



# Quarterly Financial Report

## Q1 - 2023



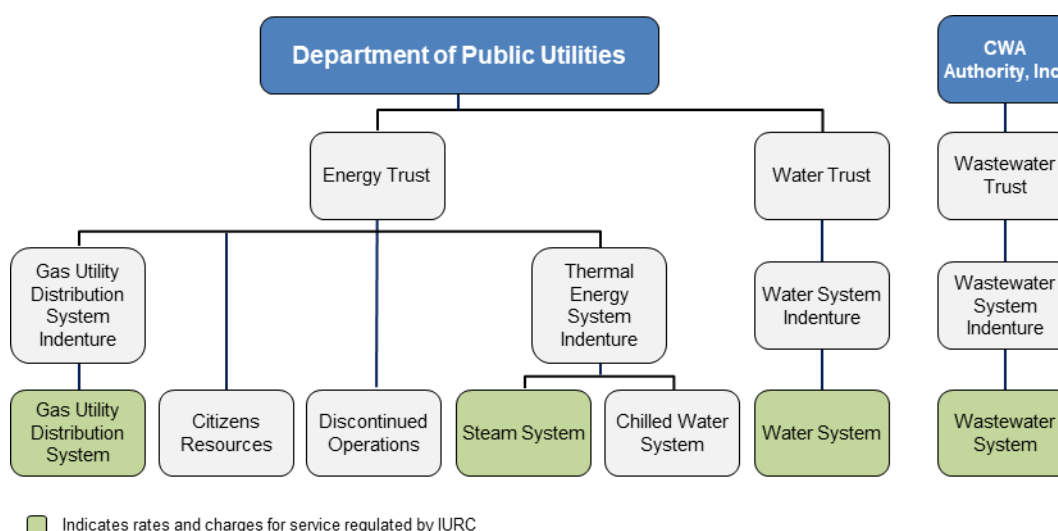
## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 potential effects of the COVID-19 pandemic in addition 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.

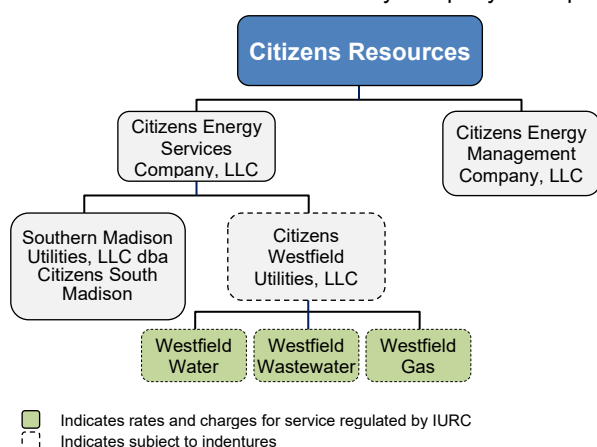
The Wastewater System is owned by CWA, a separate nonprofit corporation, which through an interlocal agreement entered into by and among Citizens, the City of Indianapolis, and the Sanitary District of the City (the "District"), acting by and through its Board of Public Works, pursuant to Indiana Code 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.<sup>1</sup> 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 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.<sup>2</sup> 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.

<sup>1</sup> 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.

<sup>2</sup> Since Citizens includes the results of operations of Citizens Resources and its subsidiaries and affiliates in its condensed combined financial statements, an accounting loss within Citizens Resources will be reflected in Citizens' condensed 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 three months ended December 31, 2022, and 2021. Because of the seasonal nature of the various business units, results of operations for the period ended December 31, 2022, are not necessarily indicative of the results of operations to be expected for the full fiscal year. For a more detailed understanding of these results, see the following notes to the condensed combined financial statements:

- Note 1C – COVID-19, Global Supply Chain, and Related Economic Impacts
- Note 3 – Long-Term Debt
- Note 5 – Revenue Recognition
- Note 6 – Financial Segment Information
- Note 9 – Discontinued Operations and Related Asset Retirement Obligations
- Note 10 – Rate and Regulatory Matters
- Note 11 – 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.

	Three Months Ended Dec 31		
	2022	2021	Change
Shared Services Expenses	\$ 26.9	\$ 25.9	\$ 1.0

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

### Three Months Ended December 31, 2022 as Compared With 2021

Shared services expenses were \$1.0 million higher primarily driven by increases in contracted services and employee labor costs.

**GAS**

	Three Months Ended Dec 31		
	2022	2021	Change
Operating revenues	\$ 105.0	\$ 74.8	\$ 30.2
Cost of goods sold	60.9	32.2	28.7
Margin	44.1	42.6	1.5
Other operating expenses	25.1	25.2	(0.1)
Operating income (loss)	19.0	17.4	1.6
Other income (expense), net	(0.4)	0.4	(0.8)
Interest charges	1.3	1.3	-
Segment income (loss)	\$ 17.3	\$ 16.5	\$ 0.8

Volume sales, million Dth

Retail	9.7	8.3	1.4
Transportation	4.6	4.9	(0.3)
Power generation and other	6.6	11.7	(5.1)
Cost of gas sold, per Dth	\$ 5.38	\$ 3.75	\$ 1.63
Heating degree days	1,904	1,612	292

**Three Months Ended December 31, 2022 as Compared With 2021**

The increase in earnings of \$0.8 million was primarily the result of:

- \$2.5 million higher margin from increased retail sales; and
- \$1.1 million incremental margin from gas storage revenues; **partially offset by**
- \$1.1 million lower margin due to decreased delivery charges related to customer specific contracts;
- \$1.0 million reduced margin from transportation and miscellaneous revenues; and
- \$0.8 million decreased other income mostly due to higher costs for non-service pension and other post-employment benefit costs.

**STEAM**

	Three Months Ended Dec 31		
	2022	2021	Change
Operating revenues	\$ 21.9	\$ 18.6	\$ 3.3
Cost of goods sold	13.3	10.4	2.9
Margin	8.6	8.2	0.4
Other operating expenses	6.1	6.6	(0.5)
Operating income (loss)	2.5	1.6	0.9
Other income (expense), net	-	0.1	(0.1)
Interest charges	0.6	0.6	-
Segment income (loss)	\$ 1.9	\$ 1.1	\$ 0.8

Volume sales, million therms

Heating degree days	1,904	1,612	292
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**Three Months Ended December 31, 2022 as Compared With 2021**

The increase in earnings of \$0.8 million was largely the result of:

- \$0.4 million additional margin attributable to increased sales volume; and
- \$0.5 million decreased plant maintenance expenses.

**CHILLED WATER**

	Three Months Ended Dec 31		
	2022	2021	Change
Operating revenues	\$ 6.5	\$ 6.6	\$ (0.1)
Cost of goods sold	2.2	2.1	0.1
Margin	4.3	4.5	(0.2)
Other operating expenses	3.9	4.0	(0.1)
Operating income (loss)	0.4	0.5	(0.1)
Other income (expense), net	0.2	-	0.2
Interest charges	0.1	0.1	-
Segment income (loss)	\$ 0.5	\$ 0.4	\$ 0.1

Volume sales, million ton hours	17.4	19.9	(2.5)
Cooling degree days	3	63	(60)

**Three Months Ended December 31, 2022 as Compared With 2021**

The increase in earnings of \$0.1 million was principally due to increased interest income and slightly reduced operating expenses, partially offset by reduced margin from lower volume.

