

# QUARTERLY FINANCIAL REPORT Q2 - 2020





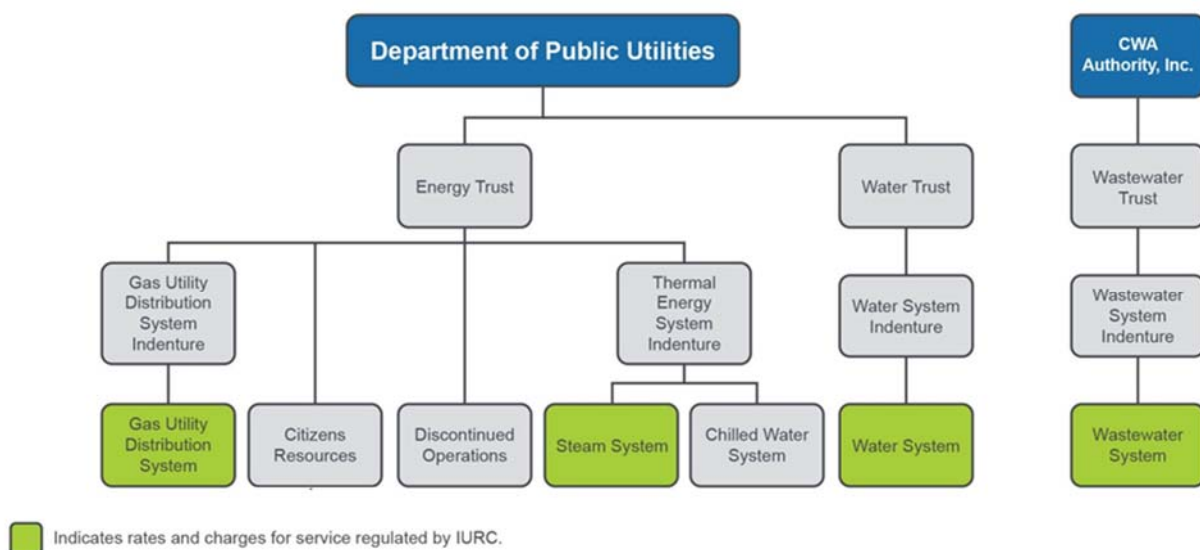
## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 and expected 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.

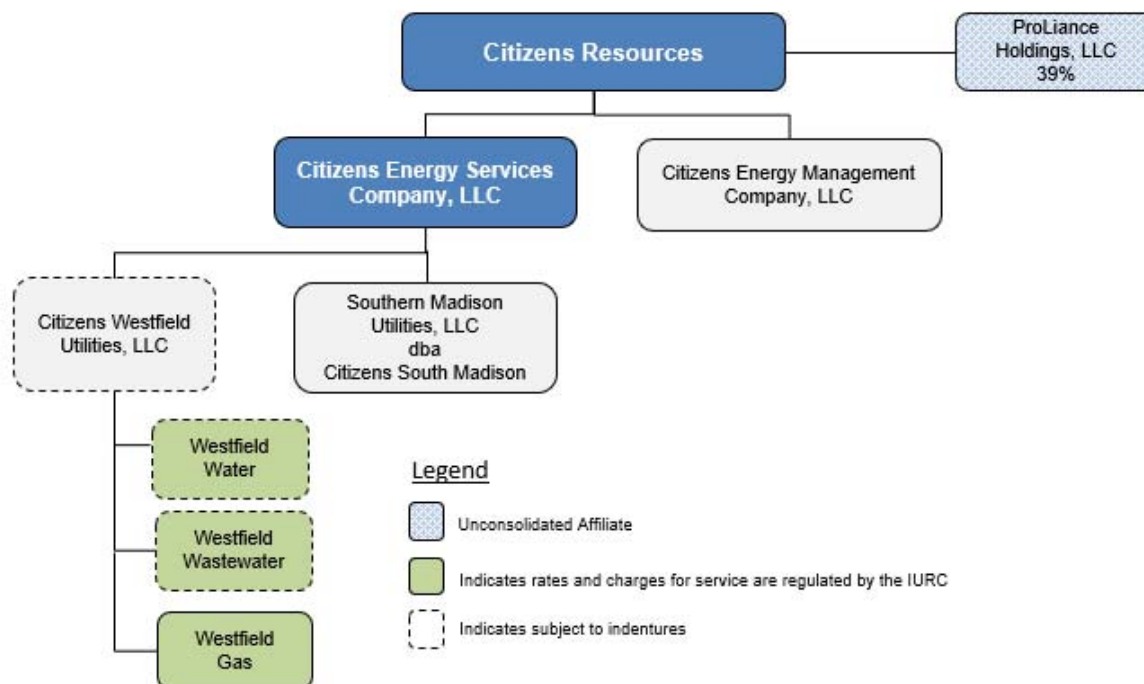
Separate indentures exist to issue debt obligations for the Gas Utility Distribution System, the Thermal Energy System, the Water System, and the Wastewater System. Each indenture captures only the revenues from the respective System, pays the operating expenses of that System and then debt service on 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 below 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 combined financial statements, an accounting loss within Citizens Resources will be reflected in Citizens' combined financial statements. This accounting result, though, does not create the basis upon which the liabilities of Citizens Resources or its subsidiaries or affiliates can be imposed upon Citizens or the cash flows held under any Indentures.



## FINANCIAL RESULTS

The tables and discussion below summarize the financial results for each segment (in millions) and present an analysis of the results of our operations for the three months and six months ended March 31, 2020 and 2019. Because of the seasonal nature of the various business units, results of operations for the period ended March 31, 2020 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 1B – Basis of Presentation and Use of Estimates
- Note 2D – Change in Accounting Estimate
- Note 2F – Investment in Unconsolidated Affiliate
- 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

## SHARED SERVICES

Shared services is comprised of various administrative and operational departments that provide support services to each of Citizens and CWA business segments, certain affiliates 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.

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Mar 31			Six Months Ended Mar 31		
	2020	2019	Change	2020	2019	Change
Shared Services Expenses	\$ 24.0	\$ 21.9	\$ 2.1	\$ 47.6	\$ 46.7	\$ 0.9

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

### Three Months Ended March 31, 2020 as Compared with 2019

Shared services expenses increased \$2.1 million resulting from higher employee healthcare expenses, pension and post-employment benefits, and information technology support costs.

**Six Months Ended March 31, 2020 as Compared with 2019**

Shared services expenses increased \$0.9 million as higher pension and post-employment benefit costs, information technology support costs, and employee healthcare benefit costs were partially offset by lower depreciation expense.

**GAS**

	Quarter-to-Date vs. Prior Year Three Months Ended Mar 31			Year-to-Date vs. Prior Year Six Months Ended Mar 31		
	2020	2019	Change	2020	2019	Change
Operating revenues	\$ 91.3	\$ 114.7	\$ (23.4)	\$ 162.3	\$ 195.6	\$ (33.3)
Cost of goods sold	34.4	56.4	(22.0)	63.6	95.1	(31.5)
Margin	56.9	58.3	(1.4)	98.7	100.5	(1.8)
Other operating expenses	24.0	22.4	1.6	47.3	46.9	0.4
Operating income (loss)	32.9	35.9	(3.0)	51.4	53.6	(2.2)
Other income (expense), net	(0.2)	0.2	(0.4)	(0.7)	0.3	(1.0)
Interest charges	2.3	2.8	(0.5)	4.7	5.5	(0.8)
Segment income (loss)	\$ 30.4	\$ 33.3	\$ (2.9)	\$ 46.0	\$ 48.4	\$ (2.4)
Volume sales, million Dth						
Retail	13.0	15.4	(2.4)	22.6	25.4	(2.8)
Transportation	5.9	6.0	(0.1)	11.2	11.0	0.2
Power generation and other	6.2	3.6	2.6	9.7	7.0	2.7
Cost of gas sold, per Dth	\$ 2.66	\$ 3.65	\$ (0.99)	\$ 2.81	\$ 3.74	\$ (0.93)
Heating degree days	2,414	2,849	(435)	4,379	4,896	(517)

**Three Months Ended March 31, 2020 as Compared with 2019**

The decrease in earnings of \$2.9 million was primarily due to:

- \$1.3 million lower retail margin net of Normal Temperature Adjustment due to warmer weather compared with the prior year;
- \$0.7 million higher shared service expense allocations; and
- \$0.7 million higher depreciation expense.

**Six Months Ended March 31, 2020 as Compared with 2019**

The decrease in earnings of \$2.4 million was primarily the result of:

- \$1.7 million lower retail margin net of Normal Temperature Adjustment due to warmer weather compared with the prior year;
- \$0.7 million higher shared service expense allocations; and
- \$0.7 million increase in non-operating post-employment benefit costs; **offset by**
- \$1.0 million lower depreciation expense largely due to lower depreciation rates enacted on January 1, 2019, as approved by the IURC.

**STEAM**

	Quarter-to-Date vs. Prior Year Three Months Ended Mar 31			Year-to-Date vs. Prior Year Six Months Ended Mar 31		
	2020	2019	Change	2020	2019	Change
Operating revenues	\$ 19.5	\$ 20.5	\$ (1.0)	\$ 36.9	\$ 37.9	\$ (1.0)
Cost of goods sold	9.7	9.5	0.2	18.2	17.5	0.7
Margin	9.8	11.0	(1.2)	18.7	20.4	(1.7)
Other operating expenses	6.9	5.7	1.2	13.2	12.6	0.6
Operating income (loss)	2.9	5.3	(2.4)	5.5	7.8	(2.3)
Other income (expense), net	-	-	-	(0.1)	-	(0.1)
Interest charges	0.7	0.7	-	1.3	1.5	(0.2)
Segment income (loss)	\$ 2.2	\$ 4.6	\$ (2.4)	\$ 4.1	\$ 6.3	\$ (2.2)
Volume sales, million therms	16.2	18.2	(2.0)	30.6	33.9	(3.3)
Heating degree days	2,414	2,849	(435)	4,379	4,896	(517)

**Three Months Ended March 31, 2020 as Compared with 2019**

The decrease in earnings of \$2.4 million was primarily due to:

- \$1.2 million lower margin resulting from lower demand attributable to warmer weather compared with the prior year; and
- \$1.0 million higher due to stack painting and the timing of additional plant and distribution maintenance costs.

**Six Months Ended March 31, 2020 as Compared with 2019**

The decrease in earnings of \$2.2 million resulted from:

- \$1.7 million lower margin resulting from lower demand attributable to warmer weather compared with the prior year; and
- \$0.7 million higher plant maintenance costs; **offset by**
- \$0.5 million lower employee healthcare costs.

**CHILLED WATER**

	Quarter-to-Date vs. Prior Year Three Months Ended Mar 31			Year-to-Date vs. Prior Year Six Months Ended Mar 31		
	2020	2019	Change	2020	2019	Change
Operating revenues	\$ 4.7	\$ 4.4	\$ 0.3	\$ 10.4	\$ 10.2	\$ 0.2
Cost of goods sold	1.4	1.2	0.2	3.3	3.0	0.3
Margin	3.3	3.2	0.1	7.1	7.2	(0.1)
Other operating expenses	3.6	3.7	(0.1)	7.3	7.3	-
Operating income (loss)	(0.3)	(0.5)	0.2	(0.2)	(0.1)	(0.1)
Other income (expense), net	-	0.1	(0.1)	-	0.1	(0.1)
Interest charges	0.2	0.2	-	0.4	0.5	(0.1)
Segment income (loss)	\$ (0.5)	\$ (0.6)	\$ 0.1	\$ (0.6)	\$ (0.5)	\$ (0.1)
Volume sales, million ton hours	11.5	11.0	0.5	28.3	29.4	(1.1)
Cooling degree days	-	-	-	37	86	(49)

Earnings were comparable to the prior period for the quarter and year-to-date.

