | | | | | |
| Cash and cash equivalents | \$ 33,776 | \$ 11,176 | \$ 25,205 | \$ 19,797 | \$ 118,258 | \$ 27,666 | \$ 12,674 | \$ 248,566 |
| Restricted cash included in Bond restricted funds | 4,282 | 12,594 | 6,018 | 43,115 | 178,924 | 1,351 | - | 246,284 |
| Restricted cash included in Other current assets | 2,638 | - | - | - | - | - | - | 2,638 |
| Restricted cash included in Investments, Other | - | - | - | 2,163 | 1,606 | - | - | 3,769 |
| Cash, cash equivalents & restricted cash - end of period | \$ 40,696 | \$ 23,770 | \$ 31,223 | \$ 65,075 | \$ 298,788 | \$ 29,017 | \$ 12,674 | \$ 501,257 |

Segment Footnote - Combined Statement of Cash Flows*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**For the Twelve Months Ended September 30, 2022 (In Thousands)*

| | Gas | Steam | Chilled Water | Water | Waste- water | Resources | Other | Total |
|---|-----------|-----------|------------------|-----------|-----------------|-----------|-----------|------------|
| Net cash provided by (used in) operating activities | 18,892 | 18,582 | 6,778 | 71,727 | 149,279 | 17,646 | (3,185) | \$ 279,719 |
| Investing Activities: | | | | | | | | |
| Construction expenditures | (21,849) | (4,772) | (2,976) | (61,651) | (224,418) | (20,669) | (6,679) | (343,014) |
| Other investing activities | (9,941) | - | - | (87) | (232) | 793 | (516) | (9,983) |
| Net cash provided by (used in) investing activities | (31,790) | (4,772) | (2,976) | (61,738) | (224,650) | (19,876) | (7,195) | (352,997) |
| Financing Activities: | | | | | | | | |
| Proceeds from short-term borrowings and bank line of credit | - | - | - | - | - | 4,000 | - | 4,000 |
| Repayment of short-term borrowings and bank line of credit | - | - | - | - | - | (10,500) | - | (10,500) |
| Principal payments of long-term debt and bond refunding | (15,405) | (6,213) | (5,167) | (29,610) | (136,110) | (4,000) | - | (196,505) |
| Proceeds from issuance of long-term debt and bond refunding | - | - | - | - | 151,632 | 19,086 | - | 170,718 |
| Bond issuance costs | - | - | - | (2) | (1,209) | (308) | - | (1,519) |
| Contributions in aid of construction and customer advances, net | - | - | - | 4,253 | 8,126 | (2,233) | - | 10,146 |
| Other financing activities | (1,973) | - | - | - | - | (2,900) | 4,874 | 1 |
| Net cash provided by (used in) financing activities | (17,378) | (6,213) | (5,167) | (25,359) | 22,439 | 3,145 | 4,874 | (23,659) |
| Net change in cash, cash equivalents, and restricted cash | (30,276) | 7,597 | (1,365) | (15,370) | (52,932) | 915 | (5,506) | (96,937) |
| Cash, cash equivalents & restricted cash - beginning of period | 77,783 | 12,505 | 30,076 | 95,358 | 324,163 | 32,565 | 17,689 | 590,139 |
| Cash, cash equivalents & restricted cash - end of period | \$ 47,507 | \$ 20,102 | \$ 28,711 | \$ 79,988 | \$ 271,231 | \$ 33,480 | \$ 12,183 | \$ 493,202 |
| Reconciliation: | | | | | | | | |
| Cash and cash equivalents | \$ 38,928 | \$ 8,050 | \$ 22,963 | \$ 31,160 | \$ 95,342 | \$ 32,258 | \$ 12,183 | \$ 240,884 |
| Restricted cash included in Bond restricted funds | 3,789 | 12,052 | 5,748 | 46,775 | 174,309 | 1,222 | - | 243,895 |
| Restricted cash included in Other current assets | 4,790 | - | - | - | - | - | - | 4,790 |
| Restricted cash included in Investments, Other | - | - | - | 2,053 | 1,580 | - | - | 3,633 |
| Cash, cash equivalents & restricted cash - end of period | \$ 47,507 | \$ 20,102 | \$ 28,711 | \$ 79,988 | \$ 271,231 | \$ 33,480 | \$ 12,183 | \$ 493,202 |

9. ADDITIONAL FINANCIAL INFORMATION – CITIZENS WESTFIELD UTILITIES

Operations of CWU include the activities of Westfield Gas, Westfield Water, and Westfield Wastewater. CWU (Parent) is the holding company for the three utilities serving residential, commercial, and industrial customers in Westfield, Indiana:

- Westfield Gas activities include purchasing and distributing natural gas.
- Westfield Water activities include treatment and distribution of drinking water.
- Westfield Wastewater activities include wastewater collection and treatment services.

Consolidated Statement of Financial Position

Citizens Westfield Utilities, LLC

(In Thousands)

At September 30, 2023

| | Parent | Westfield Gas | Westfield Water | Westfield Wastewater | Eliminations | Total |
|---------------------------------------|------------|---------------|-----------------|----------------------|--------------|------------|
| Assets | | | | | | |
| Property, plant, and equipment | \$ - | \$ 18,661 | \$ 157,199 | \$ 172,382 | \$ - | \$ 348,242 |
| Investments | 147,161 | 42 | 732 | 577 | (147,161) | 1,351 |
| Cash and cash equivalents | 206 | 2,994 | 11,345 | 11,151 | - | 25,696 |
| Other current assets | - | 2,056 | 2,797 | 2,364 | - | 7,217 |
| Other non-current assets | - | 660 | - | - | - | 660 |
| Total assets | \$ 147,367 | \$ 24,413 | \$ 172,073 | \$ 186,474 | \$ (147,161) | \$ 383,166 |
| Capitalization and Liabilities | | | | | | |
| Member's equity | \$ 146,774 | \$ 15,966 | \$ 60,160 | \$ 71,035 | \$ (147,161) | \$ 146,774 |
| Long-term debt | - | 3,878 | 34,765 | 24,910 | - | 63,553 |
| Other long-term borrowings | - | - | - | - | - | - |
| Other long-term liabilities | - | 3,234 | 72,902 | 83,850 | - | 159,986 |
| Current maturities of long-term debt | - | - | - | - | - | - |
| Short-term borrowings | - | - | - | - | - | - |
| Other current liabilities | 593 | 1,335 | 4,246 | 6,679 | - | 12,853 |
| Total capitalization and liabilities | \$ 147,367 | \$ 24,413 | \$ 172,073 | \$ 186,474 | \$ (147,161) | \$ 383,166 |