**WATER**

	Three Months Ended Dec 31		
	2022	2021	Change
Operating revenues	\$ 50.1	\$ 48.7	\$ 1.4
Other operating expenses	33.3	31.0	2.3
Operating income (loss)	16.8	17.7	(0.9)
Other income (expense), net	0.7	0.8	(0.1)
Interest charges	7.7	8.4	(0.7)
Segment income (loss)	\$ 9.8	\$ 10.1	\$ (0.3)

Volume sales, billion gallons	9.2	8.8	0.4
Precipitation, inches	5.5	13.2	(7.7)

**Three Months Ended December 31, 2022 as Compared With 2021**

The decrease in earnings of \$0.3 million was primarily attributable to:

- \$2.3 million higher operating expenses, for which the most significant drivers were:
  - \$1.1 million outside services costs,
  - \$0.6 million chemicals expense, and
  - \$0.6 million electricity; **partially offset by**
- \$1.4 million increased operating revenues primarily due to implementation of the Lead Service Line Replacement Plan approved in May 2022 and higher consumption; and
- \$0.7 million decreased interest expense, largely driven by a lower amount of debt outstanding.

**WASTEWATER**

	Three Months Ended Dec 31		
	2022	2021	Change
Operating revenues	\$ 80.3	\$ 80.1	\$ 0.2
Other operating expenses	47.3	43.2	4.1
Operating income (loss)	33.0	36.9	(3.9)
Other income (expense), net	1.7	0.3	1.4
Interest charges	12.6	9.7	2.9
Segment income (loss)	\$ 22.1	\$ 27.5	\$ (5.4)
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Treatment volume sales, billion gallons	7.3	7.4	(0.1)
Strength surcharge, million pounds	13.0	13.1	(0.1)

**Three Months Ended December 31, 2022 as Compared With 2021**

The decrease in earnings of \$5.4 million was principally the result of:

- \$4.1 million of higher operating expenses, for which the principal drivers were:
  - \$1.9 million depreciation;
  - \$0.7 million contracted services;
  - \$0.8 million elevated expenses in a variety of categories, none of which were individually significant; and
  - \$0.6 million chemical costs.
- \$2.9 million increased interest expense, largely due to reduced capitalized interest; **partially offset by**
- \$1.4 million increased other income mostly due to interest income.

**RESOURCES**

	Three Months Ended Dec 31		
	2022	2021	Change
Operating revenues	\$ 11.9	\$ 10.3	\$ 1.6
Cost of goods sold	2.1	1.1	1.0
Margin	9.8	9.2	0.6
Other operating expenses	5.7	6.6	(0.9)
Operating income (loss)	4.1	2.6	1.5
Other income (expense), net	0.1	0.1	-
Interest charges	0.7	0.5	0.2
Segment income (loss)	\$ 3.5	\$ 2.2	\$ 1.3

**Three Months Ended December 31, 2022 as Compared With 2021**

The increase in earnings of \$1.3 million was primarily driven by:

- \$0.6 million increase in margin from sales growth; and
- \$0.9 million decreased operating expenses, primarily from reduced contracted services; **partially offset by**
- \$0.2 million increased interest expense.

**OTHER**

	Three Months Ended Dec 31		
	2022	2021	Change
Operating revenues	\$ -	\$ -	\$ -
Operating expenses	0.1		0.1
Operating income (loss)	(0.1)	-	(0.1)
Other income (expense), net	(0.3)	(0.4)	0.1
Interest charges	0.1	-	0.1
Income (loss) from discontinued operations	(0.1)	-	(0.1)
Segment income (loss)	\$ (0.6)	\$ (0.4)	\$ (0.2)

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.

**Three Months Ended December 31, 2022 as Compared With 2021**

Results are consistent with the prior period.



## LIQUIDITY AND CAPITAL RESOURCES

### Debt and Liquidity

Please see Notes 3 and 4 to the condensed 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, including the continuously evolving impacts of the COVID-19 pandemic on the economy, the financial markets, 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 three months ended December 31, 2022, capital expenditures, on an accrual basis, increased by \$12.5 million to \$80.8 million from \$68.3 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
<b>Q1 2023</b>	<b>\$ 8.9</b>	<b>\$ 0.6</b>	<b>\$ 0.9</b>	<b>\$ 16.8</b>	<b>\$ 46.2</b>	<b>\$ 2.9</b>	<b>\$ 4.5</b>	<b>\$ 80.8</b>
<b>Q1 2022</b>	<b>3.4</b>	<b>2.4</b>	<b>0.7</b>	<b>12.8</b>	<b>38.6</b>	<b>2.9</b>	<b>7.5</b>	<b>68.3</b>
	<b>\$ 5.5</b>	<b>\$ (1.8)</b>	<b>\$ 0.2</b>	<b>\$ 4.0</b>	<b>\$ 7.6</b>	<b>\$ -</b>	<b>\$ (3.0)</b>	<b>\$ 12.5</b>

Citizens' and CWA's projected capital spending requirement of \$350.4 million for fiscal year 2023 is summarized as follows (in millions):

	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
<b>2023 Projection</b>	<b>\$ 33.7</b>	<b>\$ 5.7</b>	<b>\$ 5.7</b>	<b>\$ 63.2</b>	<b>\$ 184.5</b>	<b>\$ 27.3</b>	<b>\$ 30.3</b>	<b>\$ 350.4</b>

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 \$22.1 million at December 31, 2022. Gas expects to meet its capital spending requirements in 2023 through cash flows from operations and temporary seasonal borrowings.

Citizens Thermal's Steam business segment continues to invest in distribution assets and production equipment. Chilled Water capital spending plans similarly include investments in distribution assets and production equipment. At December 31, 2022, cash and cash equivalents of Steam and Chilled Water amounted to \$11.0 million and \$20.3 million, respectively. Steam expects to meet its capital spending requirements in 2023 through cash flows from operations and temporary seasonal borrowings while Chilled Water expects to meet its 2023 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 \$21.0 million at December 31, 2022, including \$0.8 million in the construction fund. Water expects to meet its capital spending requirements in 2023 through amounts from the construction fund and cash flows from operations.

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 11 to the condensed 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 \$186.5 million including \$144.4 million in the construction fund at December 31, 2022. Wastewater expects to meet its capital spending requirements in 2023 through a combination of cash flows from operations and amounts from the construction fund.

Resources' capital spending projection for 2023 includes activities at Westfield Gas, Westfield Water, and Westfield Wastewater. Resources had cash and cash equivalents of \$34.1 million at December 31, 2022. Resources expects to meet its capital spending requirements in 2023 through a combination of cash flows from operations, its lines of credit, and available funds.

## Citizens Energy Group and Subsidiary and CWA Authority, Inc.

## Condensed Combined Statements of Financial Position

(In Thousands)