**WATER**

	Quarter-to-Date vs. Prior Year Three Months Ended Mar 31			Year-to-Date vs. Prior Year Six Months Ended Mar 31		
	2020	2019	Change	2020	2019	Change
Operating revenues	\$ 46.2	\$ 46.2	\$ -	\$ 95.6	\$ 94.1	\$ 1.5
Other operating expenses	29.3	28.5	0.8	58.6	61.2	(2.6)
Operating income (loss)	16.9	17.7	(0.8)	37.0	32.9	4.1
Other income (expense), net	0.4	0.8	(0.4)	1.3	1.3	-
Interest charges	9.1	9.2	(0.1)	18.2	18.7	(0.5)
Segment income (loss)	\$ 8.2	\$ 9.3	\$ (1.1)	\$ 20.1	\$ 15.5	\$ 4.6
Volume sales, billion gallons	8.1	8.3	(0.2)	17.2	17.1	0.1
Precipitation, inches	13.9	12.5	1.4	24.0	22.3	1.7

**Three Months Ended March 31, 2020 as Compared with 2019**

The decrease in earnings of \$1.1 million was primarily due to:

- \$0.4 million increased shared services expense allocations;
- \$0.4 million increased property taxes; and
- \$0.4 million decreased interest income.

**Six Months Ended March 31, 2020 as Compared with 2019**

The increase in earnings of \$4.6 million was primarily due to:

- \$4.1 million decreased depreciation expense resulting from lower depreciation rates enacted on January 1, 2019, as approved by the IURC; and
- \$1.5 million additional revenues attributed to higher volumes and customer growth; **offset by**
- \$0.6 million increased property taxes; and
- \$0.6 million increased property damage claims.

**WASTEWATER**

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Mar 31			Six Months Ended Mar 31		
	2020	2019	Change	2020	2019	Change
Operating revenues	\$ 77.6	\$ 65.1	\$ 12.5	\$ 153.2	\$ 132.1	\$ 21.1
Other operating expenses	42.0	40.3	1.7	83.0	85.8	(2.8)
Operating income (loss)	35.6	24.8	10.8	70.2	46.3	23.9
Other income (expense), net	0.7	0.9	(0.2)	1.4	2.0	(0.6)
Interest charges	17.0	17.5	(0.5)	34.4	34.9	(0.5)
Segment income (loss)	\$ 19.3	\$ 8.2	\$ 11.1	\$ 37.2	\$ 13.4	\$ 23.8
Treatment volume sales, billion gallons	8.8	9.0	(0.2)	16.3	17.4	(1.1)
Strength surcharge, million pounds	17.8	18.1	(0.3)	31.6	32.3	(0.7)

**Three Months Ended March 31, 2020 as Compared with 2019**

The increase in earnings of \$11.1 million was primarily due to:

- \$12.5 million increased revenues largely stemming from the implementation of a step 1 rate increase effective August 1, 2019; and
- \$1.9 million decreased other interest expense, largely due to higher capitalized interest; **offset by**
- \$1.4 million increased interest expense on long-term debt, principally related to the issuance of 2019 series bonds;
- \$0.7 million increased employee healthcare costs; and
- \$0.5 million increased shared services expense allocations.

**Six Months Ended March 31, 2020 as Compared with 2019**

The increase in earnings of \$23.8 million was primarily due to:

- \$20.7 million increased revenues largely stemming from the implementation of a step 1 rate increase effective August 1, 2019;
- \$6.1 million decreased depreciation expense resulting from lower depreciation rates enacted on January 1, 2019, as approved by the IURC; and
- \$3.1 million decreased other interest expense, largely due to higher capitalized interest; **offset by**
- \$2.6 million higher interest expense on long-term debt, principally related to the issuance of 2019 series bonds
- \$1.0 million increased labor and benefits costs;
- \$0.6 million additional payments per the PILOT (Payments in Lieu of Taxes) payment schedule.

**RESOURCES**

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Mar 31			Six Months Ended Mar 31		
	2020	2019	Change	2020	2019	Change
Operating revenues	\$ 8.9	\$ 9.0	\$ (0.1)	\$ 17.5	\$ 17.4	\$ 0.1
Cost of goods sold	0.6	1.0	(0.4)	1.1	1.6	(0.5)
Margin	8.3	8.0	0.3	16.4	15.8	0.6
Other operating expenses	5.4	5.0	0.4	10.5	10.5	-
Operating income (loss)	2.9	3.0	(0.1)	5.9	5.3	0.6
Other income (expense), net	0.1	0.1	-	0.1	0.1	-
Equity in earnings (loss) of affiliates	2.5	(0.1)	2.6	2.3	(0.1)	2.4
Interest charges	0.6	0.5	0.1	1.1	1.1	-
Segment income (loss)	\$ 4.9	\$ 2.5	\$ 2.4	\$ 7.2	\$ 4.2	\$ 3.0

**Three Months Ended March 31, 2020 as Compared with 2019**

The increase in earnings of \$2.4 million was primarily due to the gain recorded on the ProLiance investment as a result of an asset sale in March 2020.

**Six Months Ended March 31, 2020 as Compared with 2019**

The increase in earnings of \$3.0 million was primarily the result of a \$2.5 million gain recorded on the ProLiance investment due an asset sale in March 2020 and \$0.6 million of incremental margin from the Westfield utilities.

**OTHER**

	<b>Quarter-to-Date vs. Prior Year</b>			<b>Year-to-Date vs. Prior Year</b>		
	Three Months Ended Mar 31			Six Months Ended Mar 31		
	2020	2019	Change	2020	2019	Change
Operating revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses	-	-	-	-	-	-
Operating income (loss)	-	-	-	-	-	-
Other income (expense), net	(0.8)	(0.8)	-	(0.9)	(1.2)	0.3
Interest charges	0.1	-	0.1	0.2	-	0.2
Income (loss) from discontinued operations	(0.2)	(0.2)	-	(0.4)	(0.3)	(0.1)
Segment income (loss)	\$ (1.1)	\$ (1.0)	\$ (0.1)	\$ (1.5)	\$ (1.5)	\$ (0.0)

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.

Earnings were comparable to the prior period for the quarter and year-to-date.



## 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 that existing sources of liquidity are sufficient to meet its cash requirements for the foreseeable future. However, as the impacts of the COVID-19 pandemic on the economy, the financial markets, and Citizens' and CWA's operations evolve, Management will continue to assess liquidity needs and monitor capital markets and other financing sources. Though not currently anticipated, no assurances can be provided that Citizens and CWA will be able to access loan markets in the future on acceptable terms.

### Capital Spending

For the six months ended March 31, 2020, capital expenditures, on an accrual basis, increased by \$22.5 million to \$146.6 million from \$124.1 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.

	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
<b>Q2 2020</b>	<b>\$ 15.0</b>	<b>\$ 1.3</b>	<b>\$ 2.9</b>	<b>\$ 33.5</b>	<b>\$ 71.4</b>	<b>\$ 5.4</b>	<b>\$ 17.1</b>	<b>\$ 146.6</b>
<b>Q2 2019</b>	<b>14.0</b>	<b>1.0</b>	<b>1.2</b>	<b>15.3</b>	<b>76.1</b>	<b>6.2</b>	<b>10.3</b>	<b>124.1</b>
	<b>\$ 1.0</b>	<b>\$ 0.3</b>	<b>\$ 1.7</b>	<b>\$ 18.2</b>	<b>\$ (4.7)</b>	<b>\$ (0.8)</b>	<b>\$ 6.8</b>	<b>\$ 22.5</b>

Citizens' and CWA's projected capital spending requirement of \$344.2 million for 2020 is summarized as follows (in millions):

	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
<b>2020 Projection</b>	<b>\$ 29.8</b>	<b>\$ 3.9</b>	<b>\$ 5.1</b>	<b>\$ 51.0</b>	<b>\$ 199.4</b>	<b>\$ 14.0</b>	<b>\$ 41.0</b>	<b>\$ 344.2</b>

Gas continues to invest in mains and services to maintain its commitment to modernization of its underground gas distribution system. Gas had cash and cash equivalents of \$52.4 million and short-term cash investments of \$10.2 million at March 31, 2020. Gas expects to meet its capital spending requirements in 2020 through cash flows from operations.

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 March 31, 2020, cash and cash equivalents of Steam and Chilled Water amounted to \$5.6 million and \$23.2 million, respectively. Steam expects to meet its capital spending requirements in 2020 through cash flows from operations and temporary seasonal use of its credit line while Chilled Water expects to meet its 2020 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 \$71.9 million at March 31, 2020. Water expects to meet its capital spending requirements in 2020 through 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 \$66.6 million at March 31, 2020. Wastewater expects to meet its capital spending requirements in 2020 through a combination of cash flows from operations and available funds from issuances of the Series 2019A and 2019B bonds. See Note 10 – Wastewater, to the condensed combined financial statements, for a discussion of regulatory matters affecting the liquidity and capital resources of the Wastewater business segment.

Resources' capital spending projection for 2020 includes activities at Citizens South Madison, Westfield Gas, Westfield Water, and Westfield Wastewater. Resources expects to meet its capital spending requirements in 2020 through a combination of cash flows from operations, its lines of credit, and available funds from the Series 2019A bond issuances for Westfield Water and Westfield Wastewater, respectively.