Consolidated Statement of Financial Position

Citizens Westfield Utilities, LLC

(In Thousands)

At September 30, 2022

| | Parent | Westfield Gas | Westfield Water | Westfield Wastewater | Eliminations | Total |
|---------------------------------------|------------|---------------|-----------------|----------------------|--------------|------------|
| Assets | | | | | | |
| Property, plant, and equipment | \$ - | \$ 16,555 | \$ 134,711 | \$ 139,702 | \$ - | \$ 290,968 |
| Investments | 133,626 | 28 | 625 | 568 | (133,626) | 1,221 |
| Cash and cash equivalents | 528 | 1,137 | 8,287 | 17,504 | - | 27,456 |
| Other current assets | 1,175 | 3,595 | 1,162 | 1,179 | - | 7,111 |
| Other non-current assets | - | 581 | - | - | - | 581 |
| Total assets | \$ 135,329 | \$ 21,896 | \$ 144,785 | \$ 158,953 | \$ (133,626) | \$ 327,337 |
| Capitalization and Liabilities | | | | | | |
| Member's equity | \$ 128,806 | \$ 15,384 | \$ 48,555 | \$ 69,687 | \$ (133,626) | \$ 128,806 |
| Long-term debt | 4,955 | 3,866 | 34,852 | 24,957 | - | 68,630 |
| Other long-term borrowings | - | 1,000 | - | - | - | 1,000 |
| Other long-term liabilities | - | - | 57,982 | 61,832 | - | 119,814 |
| Current maturities of long-term debt | - | - | - | - | - | - |
| Short-term borrowings | - | - | - | - | - | - |
| Other current liabilities | 1,568 | 1,646 | 3,396 | 2,477 | - | 9,087 |
| Total capitalization and liabilities | \$ 135,329 | \$ 21,896 | \$ 144,785 | \$ 158,953 | \$ (133,626) | \$ 327,337 |

Consolidated Statement of Operations
Citizens Westfield Utilities, LLC
For the Twelve Months Ended September 30, 2023
(In Thousands)

| | Parent | Westfield Gas | Westfield Water | Westfield Wastewater | Eliminations | Total |
|------------------------------------|----------|---------------|-----------------|----------------------|--------------|-----------|
| Operating revenues | \$ - | \$ 8,973 | \$ 13,966 | \$ 13,364 | \$ - | \$ 36,303 |
| Operating expenses | | | | | | |
| Cost of goods sold | - | 5,059 | - | - | - | 5,059 |
| Other operating expenses | 21 | 2,014 | 5,764 | 5,510 | - | 13,309 |
| Depreciation and amortization | - | 799 | 2,178 | 3,113 | - | 6,090 |
| Taxes | - | 161 | 1,332 | 1,104 | - | 2,597 |
| Total operating expenses | 21 | 8,033 | 9,274 | 9,727 | - | 27,055 |
| Total operating (loss) income | (21) | 940 | 4,692 | 3,637 | - | 9,248 |
| Other income (expense) | - | 13 | 289 | 131 | - | 433 |
| Equity in earnings of subsidiaries | 7,225 | - | - | - | (7,225) | - |
| Interest charges | | | | | | |
| Interest on long-term debt | 191 | 162 | 1,440 | 1,133 | - | 2,926 |
| Other interest | 45 | 208 | (63) | (403) | - | (213) |
| Total interest charges | 236 | 370 | 1,377 | 730 | - | 2,713 |
| Net income (loss) | \$ 6,968 | \$ 583 | \$ 3,604 | \$ 3,038 | \$ (7,225) | \$ 6,968 |

Consolidated Statement of Operations
Citizens Westfield Utilities, LLC
For the Twelve Months Ended September 30, 2022
(In Thousands)

| | Parent | Westfield Gas | Westfield Water | Westfield Wastewater | Eliminations | Total |
|------------------------------------|-----------|---------------|-----------------|----------------------|--------------|-----------|
| Operating revenues | \$ - | \$ 8,096 | \$ 12,896 | \$ 15,686 | \$ - | \$ 36,678 |
| Operating expenses | | | | | | |
| Cost of goods sold | - | 4,587 | - | - | - | 4,587 |
| Other operating expenses | 18 | 1,743 | 5,202 | 4,752 | - | 11,715 |
| Depreciation and amortization | - | 841 | 1,890 | 2,885 | - | 5,616 |
| Taxes | - | 265 | 1,410 | 1,164 | - | 2,839 |
| Total operating expenses | 18 | 7,436 | 8,502 | 8,801 | - | 24,757 |
| Total operating (loss) income | (18) | 660 | 4,394 | 6,885 | - | 11,921 |
| Other income (expense) | - | 48 | 318 | 68 | - | 434 |
| Equity in earnings of subsidiaries | 10,329 | - | - | - | (10,329) | - |
| Interest charges | | | | | | |
| Interest on long-term debt | 138 | 28 | 1,024 | 1,133 | - | 2,323 |
| Other interest | 42 | 98 | (36) | (203) | - | (99) |
| Total interest charges | 180 | 126 | 988 | 930 | - | 2,224 |
| Net income (loss) | \$ 10,131 | \$ 582 | \$ 3,724 | \$ 6,023 | \$ (10,329) | \$ 10,131 |