	At December 31, 2022	At September 30, 2022
<b>ASSETS</b>		
<b>Property, plant, and equipment, net</b>	\$ 4,655,062	\$ 4,590,199
<b>Intangible assets, net</b>	45,860	46,786
<b>Investments</b>		
Bond restricted funds	204,535	256,907
Other	19,732	19,436
<b>Total investments</b>	224,267	276,343
<b>Current assets</b>		
Cash and cash equivalents	310,175	240,884
Short-term investments	-	9,966
Accounts receivable, less allowance for doubtful accounts of \$6,313 and \$6,704, respectively	109,355	93,844
Accrued utility revenue	41,054	26,460
Natural gas in storage	44,407	52,236
Materials and supplies	17,402	15,917
Other current assets	30,665	18,929
Current assets directly related to discontinued operations	943	1,162
<b>Total current assets</b>	554,001	459,398
<b>Deferred charges and other non-current assets</b>		
Deferred charges	22,645	25,722
Prepaid retirement benefit costs	13,645	10,927
Non-current assets directly related to discontinued operations	650	572
<b>Total deferred charges and other non-current assets</b>	36,940	37,221
<b>TOTAL ASSETS</b>	<b>\$ 5,516,130</b>	<b>\$ 5,409,947</b>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>Capitalization and non-current liabilities</b>		
Retained earnings	\$ 1,301,718	\$ 1,247,178
Accumulated other comprehensive loss	(16,161)	(15,698)
Long-term debt (excluding current maturities)	3,315,973	3,237,758
Retirement benefits	42,956	43,851
Contributions in aid of construction	423,145	409,791
Other long-term liabilities	94,059	62,609
Non-current liabilities directly related to discontinued operations	14,120	14,087
<b>Total capitalization and non-current liabilities</b>	5,175,810	4,999,576
<b>Current liabilities</b>		
Current maturities of long-term debt	118,586	109,946
Short-term borrowings	-	-
Accounts payable and accrued expenses	147,306	207,743
Accrued taxes	60,860	71,237
Customer deposits	8,047	7,842
Other current liabilities	5,469	13,493
Current liabilities directly related to discontinued operations	52	110
<b>Total current liabilities</b>	340,320	410,371
<b>Commitments and contingencies (see note 11)</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>\$ 5,516,130</b>	<b>\$ 5,409,947</b>

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

## Citizens Energy Group and Subsidiary and CWA Authority, Inc.

## Condensed Combined Statements of Operations and Comprehensive Income

(In Thousands)

	Three Months Ended December 31,	
	2022	2021
Operating revenues	\$ 266,262	\$ 236,182
Operating expenses		
Cost of goods sold	69,450	43,395
Operations and maintenance	73,993	69,784
Depreciation and amortization	33,102	30,779
Taxes	13,949	15,659
Total operating expenses	190,494	159,617
Operating income	75,768	76,565
Other income (expense), net		
Interest income	2,452	185
Non-operating post-employment benefits, net	(8)	1,800
Other	(556)	(377)
Total other income, net	1,888	1,608
Income before interest charges	77,656	78,173
Interest charges		
Interest on long-term debt	33,775	34,035
Other interest, including net premium amortization	(10,774)	(13,354)
Total interest charges	23,001	20,681
Income from continuing operations	54,655	57,492
Loss from discontinued operations	(115)	(3)
<b>Net income</b>	<b>\$ 54,540</b>	<b>\$ 57,489</b>
Retirement benefit liability changes:		
Amortization of prior service credit	(541)	(411)
Amortization of loss	(107)	1,239
Total retirement benefit liability changes	(648)	828
Unrealized gain on available-for-sale investments	185	71
Total other comprehensive (loss) income	(463)	899
<b>Total comprehensive income</b>	<b>\$ 54,077</b>	<b>\$ 58,388</b>

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

## Citizens Energy Group and Subsidiary and CWA Authority, Inc.

## Condensed Combined Statements of Cash Flows

(In Thousands)

	Three Months Ended December 31,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 54,540	\$ 57,489
Depreciation and amortization	25,589	23,895
Allowance for doubtful accounts	1,812	1,111
Changes in operating assets and liabilities:		
Accounts receivable and accrued utility revenue	(31,917)	(29,462)
Natural gas in storage	7,829	(4,049)
Accounts payable and accrued expenses	(45,186)	(29,206)
Retirement benefits	(4,261)	(4,257)
Other operating activities	(6,227)	(27,889)
Change in net liabilities of discontinued operations	116	(1,064)
Net cash provided by (used in) operating activities	2,295	(13,432)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction expenditures	(107,245)	(88,341)
Other investing activities	(250)	5,306
Net cash used in investing activities	(107,495)	(83,035)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank line of credit	27,000	-
Principal payments of long-term debt and bond refunding	(61,100)	(47,060)
Proceeds from issuance of long-term debt and bond refunding	156,861	52,556
Bond issuance costs	(1,359)	(371)
Contributions in aid of construction	(2,419)	2,380
Other financing activities	243	163
Net cash provided by financing activities	119,226	7,668
Net change in cash, cash equivalents, and restricted cash	14,026	(88,799)
Cash, cash equivalents, and restricted cash at beginning of period	493,202	590,139
Cash, cash equivalents, and restricted cash at end of period	\$ 507,228	\$ 501,340
Supplemental Cash Flows Information - Interest paid net of amounts capitalized	\$ 49,715	\$ 31,335
Non-cash Investing Activities		
Construction work-in-progress accrued at end of period	\$ 36,029	\$ 34,387

The table below provides a reconciliation of cash, cash equivalents, and restricted cash as reported in the Condensed Combined Statements of Financial Position to the amount reported in the Combined Statements of Cash Flows:

Cash and cash equivalents	\$ 310,175	\$ 267,965
Restricted cash included in Bond restricted funds	191,523	228,974
Restricted cash included in Other current assets	1,992	-
Restricted cash included in Investments, Other	3,538	4,401
Cash, cash equivalents, and restricted cash at end of period	\$ 507,228	\$ 501,340

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

## Citizens Energy Group and Subsidiary and CWA Authority, Inc.

## Condensed Combined Statements of Equity

(In Thousands)

	Retained Earnings	Accumulated Other Comprehensive Loss	Total
<b>Balance at September 30, 2021</b>	<b>\$ 1,012,938</b>	<b>\$ (92,679)</b>	<b>\$ 920,259</b>
Comprehensive income			
Net income	57,489	-	57,489
Unrealized gain on available-for-sale investments	-	71	71
Retirement benefit liability changes	-	828	828
Total comprehensive income	57,489	899	58,388
Customer benefit distributions	-	-	-
<b>Balance at December 31, 2021</b>	<b>\$ 1,070,427</b>	<b>\$ (91,780)</b>	<b>\$ 978,647</b>
<b>Balance at September 30, 2022</b>	<b>\$ 1,247,178</b>	<b>\$ (15,698)</b>	<b>\$ 1,231,480</b>
Comprehensive income			
Net income	54,540	-	54,540
Unrealized gain on available-for-sale investments	-	185	185
Retirement benefit liability changes	-	(648)	(648)
Total comprehensive income	54,540	(463)	54,077
Customer benefit distributions	-	-	-
<b>Balance at December 31, 2022</b>	<b>\$ 1,301,718</b>	<b>\$ (16,161)</b>	<b>\$ 1,285,557</b>

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



## NOTES TO CONDENSED 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 condensed combined interim financial statements are unaudited and should be read in conjunction with the combined annual financial statements, and the notes thereto, included in the Citizens Energy Group Management Discussion and Financial Report for the year ended September 30, 2022. Because of the seasonal nature of the various business segments, the results of operations for the period ended December 31, 2022 are not necessarily indicative of the results of operations to be expected for the full fiscal year.

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.

#### C. COVID-19, Global Supply Chain, and Related Economic Impacts

The outbreak of COVID-19 during fiscal year 2020 was declared a pandemic by the World Health Organization, a national emergency by the President of the United States and continues to evolve in the United States and around the world. As a result of economic conditions stemming from the COVID-19 pandemic, shifts in consumer demand, labor shortages and current events in the Ukraine, among others, the Company is experiencing issues with its supply chain for certain materials, components, and chemicals used in its operations, including increasing prices, surcharges, scarcities/shortages, and longer fulfillment times for orders from suppliers. These constraints in the supply chain could restrict availability and delay the construction, maintenance, 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 has successfully navigated the operational challenges presented by COVID-19 and supply chain issues to date, the extent of the outbreak, related 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 condensed combined financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the amounts reported in the condensed 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 condensed combined financial position and results of operations, actual results could differ materially from those estimates.