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

## Condensed Combined Statements of Financial Position (Unaudited)

(In Thousands)

	At March 31, 2020	At September 30, 2019
<b>ASSETS</b>		
<b>Property, plant, and equipment, net</b>	\$ 3,938,892	\$ 3,833,502
Intangible assets, net	56,044	57,895
<b>Investments</b>		
Bond restricted funds	329,971	277,308
Other	24,802	22,858
Total investments	354,773	300,166
<b>Current assets</b>		
Cash and cash equivalents	258,775	209,153
Short-term investments	21,222	26,465
Accounts receivable, less allowance for doubtful accounts of \$2,872 and \$2,443, respectively	82,148	76,795
Accrued utility revenue	27,105	22,425
Natural gas in storage	16,694	29,345
Materials and supplies	12,057	11,818
Other current assets	7,129	3,511
Current assets directly related to discontinued operations	1,071	942
<b>Total current assets</b>	426,201	380,454
Deferred charges and other non-current assets	37,404	35,633
<b>TOTAL ASSETS</b>	<b>\$ 4,813,314</b>	<b>\$ 4,607,650</b>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>Capitalization and non-current liabilities</b>		
Retained earnings	\$ 738,368	\$ 625,845
Accumulated other comprehensive loss	(141,524)	(144,502)
Long-term debt (excluding current maturities)	3,305,949	3,156,174
Retirement benefits	175,662	182,135
Contributions in aid of construction	293,397	272,294
Other long-term liabilities	34,720	112,162
Non-current liabilities directly related to discontinued operations	23,428	24,177
Total capitalization and non-current liabilities	4,430,000	4,228,285
<b>Current liabilities</b>		
Current maturities of long-term debt	101,679	89,341
Short-term borrowings	1,000	-
Accounts payable and accrued expenses	172,961	191,371
Accrued taxes	71,376	66,672
Customer deposits	26,393	26,058
Other current liabilities	9,670	5,596
Current liabilities directly related to discontinued operations	235	327
Total current liabilities	383,314	379,365
<b>Commitments and contingencies (see note 11)</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>\$ 4,813,314</b>	<b>\$ 4,607,650</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 (Unaudited)

(In Thousands)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating revenues	\$ 246,946	\$ 258,580	\$ 472,367	\$ 483,217
Operating expenses				
Cost of goods sold	45,310	67,115	83,808	114,078
Operations and maintenance	64,908	60,921	129,138	123,936
Depreciation and amortization	30,111	29,452	59,212	70,505
Taxes	15,806	14,957	30,506	28,855
Total operating expenses	156,135	172,445	302,664	337,374
Operating income	90,811	86,135	169,703	145,843
Other income (expense), net				
Interest income	1,350	1,999	3,140	3,519
Non-operating post-employment benefits, net	(489)	(29)	(976)	(66)
Other	(794)	(602)	(1,100)	(776)
Total other income, net	67	1,368	1,064	2,677
Income before equity in earnings of affiliates and interest charges	90,878	87,503	170,767	148,520
Equity in earnings (losses) of affiliates	2,464	(42)	2,329	(82)
Interest charges				
Interest on long-term debt	37,643	36,623	75,094	73,350
Other interest, including net premium amortization	(7,854)	(5,557)	(14,863)	(10,948)
Total interest charges	29,789	31,066	60,231	62,402
Income from continuing operations	63,553	56,395	112,865	86,036
Loss from discontinued operations	(140)	(167)	(342)	(262)
<b>Net income</b>	<b>\$ 63,413</b>	<b>\$ 56,228</b>	<b>\$ 112,523</b>	<b>\$ 85,774</b>
Retirement benefit liability changes:				
Amortization of prior service credit	(1,388)	(546)	(1,931)	(1,091)
Amortization of loss	2,876	1,032	5,752	2,064
Total retirement benefit liability changes	1,488	486	3,821	973
Unrealized (loss) gain on available-for-sale investments	(979)	417	(843)	(50)
Total other comprehensive income	509	903	2,978	923
<b>Total comprehensive income</b>	<b>\$ 63,922</b>	<b>\$ 57,131</b>	<b>\$ 115,501</b>	<b>\$ 86,697</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 (Unaudited)

(In Thousands)

	Six Months Ended March 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 112,523	\$ 85,774
Depreciation and amortization	52,749	64,652
Equity in (earnings) losses of affiliates, net of distributions	(2,329)	82
Allowance for doubtful accounts	2,410	2,500
Changes in operating assets and liabilities:		
Accounts receivable and accrued utility revenue	(12,443)	(35,367)
Natural gas in storage	12,651	27,975
Accounts payable and accrued expenses	(267)	6,535
Retirement benefits	(2,652)	(4,982)
Other operating activities	(3,267)	3,265
Change in net liabilities of discontinued operations	(971)	(1,825)
Net cash provided by operating activities	158,404	148,609
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction expenditures	(160,007)	(129,247)
Other investing activities	4,682	(84)
Net cash used in investing activities	(155,325)	(129,331)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of short-term borrowings and bank line of credit	(80,000)	(6,500)
Principal payments of long-term debt and bond refunding	(60,395)	(523,929)
Proceeds from issuance of long-term debt and bond refunding	231,219	468,525
Bond issuance costs	(487)	(2,496)
Contributions in aid of construction	8,927	5,523
Other financing activities	(161)	(446)
Net cash provided by (used in) financing activities	99,103	(59,323)
Net change in cash, cash equivalents, and restricted cash	102,182	(40,045)
Cash, cash equivalents, and restricted cash at beginning of period	477,839	590,380
Cash, cash equivalents, and restricted cash at end of period	\$ 580,021	\$ 550,335
Supplemental Cash Flows Information - Interest paid	\$ 62,673	\$ 66,203
<b>Non-cash Investing and Operating Activities</b>		
Construction work-in-progress accrued at end of period	\$ 49,052	\$ 37,020
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 Condensed Combined Statements of Cash Flows:		
Cash and cash equivalents	\$ 258,775	\$ 286,968
Restricted cash included in Bond restricted funds	316,959	258,832
Restricted cash included in Investments, Other	4,287	4,535
Cash, cash equivalents, and restricted cash at end of period	\$ 580,021	\$ 550,335

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 (Unaudited)

(In Thousands)

	Retained Earnings	Accumulated Other Comprehensive Loss	Total
<b>Balance at September 30, 2018</b>	<b>\$ 482,529</b>	<b>\$ (71,348)</b>	<b>\$ 411,181</b>
Comprehensive income			
Net income	85,774	-	85,774
Unrealized gain (loss) on available-for-sale investments	-	(50)	(50)
Retirement benefit liability changes	-	973	973
Total comprehensive income	85,774	923	86,697
<b>Balance at March 31, 2019</b>	<b>\$ 568,303</b>	<b>\$ (70,425)</b>	<b>\$ 497,878</b>
<b>Balance at September 30, 2019</b>	<b>\$ 625,845</b>	<b>\$ (144,502)</b>	<b>\$ 481,343</b>
Comprehensive income			
Net income	112,523	-	112,523
Unrealized gain on available-for-sale investments	-	(843)	(843)
Retirement benefit liability changes	-	3,821	3,821
Total comprehensive income	112,523	2,978	115,501
<b>Balance at March 31, 2020</b>	<b>\$ 738,368</b>	<b>\$ (141,524)</b>	<b>\$ 596,844</b>

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

**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)**

*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 an affiliate joint venture interest as well as 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 and Use of Estimates**

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, 2019. Because of the seasonal nature of the various business segments, the results of operations for the period ended March 31, 2020 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.

Certain reclassifications have been made to conform the prior period presentation to the current period presentation. These reclassifications had no impact on reported results of operations or financial position. In accordance with accounting guidance adopted in fiscal 2019 related to removal of changes in restricted cash from investing activities and inclusion of restricted cash in the beginning and ending totals of cash, cash equivalents, and restricted cash on the Condensed Combined Statements of Cash Flows, for the six-month period ended March 31, 2019, cash used in investing activities increased \$77.1 million, and cash provided by operations and cash used in financing activities was unchanged.

The preparation of the condensed combined interim 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 combined financial position and results of operations, actual results could differ materially from those estimates.

The outbreak of COVID-19 has been declared a pandemic by the World Health Organization, a national emergency by the President of the United States and continues to spread in the United States. Effects from the COVID-19 pandemic began at the end of the second quarter and were not material to the three-months and six-months results.

On March 6, 2020, Indiana Governor Eric Holcomb issued Executive Order 20-02 declaring a public health disaster emergency in Indiana attributable to COVID-19. To address the social and economic impacts of COVID-19, Governor Holcomb has issued several other executive orders, including Executive Orders 20-05 and 20-25 on March 19, 2020 and May 1, 2020, respectively. Executive Order 20-05 provides that providers of gas and electric utilities, broadband, telecommunication, water and wastewater services are prohibited from discontinuing service to any customer in the State, because these services are essential to Indiana residents and businesses, particularly during this state of public health emergency. Executive Order 20-25 renews the declaration of the public health disaster emergency and extends the prohibition on utility disconnections until June 4, 2020, unless further extended.

The full extent of COVID-19's impact on our operations and financial performance depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic, its impact on capital and financial markets, the financial losses incurred by our customers and business partners, and any new information which may

emerge concerning the severity of the virus, its spread, as well as the actions taken to contain it, among others. While the Company has not been materially impacted by COVID-19 to date, the extent of the outbreak 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. Derivatives and Hedging**

In fiscal years 2020 and 2019, 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, caps, collars and storage, Citizens Gas mitigates the risk of price volatility on approximately 80 percent of its anticipated system supply gas purchases. Citizens' Hedging Transaction Cost Policy sets guidelines for using selected financial derivative products 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 recoverable through the Gas Cost Adjustment tracker. Accordingly, the offset to the change in fair value of these derivatives is recorded as a regulatory asset or liability. The impact of commodity contracts was not material to the condensed combined financial statements in any of the periods presented.

### **B. Fair Value Measurements**

Financial Accounting Standards Board (FASB) guidance requires additional disclosures about Citizens' and CWA's financial assets and liabilities that 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 March 31, 2020 and September 30, 2019 (in thousands). There were no financial liabilities at March 31, 2020 and September 30, 2019.

March 31, 2020 Fair Value Measurements Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			
Cash equivalents	\$ 54,589	\$ -	\$ -
Short-term investments	22,222	-	-
Bond restricted funds	316,958	-	-
Grantor Trust investments	14,943	-	-
Derivative assets	347	-	-
Total financial assets measured at fair value	<u>\$ 409,059</u>	<u>\$ -</u>	<u>\$ -</u>

September 30, 2019 Fair Value Measurements Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			
Cash equivalents	\$ 38,696	\$ -	\$ -
Short-term investments	26,465	-	-
Bond restricted funds	264,292	-	-
Grantor Trust investments	15,758	-	-
Derivative assets	247	-	-
Total financial assets measured at fair value	<u>\$ 345,458</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 \$329.9 and \$277.3 million at March 31, 2020 and September 30, 2019, 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 March 31, 2020 and September 30, 2019.

Included in bond restricted funds are the following proceeds which are held by the Indiana Finance Authority (IFA) until certain conditions for disbursement are met (in thousands):

	2020	2019
CWA First Lien State Revolving Fund Bonds, Series 2017A	\$ -	\$ 3
CWA First Lien State Revolving Fund Bonds, Series 2019 B	62,425	-

Such funds are invested in money market funds together with additional amounts committed to other participants in the IFA's Wastewater Revolving Loan Program due to the rapid disbursement of such proceeds by the IFA to such participants. Gross deposits to the bond restricted fund investments during the first six months of fiscal years 2020 and 2019 were \$302.2 million and \$117.6 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 Cost Adjustment tracker. 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 \$3.5 billion and \$3.4 billion at March 31, 2020 and September 30, 2019, respectively, versus the carrying value of \$3.4 billion at March 31, 2020 and \$3.2 billion at September 30, 2019. In the case of Resources debt, the carrying value approximates fair value.

Customers' advances for construction have a carrying value at March 31, 2020 for Water, Wastewater, and Resources of \$13.1 million, \$4.3 million, and \$7.7 million, respectively, versus the carrying values at September 30, 2019 for Water, Wastewater, and Resources of \$13.8 million, \$3.7 million, and \$7.2 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 2029 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.