Consolidated Statement of Cash Flows
Citizens Westfield Utilities, LLC
(In Thousands)
For the Twelve Months Ended September 30, 2023

| | Parent | Westfield Gas | Westfield Water | Westfield Wastewater | Total |
|---|---------|---------------|-----------------|----------------------|-----------|
| Net cash provided by (used in) operating activities | \$ (12) | \$ 2,630 | \$ 7,440 | \$ 12,729 | \$ 22,787 |
| Investing Activities: | | | | | |
| Construction expenditures | - | (2,746) | (8,921) | (14,494) | (26,161) |
| Other investing activities | - | - | - | - | - |
| Net cash provided by (used in) investing activities | - | (2,746) | (8,921) | (14,494) | (26,161) |
| Financing Activities: | | | | | |
| Proceeds from bank line of credit | - | 2,000 | - | - | 2,000 |
| Principal payments of long-term debt | (5,000) | - | - | - | (5,000) |
| Bond issuance costs | - | (13) | - | - | (13) |
| Additional paid-in capital and dividends | 4,690 | - | 8,000 | (1,690) | 11,000 |
| Contributions in aid of construction and customer advances, net | - | - | (3,354) | (2,889) | (6,243) |
| Net cash provided by (used in) financing activities | (310) | 1,987 | 4,646 | (4,579) | 1,744 |
| Net change in cash, cash equivalents, and restricted cash | (322) | 1,871 | 3,165 | (6,344) | (1,630) |
| Cash, cash equivalents & restricted cash - beginning of period | 528 | 1,165 | 8,912 | 18,072 | 28,677 |
| Cash, cash equivalents & restricted cash - end of period | \$ 206 | \$ 3,036 | \$ 12,077 | \$ 11,728 | \$ 27,047 |
| Reconciliation: | | | | | |
| Cash and cash equivalents | \$ 206 | \$ 2,994 | \$ 11,345 | \$ 11,151 | \$ 25,696 |
| Restricted cash included in Other non-current assets | - | 42 | 732 | 577 | 1,351 |
| Cash, cash equivalents & restricted cash - end of period | \$ 206 | \$ 3,036 | \$ 12,077 | \$ 11,728 | \$ 27,047 |

Consolidated Statement of Cash Flows
Citizens Westfield Utilities, LLC
(In Thousands)
For the Twelve Months Ended September 30, 2022

| | Parent | Westfield Gas | Westfield Water | Westfield Wastewater | Total |
|---|---------|---------------|-----------------|----------------------|-----------|
| Net cash provided by (used in) operating activities | \$ 258 | \$ 726 | \$ 6,546 | \$ 9,171 | \$ 16,701 |
| Investing Activities: | | | | | |
| Construction expenditures | - | (3,281) | (11,563) | (5,826) | (20,670) |
| Other investing activities | - | 794 | - | - | 794 |
| Net cash provided by (used in) investing activities | - | (2,487) | (11,563) | (5,826) | (19,876) |
| Financing Activities: | | | | | |
| Proceeds from bank line of credit/term loan | - | - | 4,000 | - | 4,000 |
| Principal payments of long-term debt and bond refunding | (4,000) | - | (6,500) | - | (10,500) |
| Proceeds from issuance of long-term debt | - | - | 15,086 | - | 15,086 |
| Bond issuance costs | - | (134) | (174) | - | (308) |
| Additional paid-in capital and dividends | 4,162 | 1,500 | - | (162) | 5,500 |
| Contributions in aid of construction and customer advances, net | - | - | (1,561) | (672) | (2,233) |
| Net cash provided by (used in) financing activities | 162 | 1,366 | 10,851 | (834) | 11,545 |
| Net change in cash, cash equivalents, and restricted cash | 420 | (395) | 5,834 | 2,511 | 8,370 |
| Cash, cash equivalents & restricted cash - beginning of period | 108 | 1,560 | 3,078 | 15,561 | 20,307 |
| Cash, cash equivalents & restricted cash - end of period | \$ 528 | \$ 1,165 | \$ 8,912 | \$ 18,072 | \$ 28,677 |
| Reconciliation: | | | | | |
| Cash and cash equivalents | \$ 528 | \$ 1,137 | \$ 8,287 | \$ 17,504 | \$ 27,456 |
| Restricted cash included in Investments | - | 28 | 625 | 568 | 1,221 |
| Cash, cash equivalents & restricted cash - end of period | \$ 528 | \$ 1,165 | \$ 8,912 | \$ 18,072 | \$ 28,677 |

10. LEASES

The Company has operating leases for certain Thermal Steam property, plant, and equipment. The Company does not have any finance leases. Leases with an initial term of 12 months or less are not recorded on the balance sheet but are expensed on a straight-line basis over the lease term. The Company's leases do not contain any material residual value guarantees, restrictive covenants, or subleases. There were no lease transactions with related parties for the twelve months ended September 30, 2023, and 2022.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term while lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and lease liabilities are recognized on commencement of the lease based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses the respective business unit's incremental borrowing rate, on a collateralized basis over a similar term, based on the information available at commencement date in determining the present value of lease payments. The lease term includes the option to extend or terminate the lease if it is reasonably certain that the option will be exercised. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable payments, which are immaterial, are excluded from right-of-use assets and lease liabilities are recognized as incurred.