#### B. 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, 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 Condensed Combined Statements of Financial Position. Gains/losses and fees associated with these derivatives, when realized, are 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 hedge activities. The first table provides a financial position overview of the Company's derivative assets and liabilities at December 31, 2022 and September 30, 2022, while the latter table provides a breakdown of the related impact on the results of operations for the three months ended December 31, 2022 and 2021. The Company 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 Condensed 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	Condensed Combined Statement of Financial Position Location	December 31, 2022		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	\$ 6,520	\$ (6,600)	\$ 18,297	\$ (3,216)

Commodity contracts represent exchange-traded options and futures. The margin receivable, which is excluded from the table above, was \$5.9 million at December 31, 2022. At December 31, 2022 the Company had 37.2 million dekatherms of net energy derivative volumes outstanding related to its natural gas hedges.

**Derivative Impact on Condensed Combined Statement of Operations**

Derivative Instrument	Derivative Designation	Condensed Combined Statement of Operations Location	Three Months Ended December 31,	
			2022	2021
Commodity Contracts	Not accounted for as a hedge	Gain in cost of goods sold	\$ (4,694)	\$ (11,011)

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 three months ended December 31, 2022 is included in cash flows from operating activities.

### C. 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 Condensed 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, as of December 31, 2022 and September 30, 2022 (in thousands). There were no financial liabilities at September 30, 2022.

<u>Description</u>	<b>December 31, 2022 Fair Value Measurements Using</b>		
	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	\$ 22,641	\$ -	\$ -
Bond restricted funds	191,523	-	-
Grantor Trust investments	15,421	-	-
Derivative assets	-	-	-
Total financial assets measured at fair value	<u>\$ 229,585</u>	<u>\$ -</u>	<u>\$ -</u>
Financial Liabilities:			
Derivative liabilities	\$ (80)	\$ -	\$ -
<u>Description</u>	<b>September 30, 2022 Fair Value Measurements Using</b>		
	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 \$204.5 and \$256.9 million at December 31, 2022, 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 December 31, 2022, and September 30, 2022. Gross deposits to the bond restricted fund investments during the first three months of fiscal years 2023 and 2022 were \$59.5 million and \$116.9 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 \$3.2 billion at December 31, 2022, and \$3.3 billion at September 30, 2022, versus the carrying value of \$3.4 billion at December 31, 2022, 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 December 31, 2022, for Water, Wastewater, and Resources of \$17.2 million, \$5.9 million, and \$16.3 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.

#### D. 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 Condensed 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 three months ended December 31, 2022 (in thousands):

	Pension Plan	Postemployment Benefits	Other	Total
Accumulated other comprehensive income (loss) at September 30, 2022	\$ (35,909)	\$ 21,623	\$ (1,412)	\$ (15,698)
Net current-period other comprehensive income (loss)	23	(671)	185	(463)
Accumulated other comprehensive income (loss) at December 31, 2022	<u>\$ (35,886)</u>	<u>\$ 20,952</u>	<u>\$ (1,227)</u>	<u>\$ (16,161)</u>

### 3. LONG-TERM DEBT

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

	December 31, 2022			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)
<b>Gas</b>						
Gas Utility Distribution System Series 2013A, Second Lien Revenue Refunding Bonds, 4.125% to 5.250%, due 2027 to 2030	\$ 54,465	\$ -	\$ 806	\$ 54,465	\$ -	\$ 835
Gas Utility Distribution System Series 2017A, Second Lien Revenue Refunding Bonds 5.00%, due 2025 to 2027	49,825	-	3,842	49,825	-	4,097
Gas Utility Distribution System Series 2020A Second Lien Revenue Refunding Bonds 5.00%, due 2023 to 2024	16,965	16,160	1,628	16,965	16,160	1,981
Subtotal Gas	121,255	16,160	6,276	121,255	16,160	6,913
<b>Thermal</b>						
Thermal Energy System Series 2013A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2023 to 2033	5,220	405	15	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	1,662	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	2,018	36,185	10,150	2,266
Subtotal Thermal	54,345	12,655	3,695	67,000	12,040	4,005

	(In Thousands)					
	December 31, 2022			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)
<b>Water</b>						
Water Utility Series 2011D (ILPIBB 2007B) *, First Lien Net Revenue Bonds, 5.25%, due 2023 to 2025	35,720	21,475	(51)	35,720	21,475	(52)
Water Utility Series 2014A, First Lien Net Revenue Bonds, 4.00% to 5.00%, due 2023 to 2044	22,335	625	1,268	22,960	605	1,283
Water Utility Series 2016A, First Lien Revenue Bonds, 5.00%, due 2023 to 2046	60,400	1,390	9,942	61,790	1,320	10,084
Water Utility Series 2016B, First Lien Refunding Revenue Bonds, 4.00% to 5.00%, due 2023 to 2038	191,935	4,410	24,050	196,345	4,345	24,657
Water Utility Series 2018A, First Lien Refunding Revenue Bonds, 3.50% to 5.00%, due 2023 to 2038	351,260	1,350	37,355	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	15,493	76,925	1,715	15,757
Subtotal Water	736,770	31,055	88,057	746,350	31,325	89,928
<b>Wastewater</b>						
CWA Wastewater Utility Series 2012A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2023 to 2042	53,925	-	3,827	53,925	4,560	3,865
CWA Wastewater Utility Series 2014A, First Lien Revenue Bonds, 4.25% to 5.00%, due 2023 to 2044	197,480	5,275	14,661	202,755	5,025	14,908
CWA Wastewater Utility Series 2015A, First Lien Revenue Bonds, 3.25% to 5.00%, due 2023 to 2045	135,490	3,425	16,596	138,915	3,260	16,839
CWA Wastewater Utility Series 2016A, First Lien Revenue Bonds 5.00%, due 2023 to 2046	170,325	3,695	29,855	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	1,446	38,390	935	1,495
CWA Wastewater Series 2016C, First Lien Revenue Bonds (SRF), 2.00%, due 2023 to 2036	8,760	585	(52)	8,760	585	(54)
CWA Wastewater Series 2017A, First Lien Revenue Bonds (SRF), 3.53%, due 2023 to 2047	142,712	3,741	(59)	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	7,368	39,560	695	7,458
CWA Wastewater Series 2019B, First Lien Revenue Bonds (SRF), 2.99%, due 2023 to 2050	168,900	4,034	(64)	168,900	4,034	(65)



	(In Thousands)					
	December 31, 2022			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 2020A First Lien Revenue Bonds 4.00% to 5.00% due 2023 to 2050	54,170	1,015	11,778	55,185	990	11,915
CWA Wastewater Series 2020B First Lien Revenue Bonds (SRF) 2.56%, due 2023 to 2051	67,254	1,631	(67)	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	94,734	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	40,733	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	8,019	43,795	715	8,133
CWA Wastewater Series 2021B First Lien Revenue Bonds (SRF) 2.38%, due 2023 to 2052	51,336	1,220	(51)	51,336	1,220	(52)
CWA Wastewater Series 2022A First Lien Revenue Refunding Bonds 5.00%, due 2023 to 2037	86,520	4,205	7,107	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	5,666	-	-	-
Subtotal Wastewater	2,000,567	53,716	241,497	1,893,072	50,421	240,605
<b>Resources</b>						
Citizens Westfield Utilities Series 2018A, Refunding Revenue Bonds, 80% of 3-month LIBOR plus 1.90%, due 2023	-	5,000	(35)	5,000	-	(45)
Citizens Westfield Water Series 2019A, Revenue Bonds, 4.00%, due 2048	20,000	-	(67)	20,000	-	(69)
Citizens Westfield Wastewater Series 2019A, Revenue Bonds, 5.00%, due 2048	22,660	-	2,285	22,660	-	2,297
Citizens Westfield Water Series 2022A, Revenue Bonds, 4.00%, due 2052	16,000	-	(1,189)	16,000	-	(1,079)
Citizens Westfield Gas Series 2022A Revenue Bonds 4.05%, due 2029	4,000	-	(143)	4,000	-	(134)
Subtotal Resources	62,660	5,000	851	67,660	-	970
Total	\$ 2,975,597	\$ 118,586	\$ 340,376	\$ 2,895,337	\$ 109,946	\$ 342,421