### C. 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 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 six months ended March 31, 2020 (in thousands):

	Pension Plan	Postemployment Benefits	Other	Total
Accumulated other comprehensive (loss) income at September 30, 2019	\$ (152,764)	\$ 8,362	\$ (100)	\$ (144,502)
Amounts reclassified from accumulated other comprehensive income (loss)	4,843	(1,022)	(843)	2,978
Net current-period other comprehensive income (loss)	4,843	(1,022)	(843)	2,978
Accumulated other comprehensive (loss) income at March 31, 2020	<u>\$ (147,921)</u>	<u>\$ 7,340</u>	<u>\$ (943)</u>	<u>\$ (141,524)</u>

### D. Change in Accounting Estimate

Pursuant to the joint depreciation case settlement approved by the IURC (see Note 10), the Company changed depreciation rates for Gas, Citizens Thermal Steam, Water, and Wastewater. The change in depreciation rates is considered a change in accounting estimate and has been applied prospectively effective January 1, 2019. For the six months ended March 31, 2020, the effect of the change was a decrease in depreciation and amortization expense of \$12.2 million. The impact of the change on each business unit's results (in millions) is depicted below:

Gas	\$ 2.0
Steam	0.1
Water	4.3
Wastewater	5.8
Total	<u>\$ 12.2</u>

### E. Recently Adopted Accounting Guidance

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) which replaced existing accounting guidance for leases. The new standard requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than twelve months.

The Company applied various practical expedients including the package of practical expedients which allows lessees to carry forward the historical lease classification. Additionally, the Company elected the practical expedient related to land easements which allows the carry forward of the accounting treatment for land easements on existing arrangements. Lastly, the Company elected the practical expedient for lessees which allows businesses to not separate lease and non-lease components.

The Company adopted ASC 842 and all related amendments on October 1, 2019 using the modified retrospective transition method, electing not to recast comparative periods in the year of adoption as permitted by the standard. There was no adjustment to retained earnings as a result of transition. As a result, disclosures for periods prior to adoption will be presented in accordance with accounting standards in effect for those periods. The cumulative effect of the adoption of ASC 842 on the Company's October 1, 2019 Condensed Combined Statement of Financial Position was as follows (in thousands):

	September 30, 2019	Due to ASC 842	October 1, 2019
<b>Assets</b>			
Property, plant, and equipment, net	\$ 3,833,502	\$ 3,844	\$ 3,837,346
<b>Liabilities</b>			
Other current liabilities	5,596	237	5,833
Other long-term liabilities	112,162	3,607	115,769

**F. Investment in Unconsolidated Affiliate**

On March 30, 2020, ProLiance Holdings, LLC (ProLiance), a jointly-owned affiliate of Resources (39%) and Vectren Energy Marketing and Services, Inc. (61%), sold substantially all of its remaining assets to an independent third party for \$7.0 million in cash. ProLiance used the proceeds from this asset sale to repay certain intercompany notes outstanding to Resources and Vectren Energy Marketing and Services in April 2020. In 2018, Resources deemed the balance of its outstanding note receivable from ProLiance as uncollectible and recorded an allowance equal to the outstanding balance. Accordingly, in March 2020 Resources recognized income of \$2.5 million representing the value of cash proceeds received in April 2020 from ProLiance net of equity-method accounting losses recorded through March 31, 2020. The Company's investment in ProLiance is \$0.0 million at March 31, 2020. After settlement of any outstanding liabilities, ProLiance will be dissolved in fiscal 2020. Resources expects any gain or loss on dissolution of ProLiance to be immaterial.

**3. LONG-TERM DEBT**

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

	(In Thousands)					
	March 31, 2020			September 30, 2019		
	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><u>Gas</u></b>						
Gas Utility Distribution System Series 2008C, Second Lien Revenue Refunding Bonds, 5.25%, due 2020 to 2021	11,550	15,535	160	\$ 11,550	\$ 15,535	\$ 294
Gas Utility Distribution System Series 2010A, Second Lien Revenue Refunding Bonds, 4.00% to 5.00%, due 2020 to 2024	58,795	700	960	58,795	700	1,097
Gas Utility Distribution System Series 2013A, Second Lien Revenue Refunding Bonds, 4.125% to 5.250%, due 2027 to 2030	54,465	-	1,095	54,465	-	1,144
Gas Utility Distribution System Series 2017A, Second Lien Revenue Refunding Bonds 5.00%, due 2025 to 2027	49,825	-	6,527	49,825	-	6,999
Subtotal Gas Long-Term Debt	174,635	16,235	8,742	174,635	16,235	9,534
<b><u>Thermal</u></b>						
Thermal Energy System Series 2010A, First Lien Revenue Refunding Bonds, 4.00%, due 2020	-	530	1	530	510	2
Thermal Energy System Series 2010B, First Lien Revenue Refunding Bonds, 5.00%, due 2020 to 2021	5,500	8,810	260	14,310	8,390	407
Thermal Energy System Series 2013A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2020 to 2033	6,380	355	42	6,735	340	48

	(In Thousands)					
	March 31, 2020			September 30, 2019		
	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)
Thermal Energy System Series 2014A, First Lien Revenue Refunding Bonds, 4.00% to 5.00%, due 2020 to 2034	28,130	1,365	2,367	29,495	1,300	2,501
Thermal Energy System Series 2016A, First Lien Revenue Refunding Bonds, 5.00%, due 2021 to 2029	50,410	-	5,516	50,410	-	6,172
Subtotal Thermal Long-Term Debt	90,420	11,060	8,186	101,480	10,540	9,130
<b><u>Water</u></b>						
Water Utility Series 2011C (ILPIBB 2006A) *, First Lien Net Revenue Bonds, 5.50%, due 2020 to 2022	15,595	17,575	(22)	24,380	12,710	(27)
Water Utility Series 2011D (ILPIBB 2007B) *, First Lien Net Revenue Bonds, 5.25%, due 2022 to 2025	70,410	-	(47)	70,410	-	(51)
Water Utility Series 2011G (ILPIBB 2011E) *, First Lien Net Revenue Bonds, 4.50% to 5.125%, due 2021 to 2041	47,550	1,380	(33)	48,930	1,315	(36)
Water Utility Series 2014A, First Lien Net Revenue Bonds, 4.00% to 5.00%, due 2020 to 2044	24,145	555	1,415	24,700	530	1,438
Water Utility Series 2014B, Second Lien Revenue Refunding Bonds, 2.95%, due 2022	43,595	-	(104)	43,595	-	(125)
Water Utility Series 2016A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2020 to 2046	64,380	1,225	11,475	65,605	1,180	11,745
Water Utility Series 2016B, First Lien Revenue Refunding Bonds, 4.00% to 5.00%, due 2020 to 2038	204,955	6,090	30,706	211,045	5,850	31,923
Water Utility Series 2018A, First Lien Refunding Revenue Bonds, 3.50% to 5.00%, due 2020 to 2038	356,760	2,410	46,244	359,170	1,975	47,806
Subtotal Water Long-Term Debt	827,390	29,235	89,634	847,835	23,560	92,673
<b><u>Wastewater</u></b>						
CWA Wastewater Utility Series 2011A, First Lien Revenue Bonds, 5.00% to 5.25%, due 2020 to 2041	571,735	14,865	24,947	586,600	14,160	25,724

	(In Thousands)					
	March 31, 2020			September 30, 2019		
	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)
CWA Wastewater Utility Series 2011B, Second Lien Revenue Bonds, 5.00% to 5.25%, due 2020 to 2041	231,185	6,060	3,789	237,245	5,775	3,929
CWA Wastewater Utility Series 2012A, First Lien Revenue Bonds, 2.75% to 5.00%, due 2020 to 2042	166,260	4,225	13,148	170,485	4,025	13,614
CWA Wastewater Utility Series 2014A, First Lien Revenue Bonds, 4.25% to 5.00%, due 2020 to 2044	212,565	4,555	17,381	217,120	4,340	17,875
CWA Wastewater Utility Series 2015A, First Lien Revenue Bonds, 3.25% to 5.00%, due 2020 to 2045	145,280	2,960	19,283	148,240	2,815	19,772
CWA Wastewater Utility Series 2016A, First Lien Revenue Bonds 4.00% to 5.00%, due 2020 to 2046	180,925	3,255	34,359	184,180	3,130	35,153
CWA Wastewater Utility Series 2016B, Second Lien Revenue Refunding Bonds, 3.00% to 5.00%, due 2020 to 2046	40,225	875	1,966	41,100	840	2,058
CWA Wastewater Series 2016C, First Lien Revenue Bonds (SRF), 2.00%, due 2020 to 2036	10,485	550	(73)	10,485	550	(77)
CWA Wastewater Series 2017A, First Lien Revenue Bonds (SRF), 3.53%, due 2020 to 2047	153,556	3,371	(71)	153,556	3,371	(73)
CWA Wastewater Series 2019A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2020 to 2049	40,920	630	8,370	-	-	-
CWA Wastewater Series 2019B, First Lien Revenue Bonds (SRF), 2.99%, due 2021 to 2050	176,851	3,803	(39)	-	-	-
Subtotal Wastewater Long-Term Debt	1,929,987	45,149	123,060	1,749,011	39,006	117,975
<b>Resources</b>						
Citizens Westfield Utilities Series 2018A, Refunding Revenue Bonds, 80% of 3-month LIBOR plus 1.90%, due 2023	9,000	-	(91)	9,000	-	(104)
Citizens Westfield Water Series 2019A, Revenue Bonds, 4.00%, due 2048	20,000	-	(79)	20,000	-	(80)



	(In Thousands)					
	March 31, 2020			September 30, 2019		
	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)
Citizens Westfield Wastewater Series 2019A, Revenue Bonds, 5.00%, due 2048	22,660	-	2,405	22,660	-	2,425
Subtotal Resources Long-Term Debt	51,660	-	2,235	51,660	-	2,241
Total Long-Term Debt	\$3,074,092	\$ 101,679	\$ 231,857	\$ 2,924,621	\$ 89,341	\$ 231,553

\* Indianapolis Local Public Improvement Bond Bank (ILPIBB)

#### Recent Debt Transaction Activity

On October 10, 2019, CWA issued \$41.6 million of First Lien Wastewater Utility Revenue Bonds, Series 2019A. The 2019A bonds were issued at a premium of \$9.0 million and have principal maturities from 2020 through 2049 with coupons ranging from 4.00% to 5.00%. The bonds were issued to fund capital improvements to the Wastewater system including repaying \$20.0 million of the Wastewater line of credit.

On October 15, 2019, CWA issued \$180.7 million of First Lien State Revolving Fund Bonds, Series 2019B. The Series 2019B bonds were issued at par and have principal maturities between 2021 and 2050. The bonds were issued to fund specified consent decree capital projects for the Wastewater system (see Note 11) including repaying \$60.0 million of the Wastewater line of credit.

#### 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)	
					March 31, 2020	September 30, 2019
Gas - Letter of Credit	\$50.0 million	July 12, 2020	Base + 1.00%	0.450%	\$ -	\$ -
Gas	25.0 million	August 5, 2022	LIBOR + 0.90%	0.100%	-	-
Gas	25.0 million	August 13, 2021	LIBOR + 1.25%	0.300%	-	-
Thermal	20.0 million	July 25, 2022	LIBOR + 1.125%	0.125%	-	-
Water	50.0 million	November 2, 2020	83% of LIBOR + 0.70%	0.150%	-	-
Wastewater	45.0 million	July 15, 2022	80% of LIBOR + 0.75%	0.275%	-	-
Wastewater	100.0 million	September 30, 2020	87.8% of LIBOR + 0.84%	0.220%	-	80.0

Outstanding balances for the Citizens Wastewater line of credit were repaid in October 2019 using proceeds from the Series 2019A and 2019B bonds (see Note 3). Balances at September 30, 2019 were accordingly classified as non-current liabilities in the Condensed Combined Statements of Financial Position in the line item labeled, "Other long-term liabilities".