The following table summarizes the amounts recognized on the Combined Statements of Financial Position related to lease asset and liability balances as of the period indicated (in thousands):

| | Combined Statement of Financial Position Classification | At September 30, 2023 | At September 30, 2022 |
|---|--|----------------------------------|----------------------------------|
| Assets | | | |
| Right-of-use assets - operating leases | Property, plant, and equipment, net | \$ 2,822 | \$ 3,096 |
| Liabilities | | | |
| Operating lease liabilities - current | Other current liabilities | \$ 288 | \$ 275 |
| Operating lease liabilities - non-current | Other long-term liabilities | \$ 2,534 | \$ 2,821 |

The following table presents the components of lease expense recognized in operations and maintenance expense (in thousands):

| | Twelve Months Ended September 30, | |
|--------------------------|--|-----------------|
| | 2023 | 2022 |
| Operating lease expense | \$ 420 | \$ 420 |
| Short-term lease expense | 1,517 | 1,006 |
| Variable lease expense | 363 | 307 |
| Total lease expense | <u>\$ 2,300</u> | <u>\$ 1,733</u> |

The following table presents operating lease maturities and a reconciliation of the undiscounted cash flows to operating lease liabilities (in thousands) on a fiscal-year basis:

| | At September 30, 2023 |
|-----------------------------------|----------------------------------|
| 2024 | \$ 420 |
| 2025 | 420 |
| 2026 | 420 |
| 2027 | 420 |
| 2028 | 420 |
| Thereafter | 1,330 |
| Total operating lease payments | 3,430 |
| Less: imputed interest | 608 |
| Total operating lease liabilities | <u>\$ 2,822</u> |

The following table contains additional information related to leases (in thousands):

| | At September 30, 2023 |
|--|----------------------------------|
| Weighted-average remaining lease term | 98 |
| Weighted-average discount rate | 4.9% |
| Right-of-use assets obtained in exchange for new operating lease liabilities | \$ - |

Operating cash outflows from operating leases included in the measurement of lease liabilities were \$420 thousand for each of the twelve months ended September 30, 2023, and 2022, respectively.

11. DISCONTINUED OPERATIONS AND RELATED ASSET RETIREMENT OBLIGATIONS

The Manufacturing segment, d/b/a Indianapolis Coke, ceased operations on July 13, 2007. Prior to the cessation of operations, Manufacturing (reported as Discontinued Operations) produced manufactured gas, coke, and various chemical by-products for industrial use. Indianapolis Coke had been in operation since 1909 and once produced all of the gas used for heating and other purposes in Marion County. With the introduction of natural gas transported to Indianapolis via interstate pipelines in the 1950's, the percentage of manufactured gas in the gas distribution system gradually declined and reached zero when the Manufacturing segment ceased operation in 2007.

Estimated costs relating to the closure, including liquidation of inventories, plant demolition, and environmental remediation are reflected in the accompanying combined financial statements in accordance with FASB guidance related to asset retirement obligations (ASC 410-20) and exit or disposal cost obligations (ASC 420). Citizens enrolled this facility in the Indiana Department of Environmental Management Voluntary Remediation Program to address historical environmental impacts associated with these operations. Demolition costs concluded in 2017, and costs of remediation will continue for several years. As the full nature and extent of the environmental impacts can be difficult to determine with certainty, Citizens, in conjunction with internal and external environmental consultants, has estimated and accrued costs associated with environmental remediation of this site based on currently available information. Estimates of these costs are included in the combined financial statements as part of the asset retirement obligation. Citizens reviews the asset retirement obligation annually, evaluating newly assumed costs or substantive changes in previously assumed costs to determine if cost estimate impacts are sufficiently material to warrant application of the updated estimates to the asset retirement obligation. Changes resulting from revisions to the timing or amount of the original estimate of cash flows are recognized as an increase or a decrease in the asset retirement cost to the extent applicable.

Activity for the twelve months ended September 30, 2023, for the asset retirement obligation liability is as follows (in thousands):

| | | |
|---|----|---------------|
| Asset retirement obligation at September 30, 2022 | \$ | 12,656 |
| Accretion expense | | 426 |
| Remediation liabilities settled | | (629) |
| Asset retirement obligation at September 30, 2023 | \$ | <u>12,453</u> |

The major classes of assets and liabilities of the Manufacturing segment (reported as Discontinued Operations in Other) at September 30, 2023, and September 30, 2022, are as follows (in thousands):

| | September 30, 2023 | September 30, 2022 |
|--|-----------------------|-----------------------|
| Current assets | \$ 1,176 | \$ 1,162 |
| Non-current assets | 3,663 | 572 |
| Total assets | <u>\$ 4,839</u> | <u>\$ 1,734</u> |
| Equity (deficiency) | \$ (8,977) | \$ (12,463) |
| Retirement benefit and other long-term liabilities | 13,661 | 14,087 |
| Current liabilities | 155 | 110 |
| Total capitalization and liabilities | <u>\$ 4,839</u> | <u>\$ 1,734</u> |

For the twelve months ended September 30, 2023, and 2022, Discontinued Operations operating expenses were \$0.4 million and \$0.0 million, respectively. Approximately \$2.0 million of cash was provided by Gas to Discontinued Operations during fiscal year 2022, and an additional \$1.2 million during the twelve months ended September 30, 2023, to settle a portion of the liabilities. Additional cash funding from Gas to settle liabilities may be provided to Discontinued Operations in future periods.

12. RATE AND REGULATORY MATTERS

A. Regulatory Developments

Gas

The gas utility's most recent general rate case order was issued by the IURC in September 2011.

Citizens Thermal Steam

The steam utility's most recent general rate case order was issued by the IURC in November 2016.

On March 1, 2023, the steam utility filed a petition and supporting testimony with the IURC seeking approval, among other things, to increase its base rates charges. The petition requested approval of a base rate increase designed to increase the utility's revenues by \$5.9 million, which translates to an approximate 7% increase to revenues at existing rates. On May 8, 2023, three large steam customers filed a petition to intervene under the name Citizens Thermal Customer Group (the "Customer Group"). On May 25, 2023, the IURC granted the Customer Group's petition to intervene. On June 7, 2023, the OUCC filed testimony recommending an increase of \$4.8 million, approximately \$1.1 million less than what Citizens Thermal requested in its case-in-chief. Also on June 7, 2023, the Customer Group filed testimony recommending an increase of \$1.8 million, approximately \$4.1 million less than what Citizens Thermal requested in its case-in-chief. On August 2, 2023, Citizens Thermal filed a settlement agreement entered into by Citizens Thermal, the OUCC, and the Customer Group. Under the settlement agreement, the parties recommend, among other things, the IURC approve an increase of \$2.5 million, approximately \$3.4 million less than what Citizens Thermal requested in its case-in-chief. On August 2, 2023, Citizens Thermal and the OUCC filed testimony in support of the settlement agreement. A hearing was held on August 23, 2023. On November 8, 2023, the IURC issued an order approving the settlement agreement without modification, including an increase in revenues of \$2.5 million.