\* Indianapolis Local Public Improvement Bond Bank (ILPIBB)

## 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.

## 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)	
					December 31, 2022	September 30, 2022
Gas	25.0 million	September 29, 2024	LIBOR + 0.52%	0.250%	\$ 25.0	-
Gas	25.0 million	August 1, 2025	SOFR <sup>1</sup> + 0.90%	0.200%	-	-
Thermal	20.0 million	July 25, 2025	BSBY <sup>2</sup> + 1.125%	0.125%	-	-
Water	25.0 million	November 18, 2022	82% of LIBOR + 1.31%	0.200%	*	-
Water	15.0 million	April 30, 2023	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%	-	**
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%	-	**

<sup>1</sup> Secured Overnight Financing Rate (SOFR)

\* Line of credit matured prior to December 31, 2022.

<sup>2</sup> 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.

### 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)	
					December 31, 2022	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 Condensed 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 Condensed Combined Statements of Financial Position in the line item labeled, "Other long-term liabilities".

## 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):

## Three Months Ended December 31, 2022

	Gas	Steam	Chilled Water	Water	Waste- Water	Resources	Intercompany Eliminations	Total
Residential	\$ 66,064	\$ -	\$ -	\$ 28,000	\$ 40,233	\$ 7,521	\$ -	\$ 141,818
Commercial	25,283	12,849	6,447	17,635	27,391	2,063	(365)	91,303
Industrial	3,758	8,977	95	2,673	8,992	199	(9,140)	15,554
Other	9,886	92	-	1,798	3,671	2,161	-	17,608
Revenues - Contracts w/Customers	104,991	21,918	6,542	50,106	80,287	11,944	(9,505)	266,283
Alternative Revenue Programs	-	-	-	-	-	(21)	-	(21)
Gross Operating Revenues	\$ 104,991	\$ 21,918	\$ 6,542	\$ 50,106	\$ 80,287	\$ 11,923	\$ (9,505)	\$ 266,262

## Three Months Ended December 31, 2021

	Gas	Steam	Chilled Water	Water	Waste- Water	Resources	Intercompany Eliminations	Total
Residential	\$ 49,990	\$ -	\$ -	\$ 27,383	\$ 40,944	\$ 6,205	\$ -	\$ 124,522
Commercial	18,603	10,713	6,508	17,177	26,766	1,862	(367)	81,262
Industrial	4,025	7,767	83	2,250	9,088	192	(2,507)	20,898
Other	2,159	115	-	1,883	3,345	1,939	-	9,441
Revenues - Contracts w/Customers	74,777	18,595	6,591	48,693	80,143	10,198	(2,874)	236,123
Alternative Revenue Programs	-	-	-	-	-	59	-	59
Gross Operating Revenues	\$ 74,777	\$ 18,595	\$ 6,591	\$ 48,693	\$ 80,143	\$ 10,257	\$ (2,874)	\$ 236,182

Accounts Receivable and Unbilled Revenue

Amounts due from customers are reflected on the Condensed 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 three months ended December 31, 2022, and 2021 are presented in the tables below.

Citizens and CWA offer flexible payment plans to customers experiencing hardship. At December 31, 2022, the Company's allowance for doubtful accounts is \$6.3 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>	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Total
Balance at December 31, 2022	\$ 42,670	\$ 10,149	\$ 2,862	\$ 19,484	\$ 31,078	\$ 3,112	\$ 109,355
Balance at September 30, 2022	26,415	5,987	5,083	22,152	31,447	2,760	93,844
Increase (Decrease)	\$ 16,255	\$ 4,162	\$ (2,221)	\$ (2,668)	\$ (369)	\$ 352	\$ 15,511
Balance at December 31, 2021	\$ 34,497	\$ 9,282	\$ 2,277	\$ 17,671	\$ 31,136	\$ 3,852	\$ 98,715
Balance at September 30, 2021	11,676	5,094	6,120	24,914	28,522	3,276	79,602
Increase (Decrease)	\$ 22,821	\$ 4,188	\$ (3,843)	\$ (7,243)	\$ 2,614	\$ 576	\$ 19,113

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 December 31, 2022	\$ 19,429	\$ -	\$ -	\$ 8,081	\$ 12,626	\$ 918	\$ 41,054
Balance at September 30, 2022	4,044	-	-	9,192	12,565	659	26,460
Increase (Decrease)	\$ 15,385	\$ -	\$ -	\$ (1,111)	\$ 61	\$ 259	\$ 14,594
Balance at December 31, 2021	\$ 12,823	\$ -	\$ -	\$ 7,913	\$ 14,699	\$ 626	\$ 36,061
Balance at September 30, 2021	3,510	-	-	9,061	13,690	562	26,823
Increase (Decrease)	\$ 9,313	\$ -	\$ -	\$ (1,148)	\$ 1,009	\$ 64	\$ 9,238

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. 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); and Citizens South Madison (CSM), a small unregulated water utility. In addition, Resources provides stormwater management services to the City of Indianapolis 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 condensed 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 Condensed 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 Statements of Financial Position at December 31, 2022 and September 30, 2022, Statements of Operations for the three months ended December 31, 2022 and 2021, and Statements of Cash Flows for the three months ended December 31, 2022 and 2021 are summarized as follows:



**Segment Footnote - Condensed Combined Statement of Financial Position***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**At December 31, 2022*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
<b>Assets</b>									
Property, plant, and equipment	\$ 372,611	\$ 75,853	\$ 66,738	\$ 1,303,761	\$ 2,511,168	\$ 302,708	\$ 22,223	\$ -	\$ 4,655,062
Intangibles	-	11,989	33,871	-	-	-	-	-	45,860
Investments	9,596	6,227	16,634	65,415	140,160	715	520	(15,000)	224,267
Cash and cash equivalents	22,087	11,030	20,337	21,004	186,450	34,095	15,172	-	310,175
Other current assets	132,674	16,528	4,208	35,776	51,413	6,235	(7,717)	4,709	243,826
Deferred charges and other non-current assets	5,773	1,832	561	15,382	3,248	677	9,467	-	36,940
Total assets	\$ 542,741	\$ 123,459	\$ 142,349	\$ 1,441,338	\$ 2,892,439	\$ 344,430	\$ 39,665	\$ (10,291)	\$ 5,516,130
<b>Capitalization and Liabilities</b>									
Equity	\$ 318,904	\$ 38,248	\$ 118,550	\$ 299,258	\$ 368,323	\$ 137,708	\$ 4,566	\$ -	\$ 1,285,557
Long-term debt	127,531	44,155	13,885	824,827	2,242,064	63,511	-	-	3,315,973
Retirement benefit and Other long-term liabilities	31,409	19,676	628	238,459	142,553	131,853	24,702	(15,000)	574,280
Current mat. of long-term debt	16,160	7,278	5,377	31,055	53,716	5,000	-	-	118,586
Short-term borrowings	-	-	-	-	-	-	-	-	-
Other current liabilities	48,737	14,102	3,909	47,739	85,783	6,358	10,397	4,709	221,734
Total capitalization and liabilities	\$ 542,741	\$ 123,459	\$ 142,349	\$ 1,441,338	\$ 2,892,439	\$ 344,430	\$ 39,665	\$ (10,291)	\$ 5,516,130