#### 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)	
					March 31, 2020	September 30, 2019
Westfield Gas	\$4.0 million	March 30, 2021	LIBOR + 1.65%	0.150%	\$ 1.0	\$ 1.0
Westfield Water	5.0 million	March 14, 2022	LIBOR + 0.90%	0.100%	-	-
Westfield Wastewater	5.0 million	March 14, 2022	LIBOR + 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 are recognized on a gross basis as part of revenues.

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. 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, such as the System Integrity Adjustment described in Note 10 – Wastewater, 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 March 31, 2020								
	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Intercompany Eliminations	Total
Residential	\$ 63,755	\$ -	\$ -	\$ 25,973	\$ 39,122	\$ 5,331	\$ (23)	\$ 134,159
Commercial	23,466	11,383	4,614	16,553	23,148	1,698	(922)	79,941
Industrial	3,389	8,040	84	2,221	12,448	197	(421)	25,958
Other	737	116	-	1,433	3,191	1,723	-	7,200
Revenues - Contracts w/Customers	91,347	19,539	4,698	46,180	77,910	8,950	(1,366)	247,258
Alternative Revenue Programs	-	-	-	-	(332)	20	-	(312)
Gross Operating Revenues	\$ 91,347	\$ 19,539	\$ 4,698	\$ 46,180	\$ 77,578	\$ 8,970	\$ (1,366)	\$ 246,946

Three Months Ended March 31, 2019								
	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Intercompany Eliminations	Total
Residential	\$ 80,163	\$ -	\$ -	\$ 25,930	\$ 33,707	\$ 5,302	\$ -	\$ 145,102
Commercial	30,447	12,133	4,341	15,871	20,332	1,902	(738)	84,288
Industrial	3,100	8,332	81	2,386	11,170	43	(648)	24,464
Other	971	80	-	2,050	3,860	1,772	-	8,733
Revenues - Contracts w/Customers	114,681	20,545	4,422	46,237	69,069	9,019	(1,386)	262,587
Alternative Revenue Programs	-	-	-	-	(4,000)	(7)	-	(4,007)
Gross Operating Revenues	\$ 114,681	\$ 20,545	\$ 4,422	\$ 46,237	\$ 65,069	\$ 9,012	\$ (1,386)	\$ 258,580

Six Months Ended March 31, 2020								
	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Intercompany Eliminations	Total
Residential	\$ 112,489	\$ -	\$ -	\$ 53,573	\$ 77,163	\$ 10,386	\$ (41)	\$ 253,571
Commercial	42,151	21,686	10,190	33,895	48,081	3,219	(2,755)	156,468
Industrial	6,278	15,041	168	4,798	23,320	391	(760)	49,236
Other	1,354	234	-	3,365	5,031	3,496	-	13,480
Revenues - Contracts w/Customers	162,272	36,961	10,358	95,631	153,596	17,493	(3,556)	472,755
Alternative Revenue Programs	-	-	-	-	(418)	30	-	(388)
Gross Operating Revenues	\$ 162,272	\$ 36,961	\$ 10,358	\$ 95,631	\$ 153,178	\$ 17,523	\$ (3,556)	\$ 472,367

Six Months Ended March 31, 2019								
	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Intercompany Eliminations	Total
Residential	\$ 136,468	\$ -	\$ -	\$ 52,415	\$ 66,864	\$ 10,269	\$ -	\$ 266,016
Commercial	51,533	22,444	10,096	32,497	42,490	3,532	(2,966)	159,626
Industrial	5,879	15,209	163	4,781	21,459	69	(1,209)	46,351
Other	1,764	216	-	4,380	6,149	3,561	-	16,070
Revenues - Contracts w/Customers	195,644	37,869	10,259	94,073	136,962	17,431	(4,175)	488,063
Alternative Revenue Programs	-	-	-	-	(4,810)	(36)	-	(4,846)
Gross Operating Revenues	\$ 195,644	\$ 37,869	\$ 10,259	\$ 94,073	\$ 132,152	\$ 17,395	\$ (4,175)	\$ 483,217

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 represent 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 six months ended March 31, 2020 and 2019 are presented in the tables below.

In response to the COVID-19 pandemic, Citizens and CWA have suspended shut-offs for nonpayment across all customer classes. This suspension will remain in effect until further notice. In addition, Citizens and CWA are offering flexible payment plans to customers impacted or experiencing hardship as a result of COVID-19. For the three months ended March 31, 2020, the Company did not experience a material increase in allowance for credit losses as a result of COVID-19. The adverse impact that COVID-19 will have on customers' ability to pay is unknown and difficult to predict; however, Management is monitoring changing circumstances and will adjust allowance for credit losses as additional information becomes available.

Accounts Receivable, net							
<u>\$ Thousands</u>	<u>Gas</u>	<u>Steam</u>	<u>Chilled Water</u>	<u>Water</u>	<u>Wastewater</u>	<u>Resources</u>	<u>Total</u>
Balance at March 31, 2020	\$ 28,960	\$ 6,424	\$ 1,784	\$ 16,368	\$ 26,237	\$ 2,375	\$ 82,148
Balance at September 30, 2019	11,088	6,284	4,916	22,419	28,255	3,833	76,795
Increase (Decrease)	\$ 17,872	\$ 140	\$ (3,132)	\$ (6,051)	\$ (2,018)	\$ (1,458)	\$ 5,353
Balance at March 31, 2019	\$ 44,546	\$ 6,902	\$ 1,609	\$ 19,874	\$ 26,625	\$ 3,278	\$ 102,834
Balance at September 30, 2018	11,621	4,784	4,584	23,451	25,696	4,028	74,164
Increase (Decrease)	\$ 32,925	\$ 2,118	\$ (2,975)	\$ (3,577)	\$ 929	\$ (750)	\$ 28,670

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 March 31, 2020	\$ 7,145	\$ -	\$ -	\$ 6,755	\$ 12,824	\$ 381	\$ 27,105
Balance at September 30, 2019	2,518	-	-	7,957	11,508	442	22,425
Increase (Decrease)	\$ 4,627	\$ -	\$ -	\$ (1,202)	\$ 1,316	\$ (61)	\$ 4,680
Balance at March 31, 2019	\$ 10,126	\$ -	\$ -	\$ 6,507	\$ 11,472	\$ 416	\$ 28,521
Balance at September 30, 2018	4,068	-	-	8,403	11,381	472	24,324
Increase (Decrease)	\$ 6,058	\$ -	\$ -	\$ (1,896)	\$ 91	\$ (56)	\$ 4,197

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 affiliate joint venture investments of \$0.0 million and \$0.3 million at March 31, 2020 and September 30, 2019, respectively. Resources also 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 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 March 31, 2020 and September 30, 2019, statements of operations for the three and six months ended March 31, 2020 and 2019, and statements of cash flows for the six months ended March 31, 2020 and 2019 are summarized as follows:

**Segment Footnote - Condensed Combined Statement of Financial Position***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**At March 31, 2020*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
<b>Assets</b>									
Property, plant, and equipment	\$ 331,837	\$ 76,724	\$ 65,494	\$ 1,162,545	\$ 2,063,074	\$ 211,909	\$ 27,309	\$ -	\$ 3,938,892
Intangibles	-	14,694	41,350	-	-	-	-	-	56,044
Investments	15,634	8,739	3,491	65,358	253,370	7,665	516	-	354,773
Cash and cash equivalents	52,405	5,618	23,157	71,896	66,583	24,317	14,799	-	258,775
Other current assets	69,834	12,192	3,163	29,158	47,030	3,529	2,631	(111)	167,426
Deferred charges and other non-current assets	6,519	2,086	136	18,195	5,154	750	4,564	-	37,404
Total assets	\$ 476,229	\$ 120,053	\$ 136,791	\$ 1,347,152	\$ 2,435,211	\$ 248,170	\$ 49,819	\$ (111)	\$ 4,813,314
<b>Capitalization and Liabilities</b>									
Equity	\$ 171,894	\$ 24,356	\$ 94,042	\$ 140,193	\$ 116,354	\$ 114,126	\$ (64,121)	\$ -	\$ 596,844
Long-term debt	183,377	67,149	31,457	917,024	2,053,047	53,895	-	-	3,305,949
Retirement benefit and Other long-term liabilities	47,307	14,284	2,410	200,296	96,291	71,856	94,763	-	527,207
Current mat. of long-term debt	16,235	6,074	4,986	29,235	45,149	-	-	-	101,679
Short-term borrowings	-	-	-	-	-	1,000	-	-	1,000
Current liabilities	57,416	8,190	3,896	60,404	124,370	7,293	19,177	(111)	280,635
Total capitalization and liabilities	\$ 476,229	\$ 120,053	\$ 136,791	\$ 1,347,152	\$ 2,435,211	\$ 248,170	\$ 49,819	\$ (111)	\$ 4,813,314

**Segment Footnote - Condensed Combined Statement of Financial Position***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**At September 30, 2019*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
<b>Assets</b>									
Property, plant, and equipment	\$ 322,894	\$ 73,635	\$ 63,778	\$ 1,134,075	\$ 2,008,711	\$ 203,550	\$ 26,859	\$ -	\$ 3,833,502
Intangibles	-	15,186	42,709	-	-	-	-	-	57,895
Investments	7,047	11,653	5,844	76,449	193,367	5,240	566	-	300,166
Cash and cash equivalents	32,115	4,953	25,224	70,769	38,604	21,565	15,923	-	209,153
Other current assets	59,053	11,315	6,229	35,584	46,591	5,086	10,797	(3,354)	171,301
Deferred charges and other non-current assets	6,734	2,117	54	18,470	4,969	693	2,596	-	35,633
Total assets	\$ 427,843	\$ 118,859	\$ 143,838	\$ 1,335,347	\$ 2,292,242	\$ 236,134	\$ 56,741	\$ (3,354)	\$ 4,607,650
<b>Capitalization and Liabilities</b>									
Equity	\$ 125,908	\$ 19,937	\$ 94,572	\$ 121,092	\$ 79,092	\$ 106,861	\$ (66,119)	\$ -	\$ 481,343
Long-term debt	184,169	73,754	36,856	940,508	1,866,986	53,901	-	-	3,156,174
Retirement benefit and Other long-term liabilities	49,345	11,125	2,440	189,635	172,099	67,440	98,684	-	590,768
Current mat. of long-term debt	16,235	5,792	4,748	23,560	39,006	-	-	-	89,341
Short-term borrowings	-	-	-	-	-	-	-	-	-
Current liabilities	52,186	8,251	5,222	60,552	135,059	7,932	24,176	(3,354)	290,024
Total capitalization and liabilities	\$ 427,843	\$ 118,859	\$ 143,838	\$ 1,335,347	\$ 2,292,242	\$ 236,134	\$ 56,741	\$ (3,354)	\$ 4,607,650