Water

The water utility's most recent general rate case order was issued by the IURC in April 2016.

On August 19, 2021, Citizens Water filed a petition with the IURC requesting certain approvals relating to its Lead Service Line Placement Plan ("Plan"), which sets forth a holistic plan to address the legacy of lead service lines serving customers on the Citizens Water system. Pursuant to a statute enacted by the Indiana General Assembly in 2017 (the "Statute"), the IURC is authorized to approve a water utility's plan for the replacement of the customer owned portion of the lead service lines within or connected to the water utility's system, provided certain statutory criteria are met. The Plan is estimated to cost \$526 million in 2020 dollars. On October 21, 2021, the OUCC filed testimony stating, among other things, that Citizens Water had met the statutory elements and recommended approval of the Plan. On March 2, 2022, the IURC issued a final order approving the Plan, finding that it met the necessary statutory criteria and was reasonable and in the public interest.

On March 14, 2022, Citizens Water filed a petition and supporting testimony seeking rate adjustments which are based upon the expected costs of improvements that will be made during the first five years of the Lead Service Line Replacement Plan approved by the IURC on March 2, 2022. On April 12, 2022, the OUCC filed testimony in response to Citizens Water's petition, which expressed the OUCC's agreement that the proposed rates and charges to recover costs for the Plan appear to be correctly calculated consistent with the IURC's March 2nd order. An uncontested hearing was held April 28, 2022. On May 11, 2022, the IURC issued an order finding the proposed rates and charges were correctly calculated and approved Citizens Water's proposed rate schedules which became effective May 16, 2022.

On September 9, 2022, Citizens Water filed a petition and supporting testimony seeking approval to implement a Distribution System Improvement Charge ("DSIC"), which is designed to recover "infrastructure improvement costs" associated with "eligible infrastructure improvements," as those terms are defined in a statute enacted by the Indiana General Assembly authorizing the IURC to approve DSICs (the "DSIC Statute"). The DSIC proposed by Citizens Water is designed to generate total revenues of \$15.0 million over a one-year period. On October 11, 2022, the OUCC filed testimony in response to Citizens Water's DSIC proposal. The OUCC recommended, among other things, that the IURC approve the implementation of a DSIC to recover \$15.0 million; however, the OUCC proposed that amount be recovered over a four-year period as opposed to the one-year period proposed by Citizens Water. On October 18, 2022, Citizens Water filed rebuttal testimony recommending the IURC approve the DSIC originally filed based on the position that a one-year recovery period is consistent with the DSIC Statute. On November 23, 2022, the IURC issued an order approving recovery of \$15.0 million of infrastructure improvement costs over a four-year period.

On September 19, 2023, Citizens Water filed a petition and supporting testimony seeking approval to implement a second DSIC, which is designed to recover "infrastructure improvement costs" associated with "eligible infrastructure improvements," as those terms are defined in the DSIC Statute. The second DSIC proposed by Citizens Water is designed to generate total revenues of \$31.3 million over a one-year period. On October 19, 2023, the OUCC filed testimony in response to Citizens Water's second DSIC proposal. The OUCC made no recommendation regarding approval or disapproval of Citizens Water's second DSIC proposal. Citizens Water's rebuttal testimony was filed October 26, 2023. A hearing was held on November 6, 2023. On November 8, 2023, Citizens Water filed a proposed order with the IURC, which the OUCC agreed not to oppose. On November 22, 2023, the IURC issued an order approving recovery of \$31.3 million of infrastructure improvement costs over a one-year period.

Wastewater

The wastewater utility's most recent general rate case order was issued by the IURC in July 2019.

On March 17, 2023, the wastewater utility and Aqua Indiana, Inc. ("Aqua") filed a joint petition seeking approvals related to the wastewater utility's planned acquisition of a small sewer collection system and treatment plant currently owned and operated Aqua that serves approximately 96 customers in southeastern Marion County (the "Southeastern Utilities

System"). The purchase price for the assets is \$225,000. If the acquisition is approved and closes, the Southeastern Utilities System will be connected to the wastewater utility's larger collection system and wastewater from the system will be treated at the wastewater utility's advanced wastewater treatment plants. Aqua's existing treatment plant would be dismantled as a result. The proposed transaction was described to the IURC in a prior case involving the wastewater utility's request for a certificate of territorial authority to provide sewage disposal service to an area in Shelby County adjacent to the Southeastern Utilities System. On April 18, 2023, the OUCC filed its notice of intent not to file testimony in the Cause, so there is no opposition to the request for approval of the proposed acquisition. A hearing was held on May 23, 2023. On July 26, 2023, the IURC issued an order granting the approvals requested in the joint petition, including approval to consummate Aqua's sale and transfer of the Southeastern Utilities System assets to the wastewater utility. The transaction closed on August 29, 2023, and operations and customers of the former Southeastern Utilities System are now fully integrated into CWA's system.

Resources - Westfield Gas

On January 14, 2022, Westfield Gas filed with the IURC a petition requesting approvals related to certain financing transactions, including approval to issue through December 31, 2022, up to \$4 million of long-term debt and approval to extend the utility's current three-year line of credit by an additional year and increase the line of credit to \$7 million. On March 25, 2022, the OUCC filed testimony recommending approval of Westfield Gas's petition and that Westfield Gas be required to file a report detailing the terms of the financing within 30 days of issuing the debt, to which Westfield Gas did not object. An uncontested hearing was held on May 11, 2022. On June 28, 2022, the IURC issued an order granting all relief sought by Westfield Gas, including authority to issue the long-term debt and extend and increase the line of credit as proposed.