**Segment Footnote - Condensed 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
<b>Assets</b>									
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
<b>Capitalization and Liabilities</b>									
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 - Condensed Combined Statement of Operations***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Three Months Ended December 31, 2022*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 97,361	\$ 20,814	\$ 6,542	\$ 49,938	\$ 79,994	\$ 11,613	\$ -	\$ -	\$ 266,262
Intercompany revenues	7,630	1,104	-	168	293	310	-	(9,505)	-
Gross operating revenues	104,991	21,918	6,542	50,106	80,287	11,923	-	(9,505)	266,262
Operating expenses:									
Cost of goods sold	60,882	13,298	2,247	-	-	2,084	-	(9,061)	69,450
Operations and maintenance	18,614	4,524	2,036	22,646	22,970	3,593	52	(442)	73,993
Depreciation and amortization	4,805	1,395	1,381	7,075	16,955	1,491	-	-	33,102
Taxes	1,643	194	513	3,548	7,395	656	-	-	13,949
Total operating expenses	85,944	19,411	6,177	33,269	47,320	7,824	52	(9,503)	190,494
Operating income (loss)	19,047	2,507	365	16,837	32,967	4,099	(52)	(2)	75,768
Other income (expense), net:									
Interest income	170	49	217	367	1,599	35	145	(130)	2,452
Non-operating post-employment benefits, net	(160)	(28)	1	175	2	2	-	-	(8)
Other	(395)	-	-	146	82	60	(449)	-	(556)
Total other income (expense), net	(385)	21	218	688	1,683	97	(304)	(130)	1,888
Income (loss) before interest charges	18,662	2,528	583	17,525	34,650	4,196	(356)	(132)	77,656
Interest charges:									
Interest on long-term debt	1,729	599	228	9,357	21,114	748	130	(130)	33,775
Other interest, including net (premium) discount amortization	(402)	14	(125)	(1,612)	(8,561)	(88)	-	-	(10,774)
Total interest charges	1,327	613	103	7,745	12,553	660	130	(130)	23,001
Income (loss) from continuing operations	17,335	1,915	480	9,780	22,097	3,536	(486)	(2)	54,655
Loss from discontinued operations	-	-	-	-	-	-	(117)	2	(115)
Net income (loss)	\$ 17,335	\$ 1,915	\$ 480	\$ 9,780	\$ 22,097	\$ 3,536	\$ (603)	\$ -	\$ 54,540

**Segment Footnote - Condensed Combined Statement of Operations***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Three Months Ended December 31, 2021*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 73,024	\$ 18,048	\$ 6,591	\$ 48,530	\$ 79,897	\$ 10,092	\$ -	\$ -	\$ 236,182
Intercompany revenues	1,753	547	-	163	246	165	-	(2,874)	-
Gross operating revenues	74,777	18,595	6,591	48,693	80,143	10,257	-	(2,874)	236,182
Operating expenses:									
Cost of goods sold	32,179	10,436	2,126	-	-	1,126	-	(2,472)	43,395
Operations and maintenance	17,860	4,828	2,099	20,028	20,886	4,457	21	(395)	69,784
Depreciation and amortization	4,747	1,356	1,368	6,891	15,020	1,397	-	-	30,779
Taxes	2,618	433	511	4,112	7,317	668	-	-	15,659
Total operating expenses	57,404	17,053	6,104	31,031	43,223	7,648	21	(2,867)	159,617
Operating income (loss)	17,373	1,542	487	17,662	36,920	2,609	(21)	(7)	76,565
Other income (expense), net:									
Interest income	9	-	19	110	46	-	19	(18)	185
Non-operating post-employment benefits, net	743	144	39	573	250	51	-	-	1,800
Other	(300)	-	-	160	64	59	(360)	-	(377)
Total other income (expense), net	452	144	58	843	360	110	(341)	(18)	1,608
Income (loss) before interest charges	17,825	1,686	545	18,505	37,280	2,719	(362)	(25)	78,173
Interest charges:									
Interest on long-term debt	1,922	685	292	9,759	20,864	513	18	(18)	34,035
Other interest, including net (premium) discount amortization	(643)	(115)	(158)	(1,331)	(11,113)	6	-	-	(13,354)
Total interest charges	1,279	570	134	8,428	9,751	519	18	(18)	20,681
Income (loss) from continuing operations	16,546	1,116	411	10,077	27,529	2,200	(380)	(7)	57,492
Loss from discontinued operations	-	-	-	-	-	-	(10)	7	(3)
Net income (loss)	\$ 16,546	\$ 1,116	\$ 411	\$ 10,077	\$ 27,529	\$ 2,200	\$ (390)	\$ -	\$ 57,489

**Segment Footnote - Condensed Combined Statement of Cash Flows***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**For the Three Months Ended December 31, 2022 (In Thousands)*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Total
Net cash provided by (used in) operating activities	(39,031)	5,344	3,714	5,829	10,265	6,270	9,904	\$ 2,295
Investing Activities:								
Construction expenditures	(9,985)	(1,267)	(336)	(16,408)	(73,650)	(3,666)	(1,933)	(107,245)
Other investing activities	9,941	-	(5,000)	(240)	31	-	(4,982)	(250)
Net cash provided by (used in) investing activities	(44)	(1,267)	(5,336)	(16,648)	(73,619)	(3,666)	(6,915)	(107,495)
Financing Activities:								
Proceeds from bank line of credit	25,000	-	-	-	-	2,000	-	27,000
Principal payments of long-term debt and bond refunding	-	(6,922)	(5,118)	(9,850)	(39,210)	-	-	(61,100)
Proceeds from issuance of long-term debt and bond refunding	-	-	-	-	156,861	-	-	156,861
Bond issuance costs	-	-	-	-	(1,350)	(9)	-	(1,359)
Contributions in aid of construction	-	-	-	112	734	(3,265)	-	(2,419)
Other financing activities	243	-	-	-	-	-	-	243
Net cash provided by (used in) financing activities	25,243	(6,922)	(5,118)	(9,738)	117,035	(1,274)	-	119,226
Net change in cash, cash equivalents, and restricted cash	(13,832)	(2,845)	(6,740)	(20,557)	53,681	1,330	2,989	14,026
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	\$ 33,675	\$ 17,257	\$ 21,971	\$ 59,431	\$ 324,912	\$ 34,810	\$ 15,172	\$ 507,228
Reconciliation:								
Cash and cash equivalents	\$ 22,087	\$ 11,030	\$ 20,337	\$ 21,004	\$ 186,450	\$ 34,095	\$ 15,172	\$ 310,175
Restricted cash included in Bond restricted funds	9,596	6,227	1,634	36,474	136,877	715	-	191,523
Restricted cash included in Other current assets	1,992	-	-	-	-	-	-	1,992
Restricted cash included in Investments, Other	-	-	-	1,953	1,585	-	-	3,538
Cash, cash equivalents & restricted cash - end of period	\$ 33,675	\$ 17,257	\$ 21,971	\$ 59,431	\$ 324,912	\$ 34,810	\$ 15,172	\$ 507,228