**Segment Footnote - Condensed Combined Statement of Operations***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Three Months Ended March 31, 2020*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 90,790	\$ 19,304	\$ 4,698	\$ 46,041	\$ 77,309	\$ 8,804	\$ -	\$ -	\$ 246,946
Intercompany revenues	557	235	-	139	269	166	-	(1,366)	-
Gross operating revenues	91,347	19,539	4,698	46,180	77,578	8,970	-	(1,366)	246,946
Operating expenses:									
Cost of goods sold	34,387	9,758	1,402	-	-	645	-	(882)	45,310
Operations and maintenance	15,863	5,089	1,930	18,485	20,419	3,540	-	(418)	64,908
Depreciation and amortization	5,103	1,296	1,309	6,777	14,435	1,191	-	-	30,111
Taxes	3,074	502	415	4,048	7,092	675	-	-	15,806
Total operating expenses	58,427	16,645	5,056	29,310	41,946	6,051	-	(1,300)	156,135
Operating income (loss)	32,920	2,894	(358)	16,870	35,632	2,919	-	(66)	90,811
Other income (expense), net:									
Interest income	117	26	41	354	796	15	83	(82)	1,350
Non-operating post-employment benefits, net	(346)	(70)	(13)	12	(61)	(11)	-	-	(489)
Other	9	-	-	34	(44)	54	(847)	-	(794)
Total other income (expense), net	(220)	(44)	28	400	691	58	(764)	(82)	67
Income (loss) before equity in losses of affiliates and interest charges	32,700	2,850	(330)	17,270	36,323	2,977	(764)	(148)	90,878
Equity in earnings of affiliates	-	-	-	-	-	2,464	-	-	2,464
Interest charges:									
Interest on long-term debt	2,412	837	419	10,403	23,011	561	82	(82)	37,643
Other interest, including net discount (premium) amortization	(89)	(165)	(210)	(1,370)	(6,018)	(2)	-	-	(7,854)
Total interest charges	2,323	672	209	9,033	16,993	559	82	(82)	29,789
Income (loss) from continuing operations	30,377	2,178	(539)	8,237	19,330	4,882	(846)	(66)	63,553
Loss from discontinued operations	-	-	-	-	-	-	(206)	66	(140)
Net income (loss)	\$ 30,377	\$ 2,178	\$ (539)	\$ 8,237	\$ 19,330	\$ 4,882	\$ (1,052)	\$ -	\$ 63,413

**Segment Footnote - Condensed Combined Statement of Operations***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Three Months Ended March 31, 2019*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 113,913	\$ 20,469	\$ 4,422	\$ 46,071	\$ 64,866	\$ 8,839	\$ -	\$ -	\$ 258,580
Intercompany revenues	768	76	-	166	203	173	-	(1,386)	-
Gross operating revenues	114,681	20,545	4,422	46,237	65,069	9,012	-	(1,386)	258,580
Operating expenses:									
Cost of goods sold	56,325	9,505	1,196	-	-	985	-	(896)	67,115
Operations and maintenance	15,139	4,035	2,040	18,285	18,555	3,341	-	(474)	60,921
Depreciation and amortization	4,376	1,251	1,280	6,651	14,755	1,139	-	-	29,452
Taxes	2,921	480	372	3,620	7,002	562	-	-	14,957
Total operating expenses	78,761	15,271	4,888	28,556	40,312	6,027	-	(1,370)	172,445
Operating income (loss)	35,920	5,274	(466)	17,681	24,757	2,985	-	(16)	86,135
Other income (expense), net:									
Interest income	223	39	62	715	911	49	4	(4)	1,999
Non-operating post-employment benefits, net	(74)	(18)	3	23	32	5	-	-	(29)
Other	12	-	-	94	10	53	(771)	-	(602)
Total other income (expense), net	161	21	65	832	953	107	(767)	(4)	1,368
Income (loss) before equity in earnings of affiliates and interest charges	36,081	5,295	(401)	18,513	25,710	3,092	(767)	(20)	87,503
Equity in losses of affiliates	-	-	-	-	-	(42)	-	-	(42)
Interest charges:									
Interest on long-term debt	2,613	886	479	10,572	21,604	469	4	(4)	36,623
Other interest, including net (premium) discount amortization	204	(174)	(232)	(1,341)	(4,093)	75	4	-	(5,557)
Total interest charges	2,817	712	247	9,231	17,511	544	8	(4)	31,066
Income (loss) from continuing operations	33,264	4,583	(648)	9,282	8,199	2,506	(775)	(16)	56,395
Loss from discontinued operations	-	-	-	-	-	-	(183)	16	(167)
Net income (loss)	\$ 33,264	\$ 4,583	\$ (648)	\$ 9,282	\$ 8,199	\$ 2,506	\$ (958)	\$ -	\$ 56,228

**Segment Footnote - Condensed Combined Statement of Operations***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Six Months Ended March 31, 2020*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 161,259	\$ 35,806	\$ 10,358	\$ 95,141	\$ 152,614	\$ 17,189	\$ -	\$ -	\$ 472,367
Intercompany revenues	1,013	1,155	-	490	564	334	-	(3,556)	-
Gross operating revenues	162,272	36,961	10,358	95,631	153,178	17,523	-	(3,556)	472,367
Operating expenses:									
Cost of goods sold	63,570	18,236	3,338	-	-	1,146	-	(2,482)	83,808
Operations and maintenance	32,371	9,768	3,803	37,394	40,010	6,795	-	(1,003)	129,138
Depreciation and amortization	9,407	2,593	2,626	13,328	28,911	2,347	-	-	59,212
Taxes	5,490	880	835	7,904	14,080	1,317	-	-	30,506
Total operating expenses	110,838	31,477	10,602	58,626	83,001	11,605	-	(3,485)	302,664
Operating income (loss)	51,434	5,484	(244)	37,005	70,177	5,918	-	(71)	169,703
Other income (expense), net:									
Interest income	233	59	96	1,176	1,535	31	178	(168)	3,140
Non-operating post-employment benefits, net	(690)	(140)	(27)	24	(122)	(21)	-	-	(976)
Other	(266)	-	-	148	31	124	(1,137)	-	(1,100)
Total other income (expense), net	(723)	(81)	69	1,348	1,444	134	(959)	(168)	1,064
Income (loss) before equity in losses of affiliates and interest charges	50,711	5,403	(175)	38,353	71,621	6,052	(959)	(239)	170,767
Equity in earnings of affiliates	-	-	-	-	-	2,329	-	-	2,329
Interest charges:									
Interest on long-term debt	4,824	1,673	838	20,877	45,757	1,125	168	(168)	75,094
Other interest, including net discount (premium) amortization	(154)	(329)	(420)	(2,663)	(11,299)	2	-	-	(14,863)
Total interest charges	4,670	1,344	418	18,214	34,458	1,127	168	(168)	60,231
Income (loss) from continuing operations	46,041	4,059	(593)	20,139	37,163	7,254	(1,127)	(71)	112,865
Loss from discontinued operations	-	-	-	-	-	-	(413)	71	(342)
Net income (loss)	\$ 46,041	\$ 4,059	\$ (593)	\$ 20,139	\$ 37,163	\$ 7,254	\$ (1,540)	\$ -	\$ 112,523

**Segment Footnote - Condensed Combined Statement of Operations***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Six Months Ended March 31, 2019*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 194,165	\$ 36,502	\$ 10,259	\$ 93,617	\$ 131,626	\$ 17,048	\$ -	\$ -	\$ 483,217
Intercompany revenues	1,479	1,367	-	456	526	347	-	(4,175)	-
Gross operating revenues	195,644	37,869	10,259	94,073	132,152	17,395	-	(4,175)	483,217
Operating expenses:									
Cost of goods sold	95,089	17,481	3,020	-	-	1,599	-	(3,111)	114,078
Operations and maintenance	31,122	9,169	3,930	36,481	37,342	6,922	-	(1,030)	123,936
Depreciation and amortization	10,431	2,589	2,593	17,431	35,022	2,439	-	-	70,505
Taxes	5,353	851	817	7,256	13,457	1,121	-	-	28,855
Total operating expenses	141,995	30,090	10,360	61,168	85,821	12,081	-	(4,141)	337,374
Operating income (loss)	53,649	7,779	(101)	32,905	46,331	5,314	-	(34)	145,843
Other income (expense), net:									
Interest income	363	73	127	1,060	1,805	91	10	(10)	3,519
Non-operating post-employment benefits, net	(147)	(37)	5	39	64	10	-	-	(66)
Other	75	-	-	252	97	11	(1,211)	-	(776)
Total other income (expense), net	291	36	132	1,351	1,966	112	(1,201)	(10)	2,677
Income (loss) before equity in earnings of affiliates and interest charges	53,940	7,815	31	34,256	48,297	5,426	(1,201)	(44)	148,520
Equity in losses of affiliates	-	-	-	-	-	(82)	-	-	(82)
Interest charges:									
Interest on long-term debt	5,171	1,813	957	21,472	43,163	774	10	(10)	73,350
Other interest, including net (premium) discount amortization	400	(342)	(460)	(2,732)	(8,216)	392	10	-	(10,948)
Total interest charges	5,571	1,471	497	18,740	34,947	1,166	20	(10)	62,402
Income (loss) from continuing operations	48,369	6,344	(466)	15,516	13,350	4,178	(1,221)	(34)	86,036
Loss from discontinued operations	-	-	-	-	-	-	(296)	34	(262)
Net income (loss)	\$ 48,369	\$ 6,344	\$ (466)	\$ 15,516	\$ 13,350	\$ 4,178	\$ (1,517)	\$ -	\$ 85,774

**Segment Footnote - Condensed Combined Statement of Cash Flows***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**For the Six Months Ended March 31, 2020 (In Thousands)*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Total
Net cash provided by (used in) operating activities	\$ 45,352	\$ 5,123	\$ 3,208	\$ 32,812	\$ 61,651	\$ 8,885	\$ 1,373	\$ 158,404
Investing Activities:								
Construction expenditures	(15,215)	(1,580)	(2,880)	(34,549)	(90,886)	(5,987)	(8,910)	(160,007)
Other investing activities	(480)	-	-	(161)	(4)	(86)	5,413	4,682
Net cash provided by (used in) investing activities	(15,695)	(1,580)	(2,880)	(34,710)	(90,890)	(6,073)	(3,497)	(155,325)
Financing Activities:								
Repayment of short-term borrowings and bank line of credit	-	-	-	-	(80,000)	-	-	(80,000)
Principal payments of long-term debt and bond refunding	-	(5,792)	(4,748)	(14,770)	(35,085)	-	-	(60,395)
Proceeds from issuance of long-term debt	-	-	-	-	231,219	-	-	231,219
Bond issuance costs	-	-	-	-	(487)	-	-	(487)
Contributions in aid of construction	-	-	-	7,417	1,570	(60)	-	8,927
Other financing activities	(1,161)	-	-	-	-	-	1,000	(161)
Net cash provided by (used in) financing activities	(1,161)	(5,792)	(4,748)	(7,353)	117,217	(60)	1,000	99,103
Net change in cash, cash equivalents, and restricted cash	28,496	(2,249)	(4,420)	(9,251)	87,978	2,752	(1,124)	102,182
Cash, cash equivalents & restricted cash - beginning of period	39,073	16,606	31,068	120,664	231,971	22,534	15,923	477,839
Cash, cash equivalents & restricted cash - end of period	\$ 67,569	\$ 14,357	\$ 26,648	\$ 111,413	\$ 319,949	\$ 25,286	\$ 14,799	\$ 580,021
Reconciliation:								
Cash and cash equivalents	\$ 52,405	\$ 5,618	\$ 23,157	\$ 71,896	\$ 66,583	\$ 24,317	\$ 14,799	\$ 258,775
Restricted cash included in Bond restricted funds	15,164	8,739	3,491	37,403	251,193	969	-	316,959
Restricted cash included in Investments, Other	-	-	-	2,114	2,173	-	-	4,287
Cash, cash equivalents & restricted cash - end of period	\$ 67,569	\$ 14,357	\$ 26,648	\$ 111,413	\$ 319,949	\$ 25,286	\$ 14,799	\$ 580,021