On August 26, 2022, Westfield Gas filed a petition and supporting testimony with the IURC seeking approval, among other things, to increase its base rates charges. The petition requests approval of a base rate increase designed to increase the utility's revenues by \$1.29 million, which translates to an approximate 18% increase for the average residential customer. On December 2, 2022, the OUCC filed testimony recommending an approximate 5.5% increase. On January 20, 2023, Westfield Gas and the OUCC jointly filed a notice of settlement with the IURC. The settlement resolves all issues in the case, including agreement to request the IURC authorize a base rate increase designed to increase the utility's revenues by \$751,832 or 10.6%. On April 12, 2023, the IURC issued an order approving the settlement agreement without modification, including the agreed to base rate increase.

On October 25, 2023, Westfield Gas filed a petition with the IURC seeking approval to issue \$10 million of long-term debt. No procedural schedule has been established for the proceeding.

Resources - Westfield Water

Westfield Water's rates were approved by the IURC in November 2013.

On July 29, 2021, Westfield Water filed a petition requesting approval for long-term financing up to \$16 million and to extend and increase an existing \$5 million line of credit for up to \$7 million. On October 7, 2021, the OUCC filed testimony recommending approval of Westfield Water's petition. A hearing was held on November 17, 2021. On January 5, 2022, the IURC issued an order approving the request.

On November 7, 2022, Westfield Water, a direct subsidiary of Citizens Westfield Utilities, LLC, which is a direct subsidiary of Citizens Energy Services Company, LLC ("CESCO"), and Southern Madison Utilities, LLC d/b/a Citizens of South Madison ("CSM"), a direct subsidiary of CESCO, filed a joint petition and supporting testimony with the IURC requesting approvals in connection with the proposed merger of Westfield Water and CSM. Under the proposed merger, CSM would be merged with and into Westfield Water. Westfield Water would be the surviving entity, and CSM would be dissolved following the closing of the merger. The proposed merger is an internal reorganization and optimization of utility subsidiaries and assets that are all directly or indirectly owned by CESCO, and the transfer of the CSM assets to Westfield Water would be treated as a capital contribution by CESCO to Westfield Water. On March 1, 2023, the OUCC filed its notice of intent not to file testimony in the Cause, so there is no opposition to the request for approval of the proposed merger. On June 6, 2023, the IURC issued an order approving the merger. Pursuant to Articles of Merger filed with the Indiana Secretary of State, the merger became effective on June 30, 2023.

On October 25, 2023, Westfield Water filed a petition with the IURC seeking approval to issue \$20 million of long-term debt. No procedural schedule has been established for the proceeding.

Resources – Westfield Wastewater

Westfield Wastewater's most recent general rate case order was issued by the IURC in May 2017.

In February 2023, the IURC notified Westfield Wastewater that based on a periodic review of Westfield Water's rates and charges conducted pursuant to Indiana Code Section 8-1-2-42.5, the IURC determined that Westfield Wastewater's rates and charges have produced revenues in years 2018 through 2022 which exceed the earnings authorized by the IURC in

the general rate case order issued in May 2017. After various discussions with IURC staff, Westfield Wastewater voluntarily committed to temporarily reduce its base charge for all customers for a period of two years. On November 13, 2023, Westfield Wastewater requested IURC approval of the temporary adjustment using the IURC's 30-day filing procedure. The temporary adjustment is expected to result in a total credit to customers of approximately \$3.2 million. Upon expiration of the two-year period, the base charge would return to its current authorized levels.

On October 25, 2023, Westfield Wastewater filed a petition with the IURC seeking approval to issue \$20 million of long-term debt. No procedural schedule has been established for the proceeding.

Citizens Water, Westfield Water, and Citizens Regional Water

In March 2023, Citizens Energy Group, the Indiana Economic Development Corporation ("IEDC"), and Lebanon Utilities entered into a Memorandum of Understanding ("MOU") to memorialize the parties' mutual understanding concerning a framework of transactions that would be entered into to develop, finance, and construct the infrastructure needed to meet the water supply needs of a new Innovation Development District established by the State of Indiana known as the Limitless Exploration/Advanced Pace ("LEAP") Lebanon Innovation District (the "LEAP District") in Lebanon, Indiana. Under the MOU, Citizens Regional Water Resources, LLC ("CRW"), a new water utility created and owned by Citizens Energy Group, would develop and construct utility infrastructure that would ultimately be sufficient to deliver 10 million gallons per day of water to Lebanon Utilities to serve the LEAP District. Citizens Water and CRW would enter into a wholesale water supply agreement pursuant to which Citizens Water would supply all of CRW's water supply needs. CRW, Citizens Water, and Westfield Water would enter into an Asset Use Agreement pursuant to which Citizens Water and Westfield Water would allow CRW to use certain assets owned by Citizens Water and Westfield Water needed to facilitate CRW's delivery of water to Lebanon Utilities. On May 26, 2023, Citizens Water, Westfield Water, and CRW (collectively the "Joint Petitioners") filed a joint petition requesting, among other things that the IURC grant CRW all necessary authority in connection with the issuance of long-term debt in an aggregate principal amount of up to \$200,000,000 in the form of a state revolving fund loan ("SRF Loan"), together with approval of a Direct Funding and Guaranty Agreement (the "Guaranty") between CRW and IEDC, whereby IEDC "absolutely and unconditionally promises and guarantees" to CRW to retain full responsibility for repayment of the SRF Loan. As a result of ongoing discussions between Joint Petitioners and IEDC and certain issues directly related to Joint Petitioners' case-in-chief remaining open and unresolved, on July 19, 2023, Joint Petitioners moved to stay the IURC proceeding to allow Joint Petitioners to continue discussions with IEDC and assuming resolution is reached, determine whether changes must be made to Joint Petitioners' case-in-chief to ensure that it is accurate as of the date it is offered into evidence. On July 19, 2023, the IURC granted the Joint Petitioners' motion to stay and stayed the matter pending further action from the IURC. On October 5, 2023, the Joint Petitioners filed a notice withdrawing their petition and requesting the IURC dismiss the case without prejudice. On October 25, 2023, the IURC dismissed the case without prejudice.