**Segment Footnote - Condensed Combined Statement of Cash Flows***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**For the Three Months Ended December 31, 2021 (In Thousands)*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Total
Net cash provided by (used in) operating activities	(39,834)	3,619	(890)	10,897	12,666	2,075	(1,965)	\$ (13,432)
Investing Activities:								
Construction expenditures	(5,124)	(2,170)	(269)	(15,444)	(59,803)	(4,118)	(1,413)	(88,341)
Other investing activities	2,545	2,538	-	(124)	(127)	473	1	5,306
Net cash provided by (used in) investing activities	(2,579)	368	(269)	(15,568)	(59,930)	(3,645)	(1,412)	(83,035)
Financing Activities:								
Principal payments of long-term debt and bond refunding	-	(6,213)	(5,167)	(8,600)	(23,080)	(4,000)	-	(47,060)
Proceeds from issuance of long-term debt and bond refunding	-	-	-	-	52,556	-	-	52,556
Bond issuance costs	-	-	-	-	(371)	-	-	(371)
Contributions in aid of construction	-	-	-	634	2,089	(343)	-	2,380
Other financing activities	(837)	-	-	-	-	-	1,000	163
Net cash provided by (used in) financing activities	(837)	(6,213)	(5,167)	(7,966)	31,194	(4,343)	1,000	7,668
Net change in cash, cash equivalents, and restricted cash	(43,250)	(2,226)	(6,326)	(12,637)	(16,070)	(5,913)	(2,377)	(88,799)
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	\$ 34,533	\$ 10,279	\$ 23,750	\$ 82,721	\$ 308,093	\$ 26,652	\$ 15,312	\$ 501,340
Reconciliation:								
Cash and cash equivalents	\$ 25,024	\$ 3,940	\$ 22,154	\$ 43,600	\$ 131,769	\$ 26,166	\$ 15,312	\$ 267,965
Restricted cash included in Bond restricted funds	9,509	6,339	1,596	36,897	174,147	486	-	228,974
Restricted cash included in Investments, Other	-	-	-	2,224	2,177	-	-	4,401
Cash, cash equivalents & restricted cash - end of period	\$ 34,533	\$ 10,279	\$ 23,750	\$ 82,721	\$ 308,093	\$ 26,652	\$ 15,312	\$ 501,340

## 7. 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.

### Condensed Consolidated Statement of Financial Position

Citizens Westfield Utilities, LLC

(In Thousands)

At December 31, 2022

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
<b>Assets</b>						
Property, plant, and equipment	\$ -	\$ 16,813	\$ 133,888	\$ 146,074	\$ -	<b>\$ 296,775</b>
Investments	129,797	69	361	285	(129,797)	<b>715</b>
Cash and cash equivalents	1,418	2,288	5,331	17,896	-	<b>26,933</b>
Other current assets	-	4,207	1,369	1,873	-	<b>7,449</b>
Other non-current assets	-	622	4	-	-	<b>626</b>
Total assets	<u>\$ 131,215</u>	<u>\$ 23,999</u>	<u>\$ 140,953</u>	<u>\$ 166,128</u>	<u>\$ (129,797)</u>	<u><b>\$ 332,498</b></u>
<b>Capitalization and Liabilities</b>						
Member's equity	\$ 124,945	\$ 15,647	\$ 42,941	\$ 71,209	\$ (129,797)	<b>\$ 124,945</b>
Long-term debt	(35)	3,857	34,744	24,945	-	<b>63,511</b>
Other long-term borrowings	-	3,000	-	-	-	<b>3,000</b>
Other long-term liabilities	-	-	60,436	67,615	-	<b>128,051</b>
Current maturities of long-term debt	5,000	-	-	-	-	<b>5,000</b>
Short-term borrowings	-	-	-	-	-	<b>-</b>
Other current liabilities	1,305	1,495	2,832	2,359	-	<b>7,991</b>
Total capitalization and liabilities	<u>\$ 131,215</u>	<u>\$ 23,999</u>	<u>\$ 140,953</u>	<u>\$ 166,128</u>	<u>\$ (129,797)</u>	<u><b>\$ 332,498</b></u>

### Condensed Consolidated Statement of Financial Position

Citizens Westfield Utilities, LLC

(In Thousands)

At September 30, 2022

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
<b>Assets</b>						
Property, plant, and equipment	\$ -	\$ 16,555	\$ 129,197	\$ 139,702	\$ -	<b>\$ 285,454</b>
Investments	127,583	28	625	568	(127,583)	<b>1,221</b>
Cash and cash equivalents	528	1,137	6,938	17,504	-	<b>26,107</b>
Other current assets	1,175	3,595	1,149	1,179	-	<b>7,098</b>
Other non-current assets	-	581	-	-	-	<b>581</b>
Total assets	<u>\$ 129,286</u>	<u>\$ 21,896</u>	<u>\$ 137,909</u>	<u>\$ 158,953</u>	<u>\$ (127,583)</u>	<u><b>\$ 320,461</b></u>
<b>Capitalization and Liabilities</b>						
Member's equity	\$ 122,763	\$ 15,384	\$ 42,512	\$ 69,687	\$ (127,583)	<b>\$ 122,763</b>
Long-term debt	4,955	3,866	34,852	24,957	-	<b>68,630</b>
Other long-term borrowings	-	1,000	-	-	-	<b>1,000</b>
Other long-term liabilities	-	-	57,174	61,832	-	<b>119,006</b>
Current maturities of long-term debt	-	-	-	-	-	<b>-</b>
Short-term borrowings	-	-	-	-	-	<b>-</b>
Other current liabilities	1,568	1,646	3,371	2,477	-	<b>9,062</b>
Total capitalization and liabilities	<u>\$ 129,286</u>	<u>\$ 21,896</u>	<u>\$ 137,909</u>	<u>\$ 158,953</u>	<u>\$ (127,583)</u>	<u><b>\$ 320,461</b></u>



**Condensed Consolidated Statement of Operations**  
**Citizens Westfield Utilities, LLC**  
**For the Three Months Ended December 31, 2022**  
**(In Thousands)**

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 3,150	\$ 2,751	\$ 4,046	\$ -	\$ 9,947
Operating expenses						
Cost of goods sold	-	2,084	-	-	-	2,084
Other operating expenses	8	461	1,288	1,261	-	3,018
Depreciation and amortization	-	225	471	757	-	1,453
Taxes	-	42	331	270	-	643
Total operating expenses	8	2,812	2,090	2,288	-	7,198
Total operating (loss) income	(8)	338	661	1,758	-	2,749
Other income (expense)	-	1	68	24	-	93
Equity in earnings of subsidiaries	2,264	-	-	-	(2,264)	-
Interest charges						
Interest on long-term debt	65	40	360	283	-	748
Other interest	11	34	(60)	(73)	-	(88)
Total interest charges	76	74	300	210	-	660
Net income (loss)	\$ 2,180	\$ 265	\$ 429	\$ 1,572	\$ (2,264)	\$ 2,182

**Condensed Consolidated Statement of Operations**  
**Citizens Westfield Utilities, LLC**  
**For the Three Months Ended December 31, 2021**  
**(In Thousands)**

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 2,140	\$ 2,470	\$ 3,784	\$ -	\$ 8,394
Operating expenses						
Cost of goods sold	-	1,126	-	-	-	1,126
Other operating expenses	8	437	1,207	1,184	-	2,836
Depreciation and amortization	-	200	441	717	-	1,358
Taxes	-	60	325	268	-	653
Total operating expenses	8	1,823	1,973	2,169	-	5,973
Total operating (loss) income	(8)	317	497	1,615	-	2,421
Other income (expense)	-	13	77	15	-	105
Equity in earnings of subsidiaries	2,056	-	-	-	(2,056)	-
Interest charges						
Interest on long-term debt	30	-	200	283	-	513
Other interest	10	22	6	(33)	-	5
Total interest charges	40	22	206	250	-	518
Net income (loss)	\$ 2,008	\$ 308	\$ 368	\$ 1,380	\$ (2,056)	\$ 2,008

**Condensed Consolidated Statement of Cash Flows**

Citizens Westfield Utilities, LLC

(In Thousands)