**Segment Footnote - Condensed Combined Statement of Cash Flows***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**For the Six Months Ended March 31, 2019 (In Thousands)*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Total
Net cash provided by (used in) operating activities	\$ 54,493	\$ 3,601	\$ 2,724	\$ 34,722	\$ 48,207	\$ 6,761	\$ (1,899)	\$ 148,609
Investing Activities:								
Construction expenditures	(14,264)	(1,781)	(1,702)	(18,410)	(82,717)	(5,660)	(4,713)	(129,247)
Other investing activities	163	-	-	(360)	-	(1)	114	(84)
Net cash provided by (used in) investing activities	(14,101)	(1,781)	(1,702)	(18,770)	(82,717)	(5,661)	(4,599)	(129,331)
Financing Activities:								
Repayment of bank line of credit	-	-	-	-	-	(6,500)	-	(6,500)
Principal payments of long-term debt and bond refunding	-	(5,526)	(4,499)	(428,225)	(33,590)	(52,089)	-	(523,929)
Proceeds from bond refunding	-	-	-	413,987	-	54,538	-	468,525
Bond issuance costs	-	-	-	(2,029)	-	(467)	-	(2,496)
Contributions in aid of construction	-	-	-	2,890	1,983	650	-	5,523
Other financing activities	(2,446)	-	-	-	-	(1,700)	3,700	(446)
Net cash provided by (used in) financing activities	(2,446)	(5,526)	(4,499)	(13,377)	(31,607)	(5,568)	3,700	(59,323)
Net change in cash, cash equivalents, and restricted cash	37,946	(3,706)	(3,477)	2,575	(66,117)	(4,468)	(2,798)	(40,045)
Cash, cash equivalents & restricted cash - beginning of period	82,293	22,480	31,202	102,377	290,875	35,952	25,201	590,380
Cash, cash equivalents & restricted cash - end of period	\$ 120,239	\$ 18,774	\$ 27,725	\$ 104,952	\$ 224,758	\$ 31,484	\$ 22,403	\$ 550,335
Reconciliation:								
Cash and cash equivalents	105,645	10,118	24,299	60,997	32,279	31,227	22,403	\$ 286,968
Restricted cash included in Bond restricted funds	14,594	8,656	3,426	41,585	190,314	257	-	258,832
Restricted cash included in Investments, Other	-	-	-	2,370	2,165	-	-	4,535
Cash, cash equivalents & restricted cash - end of period	\$ 120,239	\$ 18,774	\$ 27,725	\$ 104,952	\$ 224,758	\$ 31,484	\$ 22,403	\$ 550,335

## 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 March 31, 2020

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
<b>Assets</b>						
Property, plant, and equipment	\$ -	\$ 11,668	\$ 85,817	\$ 108,325	\$ -	\$ 205,810
Investments	102,982	-	-	-	(102,982)	-
Cash and cash equivalents	361	1,521	3,859	10,168	-	15,909
Other current assets	-	920	1,053	1,457	-	3,430
Other non-current assets	84	638	401	828	-	1,951
Total assets	\$ 103,427	\$ 14,747	\$ 91,130	\$ 120,778	\$ (102,982)	\$ 227,100
<b>Capitalization and Liabilities</b>						
Member's equity	\$ 94,158	\$ 12,944	\$ 33,150	\$ 56,888	\$ (102,982)	\$ 94,158
Long-term debt	8,909	-	19,921	25,065	-	53,895
Other long-term borrowings	-	-	-	-	-	-
Other long-term liabilities	-	5	35,122	36,092	-	71,219
Current maturities of long-term debt	-	-	-	-	-	-
Short-term borrowings	-	1,000	-	-	-	1,000
Current liabilities	360	798	2,937	2,733	-	6,828
Total capitalization and liabilities	\$ 103,427	\$ 14,747	\$ 91,130	\$ 120,778	\$ (102,982)	\$ 227,100

### Condensed Consolidated Statement of Financial Position

Citizens Westfield Utilities, LLC

(In Thousands)

At September 30, 2019

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
<b>Assets</b>						
Property, plant, and equipment	\$ -	\$ 11,229	\$ 80,583	\$ 105,595	\$ -	\$ 197,407
Investments	99,430	-	-	-	(99,430)	-
Cash and cash equivalents	171	1,136	5,600	8,440	-	15,347
Other current assets	-	572	1,646	1,711	-	3,929
Other non-current assets	84	767	410	632	-	1,893
Total assets	\$ 99,685	\$ 13,704	\$ 88,239	\$ 116,378	\$ (99,430)	\$ 218,576
<b>Capitalization and Liabilities</b>						
Member's equity	\$ 90,524	\$ 11,955	\$ 32,430	\$ 55,045	\$ (99,430)	\$ 90,524
Long-term debt	8,896	-	19,919	25,085	-	53,900
Other long-term borrowings	-	1,000	-	-	-	1,000
Other long-term liabilities	-	5	32,672	33,114	-	65,791
Current maturities of long-term debt	-	-	-	-	-	-
Short-term borrowings	-	-	-	-	-	-
Current liabilities	265	744	3,218	3,134	-	7,361
Total capitalization and liabilities	\$ 99,685	\$ 13,704	\$ 88,239	\$ 116,378	\$ (99,430)	\$ 218,576

**Condensed Consolidated Statement of Operations****Citizens Westfield Utilities, LLC****For the Three Months Ended March 31, 2020****(In Thousands)**

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 1,898	\$ 2,041	\$ 3,284	\$ -	\$ 7,223
Operating expenses						
Cost of goods sold	-	645	-	-	-	645
Other operating expenses	-	341	904	1,155	-	2,400
Depreciation and amortization	-	158	341	658	-	1,157
Taxes	-	69	322	265	-	656
Total operating expenses	-	1,213	1,567	2,078	-	4,858
Total operating income	-	685	474	1,206	-	2,365
Other (expense) income	-	(2)	53	6	-	57
Equity in earnings of subsidiaries	1,944	-	-	-	(1,944)	-
Interest charges						
Interest on long-term debt	77	-	200	284	-	561
Other interest	7	8	(2)	(12)	-	1
Total interest charges	84	8	198	272	-	562
Net income	\$ 1,860	\$ 675	\$ 329	\$ 940	\$ (1,944)	\$ 1,860

**Condensed Consolidated Statement of Operations****Citizens Westfield Utilities, LLC****For the Three Months Ended March 31, 2019****(In Thousands)**

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 2,187	\$ 1,901	\$ 3,101	\$ -	\$ 7,189
Operating expenses						
Cost of goods sold	-	986	-	-	-	986
Other operating expenses	45	306	802	1,062	-	2,215
Depreciation and amortization	-	142	302	563	-	1,007
Taxes	-	61	271	209	-	541
Total operating expenses	45	1,495	1,375	1,834	-	4,749
Total operating (loss) income	(45)	692	526	1,267	-	2,440
Other income	-	1	54	5	-	60
Equity in earnings of subsidiaries	2,098	-	-	-	(2,098)	-
Interest charges						
Interest on long-term debt	90	-	148	229	-	467
Other interest	6	18	29	23	-	76
Total interest charges	96	18	177	252	-	543
Net income	\$ 1,957	\$ 675	\$ 403	\$ 1,020	\$ (2,098)	\$ 1,957



**Condensed Consolidated Statement of Operations**  
**Citizens Westfield Utilities, LLC**  
**For the Six Months Ended March 31, 2020**  
(In Thousands)

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 3,267	\$ 4,280	\$ 6,457	\$ -	\$ 14,004
Operating expenses						
Cost of goods sold	-	1,146	-	-	-	1,146
Other operating expenses	8	670	1,835	2,159	-	4,672
Depreciation and amortization	-	317	665	1,293	-	2,275
Taxes	-	124	644	510	-	1,278
Total operating expenses	8	2,257	3,144	3,962	-	9,371
Total operating (loss) income	(8)	1,010	1,136	2,495	-	4,633
Other (expense) income	-	(4)	113	12	-	121
Equity in earnings of subsidiaries	3,803	-	-	-	(3,803)	-
Interest charges						
Interest on long-term debt	158	-	400	567	-	1,125
Other interest	13	16	(1)	(23)	-	5
Total interest charges	171	16	399	544	-	1,130
Net income	\$ 3,624	\$ 990	\$ 850	\$ 1,963	\$ (3,803)	\$ 3,624

**Condensed Consolidated Statement of Operations**  
**Citizens Westfield Utilities, LLC**  
**For the Six Months Ended March 31, 2019**  
(In Thousands)

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 3,638	\$ 3,940	\$ 6,133	\$ -	\$ 13,711
Operating expenses						
Cost of goods sold	-	1,600	-	-	-	1,600
Other operating expenses	196	580	1,766	2,099	-	4,641
Depreciation and amortization	-	297	619	1,171	-	2,087
Taxes	-	113	544	422	-	1,079
Total operating expenses	196	2,590	2,929	3,692	-	9,407
Total operating (loss) income	(196)	1,048	1,011	2,441	-	4,304
Other income	-	3	105	8	-	116
Equity in earnings of subsidiaries	3,814	-	-	-	(3,814)	-
Interest charges						
Interest on long-term debt	156	-	234	386	-	776
Other interest	211	35	80	67	-	393
Total interest charges	367	35	314	453	-	1,169
Net income	\$ 3,251	\$ 1,016	\$ 802	\$ 1,996	\$ (3,814)	\$ 3,251

**Condensed Consolidated Statement of Cash Flows**  
**Citizens Westfield Utilities, LLC**  
(In Thousands)  
For the Six Months Ended March 31, 2020

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash (used in) provided by operating activities	\$ (70)	\$ 1,124	\$ 1,911	\$ 3,609	\$ 6,574
Investing Activities:					
Construction expenditures	-	(739)	(2,881)	(2,342)	(5,962)
Other investing activities	-	-	-	10	10
Net cash (used in) provided by investing activities	-	(739)	(2,881)	(2,332)	(5,952)
Financing Activities:					
Additional paid-in capital and dividends	260	-	(130)	(130)	-
Contributions in aid of construction	-	-	(641)	581	(60)
Net cash provided by (used in) financing activities	260	-	(771)	451	(60)
Net change in cash, cash equivalents, and restricted cash	190	385	(1,741)	1,728	562
Cash, cash equivalents & restricted cash - beginning of period	171	1,136	6,001	9,008	16,316
Cash, cash equivalents & restricted cash - end of period	\$ 361	\$ 1,521	\$ 4,260	\$ 10,736	\$ 16,878
Reconciliation:					
Cash and cash equivalents	361	1,521	3,859	10,168	\$ 15,909
Restricted cash included in Other non-current assets	-	-	401	568	969
Cash, cash equivalents & restricted cash - end of period	\$ 361	\$ 1,521	\$ 4,260	\$ 10,736	\$ 16,878

**Condensed Consolidated Statement of Cash Flows**  
**Citizens Westfield Utilities, LLC**  
(In Thousands)  
For the Six Months Ended March 31, 2019