Joint Depreciation Case

On December 1, 2023, Citizens filed a depreciation case requesting approval to implement changes in depreciation rates for Gas, Citizens Thermal Steam, Water, Wastewater, and the Westfield utilities owned by Resources. Compared to the current depreciation rates, the requested new depreciation rates would produce decreases in depreciation expense for Gas, Citizens Thermal Steam, Wastewater, and Westfield Wastewater, and increases for Water, Westfield Gas, and Westfield Water. A procedural schedule has not yet been established.

B. Regulatory Assets and Liabilities

Citizens' and CWA's rates are designed to recover the costs of providing service, thus certain items that would normally be reflected in the Combined Statements of Operations and Comprehensive Income are deferred on the Combined Statements of Financial Position. Regulatory assets represent probable future revenues associated with certain incurred costs, which will be recovered from customers through the rate-making process. Regulatory assets are charged to earnings as collection of the cost in rates is recognized or when future recovery is no longer probable. Conversely, regulatory liabilities represent future reductions in revenues associated with amounts that are to be credited to expense through the rate-making process. Citizens and CWA continuously monitor changes in market and regulatory conditions and consider the effects of any changes in assessing the continual applicability of the FASB guidance related to regulated entities.

Regulatory assets were comprised of the following at September 30, 2023 and 2022 (in thousands):

| | 2023 | 2022 | Recovery Period | Statement of Financial Position Location |
|--|------------------|------------------|-----------------|---|
| Deferred Acquisition Transaction Costs | \$ 4,775 | \$ 5,289 | 21 - 22 years | Other deferred charges |
| Decoupled Sales Component | 387 | 439 | 1 - 15 months | Other deferred charges |
| Deferred Regulatory Proceeding Costs | 519 | 211 | 1 - 3 years | Other deferred charges |
| Deferred Fuel Tracking Adjustments | 8,063 | 10,683 | 1 - 18 months | Other current assets |
| Total Regulatory Assets | <u>\$ 13,744</u> | <u>\$ 16,622</u> | | |

Regulatory liabilities were comprised of the following at September 30, 2023 and 2022 (in thousands):

| | 2023 | 2022 | Refund Period | Statement of Financial Position Location |
|--------------------------------------|-------------------|-------------------|---------------|---|
| Contributions in Aid of Construction | \$ 488,874 | \$ 409,791 | 40 - 50 years | Contributions in aid of construction |
| Deferred Water Rights | - | 32 | 1 - 18 months | Other long-term liabilities |
| Deferred Fuel Tracking Adjustments | 6,840 | 20,560 | 1 - 18 months | Other current liabilities |
| Other | 3,650 | 683 | Various | Other long-term liab. and accounts payable |
| Total Regulatory Liabilities | <u>\$ 499,364</u> | <u>\$ 431,066</u> | | |

13. COMMITMENTS AND CONTINGENCIES

A. Environmental Commitments and Contingencies

Citizens and CWA are subject to various environmental laws and regulations and believe they are in compliance with existing federal, state, and local statutes, ordinances, rules, and regulations governing environmental matters. Citizens and CWA have no way of estimating the enactment or promulgation of future environmental laws and regulations. See Note 9 for additional information regarding demolition and environmental remediation of the former Indianapolis Coke Manufacturing facility. For operating facilities, accruals for environmental commitments and contingencies are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Langsdale Environmental Remediation

Citizens operated a gas manufacturing plant (the Langsdale Facility) at Citizens' Langsdale property from 1931 until 1952. Available records indicate the plant was out of service from 1931 until 1943, at which time the U.S. Department of Defense ordered that the plant be recommissioned to support domestic production associated with World War II. Over the course of its operation, the Langsdale Facility produced manufactured gas, which was distributed to gas customers through the gas utility distribution system. The Langsdale Facility also produced metallurgical coke and other by-products. Citizens enrolled this facility in the Indiana Department of Environmental Management (IDEM) Voluntary Remediation Program (VRP) in 2005 to address historical environmental impacts associated with these operations.

Upon completion of a remediation work plan (RWP) in the fourth quarter of fiscal year 2016, Citizens recorded a \$9.4 million liability for estimated remediation and restoration costs at the Langsdale Facility. These costs were expected to be incurred over a ten-year period. Citizens filed the RWP with IDEM in November 2016. In response to comments received from IDEM in fiscal year 2019 and the filing of a revised RWP in November 2019, Citizens filed a final RWP in April 2020 which received approval from IDEM in August 2020. Pursuant to the approved plan, Citizens revised the remaining liability to remediate the site, recognizing income of approximately \$5.7 million in September 2020 as estimated future costs to complete the remediation plan were less than those accrued at that date. Citizens completed the requirements of the final RWP and received a Certificate of Completion from IDEM on December 5, 2022. In March 2023, the State of Indiana issued a Covenant-Not-To-Sue, stating that Citizens has completed the obligations of the RWP. Shortly after the Covenant-Not-To-Sue was received, remediation equipment was removed from the site and most groundwater monitoring wells were closed. A small group of monitoring wells were retained in the event Citizens elects to conduct long-term groundwater monitoring. No further remediation work is planned for the site although a sub-slab depressurization system will continue to operate and a report of the system's operation will be submitted to IDEM annually. The remaining obligation is included in "Other current liabilities" in the Combined Statements of Financial Position and represents management's best estimate of the costs for remediation and restoration of the site. The accrued liability related to Langsdale environmental remediation was \$0.1 million at September 30, 2023 and \$0.2 million at September 30, 2022.