For the Three Months Ended December 31, 2022

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	\$ 840	\$ (367)	\$ 908	\$ 3,879	\$ 5,260
Investing Activities:					
Construction expenditures	-	(432)	(2,229)	(1,005)	(3,666)
Other investing activities	-	-	-	-	-
Net cash provided by (used in) investing activities	-	(432)	(2,229)	(1,005)	(3,666)
Financing Activities:					
Proceeds from bank line of credit	-	2,000	-	-	2,000
Bond issuance costs	-	(9)	-	-	(9)
Additional paid-in capital and dividends	50	-	-	(50)	-
Contributions in aid of construction and customer advances, net	-	-	(550)	(2,715)	(3,265)
Net cash provided by (used in) financing activities	50	1,991	(550)	(2,765)	(1,274)
Net change in cash, cash equivalents, and restricted cash	890	1,192	(1,871)	109	320
Cash, cash equivalents & restricted cash - beginning of period	528	1,165	7,563	18,072	27,328
Cash, cash equivalents & restricted cash - end of period	\$ 1,418	\$ 2,357	\$ 5,692	\$ 18,181	\$ 27,648
Reconciliation:					
Cash and cash equivalents	\$ 1,418	\$ 2,288	\$ 5,331	\$ 17,896	\$ 26,933
Restricted cash included in Other non-current assets	-	69	361	285	715
Cash, cash equivalents & restricted cash - end of period	\$ 1,418	\$ 2,357	\$ 5,692	\$ 18,181	\$ 27,648

**Condensed Consolidated Statement of Cash Flows**

Citizens Westfield Utilities, LLC

(In Thousands)

For the Three Months Ended December 31, 2021

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	\$ (26)	\$ (293)	\$ 797	\$ 981	\$ 1,459
Investing Activities:					
Construction expenditures	-	(1,370)	(1,371)	(1,343)	(4,084)
Other investing activities	-	473	-	-	473
Net cash provided by (used in) investing activities	-	(897)	(1,371)	(1,343)	(3,611)
Financing Activities:					
Principal payments of long-term debt and bond refunding	(4,000)	-	-	-	(4,000)
Additional paid-in capital and dividends	4,050	1,500	-	(50)	5,500
Contributions in aid of construction and customer advances, net	-	-	(429)	87	(342)
Net cash provided by (used in) financing activities	50	1,500	(429)	37	1,158
Net change in cash, cash equivalents, and restricted cash	24	310	(1,003)	(325)	(994)
Cash, cash equivalents & restricted cash - beginning of period	108	1,560	2,068	15,561	19,297
Cash, cash equivalents & restricted cash - end of period	\$ 132	\$ 1,870	\$ 1,065	\$ 15,236	\$ 18,303
Reconciliation:					
Cash and cash equivalents	\$ 132	\$ 1,870	\$ 864	\$ 14,951	\$ 17,817
Restricted cash included in Other non-current assets	-	-	201	285	486
Cash, cash equivalents & restricted cash - end of period	\$ 132	\$ 1,870	\$ 1,065	\$ 15,236	\$ 18,303

## 8. 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 three months ended December 31, 2022, and 2021.

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 Condensed Combined Statements of Financial Position related to lease asset and liability balances as of the period indicated (in thousands):

	<b>Condensed Combined Statement of Financial Position Classification</b>	<b>At December 31, 2022</b>	<b>At September 30, 2022</b>
<b>Assets</b>			
Right-of-use assets - operating leases	Property, plant, and equipment, net	\$ 3,029	\$ 3,096
<b>Liabilities</b>			
Operating lease liabilities - current	Other current liabilities	\$ 278	\$ 275
Operating lease liabilities - non-current	Other long-term liabilities	\$ 2,751	\$ 2,821

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

	<b>Three Months Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Operating lease expense	\$ 105	\$ 105
Short-term lease expense	284	230
Variable lease expense	64	48
Total lease expense	<u>\$ 453</u>	<u>\$ 383</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:

	<b>At December 31, 2022</b>
2023	\$ 315
2024	420
2025	420
2026	420
2027	420
Thereafter	1,750
Total operating lease payments	3,745
Less: imputed interest	716
Total operating lease liabilities	<u>\$ 3,029</u>

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

	<b>At December 31, 2022</b>
Weighted-average remaining lease term	107
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 \$105 thousand for each of the three months ended December 31, 2022, and 2021, respectively.

## 9. 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 condensed 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 condensed 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 three months ended December 31, 2022, for the asset retirement obligation liability is as follows (in thousands):

Asset retirement obligation at September 30, 2022	\$	12,656
Accretion expense		106
Remediation liabilities settled		(22)
Asset retirement obligation at December 31, 2022	\$	<u>12,740</u>

The major classes of assets and liabilities of the Manufacturing segment (reported as Discontinued Operations in Other) at December 31, 2022, and September 30, 2022, are as follows (in thousands):

	December 31, 2022	September 30, 2022
Current assets	\$ 943	\$ 1,162
Non-current assets	650	572
Total assets	<u>\$ 1,593</u>	<u>\$ 1,734</u>
Equity (deficiency)	\$ (12,579)	\$ (12,463)
Retirement benefit and other long-term liabilities	14,120	14,087
Current liabilities	52	110
Total capitalization and liabilities	<u>\$ 1,593</u>	<u>\$ 1,734</u>

For the three months ended December 31, 2022, and 2021, Discontinued Operations operating expenses were \$0.1 million and \$0.0 million, respectively. Approximately \$2.0 million of cash was provided by Gas to Discontinued Operations during fiscal year 2022 to settle a portion of the liabilities. Additional cash funding from Gas to settle liabilities may be provided to Discontinued Operations in future periods.

## 10. 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 January 26, 2023, the steam utility filed a petition and testimony seeking approval of a special contract with one of the steam utility's largest industrial customers. The customer was previously served under a special contract which expired on January 1, 2023, and is currently served under the steam utility's tariff rates. While the new special contract will generate revenues which are greater than the revenues generated by the former contract, the new contract, if approved, will result in a material decrease to the revenues generated by service to the customer under tariff rates. The rates the customer would pay under the new special contract will generate revenues which exceed the variable cost of serving the customer and also provide a contribution to the recovery of the steam utility's fixed costs. The customer has filed a petition to intervene in the case and is expected to file testimony in support of the new contract. No procedural schedule has been established for the case.

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 improvements costs over a four-year period.

Wastewater

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

Resources - Westfield Gas

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

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 and, if approved, would authorize a base rate increase designed to increase the utility's revenues by \$751,832 or 10.6%. Westfield Gas and the OUCC are required to file the settlement agreement, supporting testimony, and an agreed proposed order by February 13, 2023. A settlement hearing is scheduled for March 3, 2023.

#### 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 Energy Services Company, LLC ("CESCO"), and Southern Madison Utilities, LLC d/b/a Citizens of South Madison ("CSM"), an indirect 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. The OUCC's and any intervenors' deadline to file testimony is March 1, 2023. A hearing is scheduled for April 24, 2023.

#### Resources – Westfield Wastewater

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

## **11. 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. The obligation is included in "Other current liabilities" and "Other long-term liabilities" in the Condensed 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 \$0.2 million at December 31, 2022 and September 30, 2022. Due to

a number of uncertainties, including uncertainty of timing, the scope of remediation, future technology, regulatory changes, and other factors, the ultimate remediation costs may exceed the amounts estimated.

### 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 \$2.0 billion in 2016 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.

**12. SUBSEQUENT EVENTS**

Management has considered the impact of subsequent events through February 15, 2023, the date at which these condensed combined financial statements were issued.