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash (used in) provided by operating activities	\$ (464)	\$ 1,402	\$ 1,575	\$ 3,100	\$ 5,613
Investing Activities:					
Construction expenditures	-	(601)	(2,658)	(2,111)	(5,370)
Net cash (used in) provided by investing activities	-	(601)	(2,658)	(2,111)	(5,370)
Financing Activities:					
Repayment of bank line of credit	-	-	(3,500)	(3,000)	(6,500)
Proceeds from issuance of long-term debt	9,000	-	20,082	25,456	54,538
Principal payments of long-term debt	(28,454)	-	(8,365)	(15,270)	(52,089)
Bond issuance costs	(127)	-	(160)	(180)	(467)
Additional paid-in capital and dividends	19,820	-	(160)	(160)	19,500
Contributions in aid of construction	-	-	(123)	773	650
Net cash provided by (used in) financing activities	239	-	7,774	7,619	15,632
Net change in cash, cash equivalents, and restricted cash	(225)	801	6,691	8,608	15,875
Cash, cash equivalents & restricted cash - beginning of period	408	1,562	2,208	4,213	8,391
Cash, cash equivalents & restricted cash - end of period	\$ 183	\$ 2,363	\$ 8,899	\$ 12,821	\$ 24,266
Reconciliation:					
Cash and cash equivalents	183	2,363	8,899	12,821	\$ 24,266
Restricted cash included in Other non-current assets	-	-	-	-	-
Cash, cash equivalents & restricted cash - end of period	\$ 183	\$ 2,363	\$ 8,899	\$ 12,821	\$ 24,266

## 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 six months ended March 31, 2020.

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

	<b>Combined Statement of Financial Position Classification</b>	<b>At March 31, 2020</b>
<b>Assets</b>		
Right-of-use assets - operating leases	Property, plant, and equipment, net	\$ 3,726
<b>Liabilities</b>		
Operating lease liabilities - current	Other current liabilities	\$ 243
Operating lease liabilities - non-current	Other long-term liabilities	\$ 3,483

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

	<b>Three Months Ended March 31, 2020</b>	<b>Six Months Ended March 31, 2020</b>
Operating lease expense	\$ 105	\$ 210
Short-term lease expense	112	157
Variable lease expense	94	134
Total lease expense	<u>\$ 311</u>	<u>\$ 501</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 March 31, 2020</b>
2020	\$ 210
2021	420
2022	420
2023	420
2024	420
Thereafter	3,010
Total operating lease payments	<u>4,900</u>
Less: imputed interest	<u>1,174</u>
Total operating lease liabilities	<u>\$ 3,726</u>

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

	<b>At March 31, 2020</b>
Weighted-average remaining lease term	140 months
Weighted-average discount rate	4.9%
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 3,726

Operating cash outflows from operating leases included in the measurement of lease liabilities were \$210 thousand for the six months ended March 31, 2020.

## 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 six months ended March 31, 2020 for the asset retirement obligation liability is as follows (in thousands):

Asset retirement obligation at September 30, 2019	\$	13,974
Accretion expense		322
Remediation liabilities settled		(476)
Asset retirement obligation at March 31, 2020	\$	<u>13,820</u>

The major classes of assets and liabilities of the Manufacturing segment (reported as Discontinued Operations in Other) at March 31, 2020 and September 30, 2019, are as follows (in thousands):

	March 31, 2020	September 30, 2019
Current assets	\$ 1,071	\$ 942
Deferred charges and other non-current assets	-	1
Total assets	<u>\$ 1,071</u>	<u>\$ 943</u>
Equity (deficiency)	\$ (22,592)	\$ (23,561)
Retirement benefit and other long-term liabilities	23,428	24,177
Current liabilities	235	327
Total capitalization and liabilities	<u>\$ 1,071</u>	<u>\$ 943</u>

For the six months ended March 31, 2020 and 2019, Discontinued Operations operating expenses were \$0.3 million and \$0.3 million, respectively. Approximately \$4.0 million of cash was provided by Gas to Discontinued Operations during fiscal year 2019, and an additional \$1.0 during the six months ended March 31, 2020, to settle a portion of the liabilities. Additional cash funding from Gas to settle liabilities may be provided to Discontinued Operations in future years.

## 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.

Water

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

Wastewater

Prior to the 2019 Wastewater Order described below, the wastewater utility's most recent general rate case order was issued by the IURC in July 2016.

On September 28, 2017, CWA filed a petition with the IURC requesting approval to implement an initial "System Integrity Adjustment" (SIA 1), which is authorized under a law enacted in 2016 by the Indiana General Assembly (the "SIA statute"). The purpose of the SIA statute is to facilitate an eligible utility's recovery of revenues sufficient to plan for and invest in necessary infrastructure based on the revenue requirement authorized in the utility's most recent rate case. CWA proposed adjustments to its non-industrial rates designed to recover an initial SIA 1 of \$6.1 million, based on a comparison of authorized revenues from CWA's most recent rate case and actual revenues for the 12 months ending July 31, 2017. On December 28, 2017, the IURC issued an order finding that CWA's proposed SIA 1 was properly calculated and approving it for implementation. The new rates implementing the initial SIA 1 became effective January 1, 2018.

Pursuant to the SIA statute, on September 17, 2018, CWA filed a petition requesting approval to change its adjustment amount and beginning January 1, 2019, recover an SIA 2 of approximately \$9.95 million. An SIA 2 of approximately \$9.86 million was approved by the IURC and became effective January 1, 2019.

In accordance with the rate case settlement discussed below, on September 27, 2019, CWA filed a final reconciliation of unreconciled SIA revenues collected as a result of SIA 1 and SIA 2 during the applicable 12-month period of August 2018 - July 2019. On November 22, 2019, CWA received approval from the IURC regarding its final reconciliation of SIA 1 and SIA 2 which will result in a credit to customers of \$0.4 million.

On October 12, 2018, CWA filed a petition with the IURC requesting, among other things, a three-step increase in base rate revenues. On April 12, 2019, CWA, the OUCC and all other parties to the case filed a settlement agreement with the Commission reflecting a three-step increase in base rate revenues of \$31.9 million or 11.9% for the first step, \$13.9 million or 4.6% for the second step, and \$12.0 million or 3.8% for the third step. Included among the various components of the revenue requirements was debt service on CWA bonds expected to be issued in 2019 (step 1), 2020 (step 2) and 2021 (step 3). In the rate case settlement agreement, CWA agreed voluntarily not to seek recovery of SIA 2 revenues uncollected as of the issuance of the final order in the rate case. Accordingly, CWA expensed \$4.0 million of regulatory assets related to SIA 2 revenues which were previously recorded within "Other current assets" as they were no longer probable of recovery. On July 29, 2019, the IURC issued an Order (the 2019 Wastewater Order) essentially approving the settlement agreement. The step one increase took effect on August 1, 2019 and was reduced by \$1.4 million effective November 22, 2019, since the actual debt service on the CWA bonds issued in 2019 was less than the amount assumed in the 2019 Wastewater Order. The step two and step three increases will be implemented upon confirmation of pricing for the CWA 2020 and 2021 bond issuances contemplated in the rate case. The step two and step three increases are also subject to a true-up to the extent actual debt service on the contemplated bond issuances is materially different than the amount assumed in the 2019 Wastewater Order.

Resources - Westfield Gas

Westfield Gas's most recent general rate case order was issued by the IURC in April 2017. On November 27, 2019, the IURC issued an order approving the continuation of Westfield Gas's energy efficiency programs and decoupling mechanism.

Resources - Westfield Water

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

Resources - Westfield Wastewater

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

Joint Depreciation Case

On January 12, 2018, Citizens filed a depreciation case requesting approval to implement a decrease in depreciation accrual rates when compared to current depreciation rates for Gas, Citizens Thermal Steam, Water, Wastewater, and the Westfield utilities owned by Resources. On September 10, 2018, Citizens and the OUCC submitted a settlement agreement and supporting testimony. Under the settlement agreement, neither Westfield Gas, Citizens Water of Westfield or Citizens Wastewater of Westfield will implement the change in depreciation accrual rates applicable to it approved by the Commission in this proceeding prior to the approval of new basic rates and charges in each utility's next

base rate case. A hearing before the IURC was held October 24, 2018. On December 27, 2018, the IURC issued an order approving the settlement agreement without modification.

### COVID-19

On March 27, 2020, the IURC issued an update that, among other things, states utilities may voluntarily suspend or waive late fees and reconnection fees and reconnect customers who have been disconnected due to non-payment, provided that such actions are taken on a nondiscriminatory basis and apply to all customers. The COVID-19 pandemic may limit or delay the IURC's ability to approve or authorize applications and other requests. Citizens and CWA may make with respect to their regulated businesses, as the IURC and its staff seek to reduce, delay or streamline proceedings and other activities. At this time, Management is unable to predict the impact that this pandemic or other related events may have on the ability of the regulated businesses of Citizens and CWA to obtain approvals from the IURC as needed or requested. Management also cannot predict the nature of any emergency or other actions that may be taken by the IURC or other governmental authorities or the impact such actions may have on the regulated businesses of Citizens and CWA.

On May 8, 2020, the OUCC filed a petition requesting the IURC commence an investigation regarding the impacts of COVID-19 on all utilities regulated by the IURC, including the regulated businesses of Citizens and CWA. The OUCC requests, among other things, that the IURC require utilities to (a) stay disconnections that will be pending or imminent when the moratorium on disconnections ordered by the Governor expires; (b) waive certain fees, including late fees, deposits and reconnection fees; and (c) expand the use of payment arrangements to aid customers. At this time, Management cannot predict the outcome of any action that may be taken by the IURC in response to the OUCC petition or the impact such action may have on the regulated businesses of Citizens and CWA.

## **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 are 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, Citizens filed a revised RWP with IDEM in November 2019. 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 \$6.7 million and \$7.0 million at March 31, 2020 and September 30, 2019, respectively. 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.

#### Potential National Priorities List Site, Indianapolis

In April 2016, the United States Environmental Protection Agency (EPA) proposed that an area near downtown Indianapolis be added to the National Priorities List (NPL) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), commonly known as "Superfund," due to the presence of certain chlorinated solvents in groundwater. The area is expected to include two well fields operated by Water. In addition, Gas owns property within the evaluation area. In June 2017, the EPA acknowledged its agreement with the Indiana Department of Environmental Management (IDEM) to defer final listing of the proposed site to the NPL whereby IDEM will oversee

response actions at the site. It is probable that the company will incur costs related to IDEM's response actions. While those amounts are not reasonably estimable at this time due to the early stages of this process, management does not anticipate they will have a material effect on its financial position, operations, equity, or cash flows at this time.

#### 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.

#### 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 System's combined sewer system. The plan established a 20-year schedule for the required combined sewer system and advanced wastewater treatment plant (AWTP) improvements.

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 are 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 will be 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 available for use. Mining for the White River and Lower Pogue Run tunnels, which comprise approximately 7.4 miles of the DigIndy tunnel system, began in September 2016 and finished in April 2019. Work to prepare the White River and Lower Pogue Run segments to capture raw sewage is ongoing with the tunnels scheduled to be online in 2021. Tunnel boring to mine the 3.4-mile Fall Creek Tunnel has been completed. Mining will begin on the tunnel system's final segment, the 7.6-mile Pleasant Run Tunnel, in Fall 2020 following refurbishment of the tunnel boring machine. 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 May 20, 2020, the date at which these condensed combined financial statements were issued.