Water System

The Water System is currently in compliance with the requirements of the Clean Water Act, the Safe Drinking Water Act, the Disinfectants and Disinfection Byproducts Rule, the Enhanced Surface Water Treatment Rule, the Radon Rule and other applicable laws, except to the extent that such non-compliance would not have a material adverse effect on the Water System.

In 1991, the EPA issued federal regulations which establish acceptable concentrations of lead and copper in public water supplies, as measured at the customer's tap (the "EPA Lead and Copper Rule"). Samples of the Water System have never exceeded the acceptable levels established in the existing EPA Lead and Copper Rule. In January 2021, the EPA finalized revisions to the Lead and Copper Rule which include several new requirements, including revised sampling procedures and a trigger level, obligations to create an inventory of lead service lines served by the Water System, as well as development of a lead service line replacement program which would be triggered if certain regulatory triggers are exceeded. The Water System is currently developing plans to ensure material compliance with these regulations no later than the compliance date in October 2024. In December 2021, the EPA announced its intent to undertake additional rulemaking related to the Lead and Copper Rule, though no formal rulemaking has yet to be proposed. Additionally, the Indiana General Assembly has enacted statutes which authorize the IURC to approve a water utility's plan for the replacement of the customer-owned portion of the lead service lines within or connected to the water utility's system. See Note 10, Regulatory Matters, Water for additional information. While we cannot predict with certainty the final revisions the EPA will make to the EPA Lead and Copper Rule, the Water System is taking proactive steps to align itself with the policies and regulations of the federal government and the State of Indiana, including the Indiana General Assembly, regarding customer-owned lead service lines and compliance with the EPA Lead and Copper Rule.

Wastewater System

The Wastewater System is subject to wastewater collection and treatment requirements under both federal and state law. Those requirements are contained in a National Pollutant Discharge Elimination System (NPDES) permit. Both United States Environmental Protection Agency and Indiana Department of Environmental Management have jurisdiction over the Wastewater System. As authorized by the Clean Water Act, the NPDES permit program controls water pollution by regulating point sources that discharge pollutants into waters of the United States.

Combined Sewer Overflow Long-Term Control Plan Consent Decree

As was the common engineering practice during the late 1800's through the early 1900's, the older portion of the Wastewater System was designed to carry both stormwater and sanitary waste (also referred to as a "combined sewer system"). In times of wet weather, the capacity of the combined portion of the System can be overloaded. Combined Sewer Overflow (CSO) outfalls that discharge to Indianapolis' waterways were constructed as relief points to prevent combined stormwater and sewage from backing up into homes, businesses, and streets. The EPA requires communities to implement specific minimum controls and to develop and implement long-term control plans (LTCPs) to reduce CSOs by capturing or eliminating these overflows. The City of Indianapolis (the City), Indiana Department of Environmental Management (IDEM), U.S. Environmental Protection Agency, and the U.S. District Court entered into a Consent Decree in 2006 that established a LTCP to address the City's combined sewer system. The plan established a 20-year schedule for the required combined sewer system and advanced wastewater treatment plant (AWTP) improvements. In 2020, the EPA and IDEM approved a Use Attainability Analysis (UAA) for the long-term sewer overflow control plan.

Upon acquisition of the Wastewater System in August 2011, CWA assumed the City's obligations under the order of the U.S. District Court for the Southern District of Indiana (the Court) dated December 19, 2006, among the EPA, IDEM, and the City, as amended (the Consent Decree). CWA has a capital improvement plan to meet guidelines of the Consent Decree and the overall needs of the Wastewater System. The improvements related to the Consent Decree and LTCP have been planned and scheduled through 2025. The DigIndy program, the most significant element of the Consent Decree, is the largest sewer infrastructure project in Indianapolis' history. The Deep Rock Tunnel Connector (DRTC) and the Eagle Creek Tunnel were the first two segments online of the 250 feet deep, 28-mile underground tunnel system designed to store 250 million gallons of combined sewage during wet weather events to prevent overflows from entering area rivers and streams. The stored flows are pumped to the Southport AWTP, which was expanded as a part of this Consent Decree. The Belmont AWTP was also expanded as part of the Consent Decree and this work was completed in 2012. On December 29, 2017, the first 10 miles of the DigIndy Tunnel system and the DRTC pump station were operational and placed in use. The White River and Lower Pogue Run tunnels, which comprise approximately 7.4 miles of the DigIndy tunnel system, are operational and in use as of June 3, 2022. Tunnel boring to mine the 3.8-mile Fall Creek Tunnel has been completed. Mining began on the tunnel system's final segment, the 7.8-mile Pleasant Run Tunnel, in April 2021. As of August 25, 2022, all tunnel segments have been completely mined and are expected to be online in 2025. CWA estimates the projected cost of the Consent Decree, including capital and operation and maintenance costs, is approximately \$2.4 billion in 2021 dollars.

B. Legal Contingencies

Citizens and CWA are party to litigation in the normal course of business in which the payments for damages may be substantial but cannot be determined. Management regularly analyzes current information and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. Management believes that these matters ultimately will be resolved in a manner which will not materially adversely affect the financial position, operations, equity or cash flows of Citizens and CWA.

14. SUBSEQUENT EVENTS

Management has considered the impact of subsequent events through December 13, 2023, the date at which these combined financial statements were issued.



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Opinion

We have audited the combined financial statements of Citizens Energy Group and Subsidiary and CWA Authority, Inc. (collectively, "Citizens" or the "Companies"), both of which are under common ownership and management, which comprise the combined statements of financial position as of September 30, 2023 and 2022, and the related combined statements of operations and comprehensive income, equity, and cash flows for the years then ended, and the related notes to the combined financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Companies as of September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Companies and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Companies' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companies' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Companies' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, flowing style.

December 13, 2023