

Quarterly Financial Report

Q2 - 2022

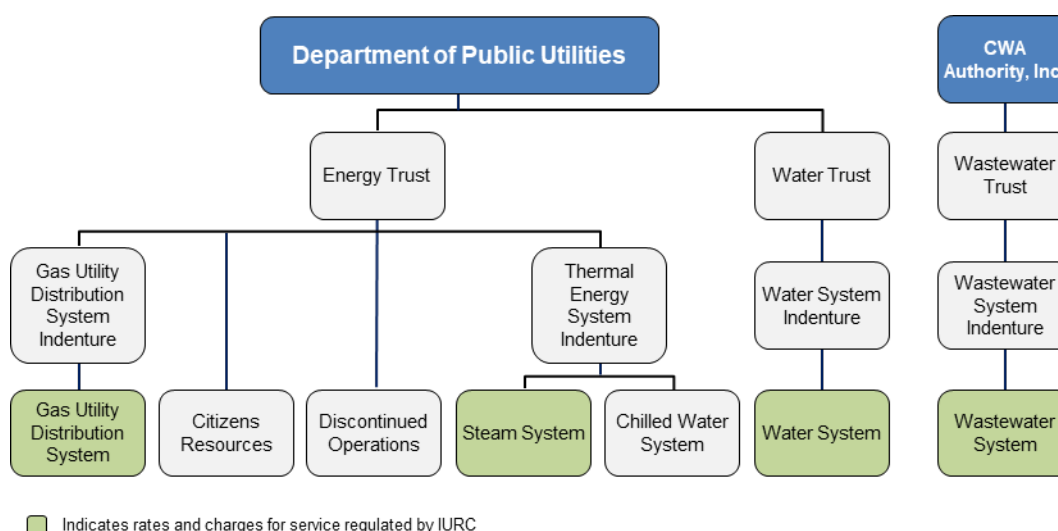
MANAGEMENT DISCUSSION AND ANALYSIS

Forward-looking Statements

Certain matters discussed in this report, except historical information, include forward-looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates, are inherently subject to various risks and uncertainties, including risks and uncertainties relating to potential effects of the COVID-19 pandemic in addition to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements contained in this Management Discussion and Analysis would prove to be accurate. We do not undertake to update or revise any forward-looking statement as a result of future events, new information, or otherwise.

Organization Structure

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



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

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

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

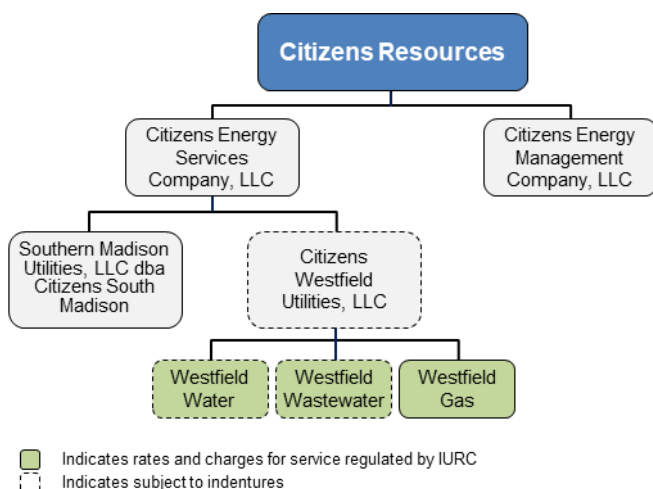
of the City and the District, taxing power and taxing authority. CWA's board of directors comprises the same individuals who serve on the Board. The Wastewater System is managed by employees of Citizens under an operating agreement between Citizens and CWA. CWA is subject to a separate public charitable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

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

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

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

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



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

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

FINANCIAL RESULTS

The tables and discussion below summarize the financial results for each segment (in millions) and present an analysis of the results of our operations for the three months and six months ended March 31, 2022, and 2021. Because of the seasonal nature of the various business units, results of operations for the period ended March 31, 2022 are not necessarily indicative of the results of operations to be expected for the full fiscal year. For a more detailed understanding of these results, see the following notes to the condensed combined financial statements:

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

SHARED SERVICES

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

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Mar 31			Six Months Ended Mar 31		
	2022	2021	Change	2022	2021	Change
Shared Services Expenses	\$ 26.7	\$ 25.9	\$ 0.8	\$ 52.6	\$ 52.2	\$ 0.4

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

Three Months Ended March 31, 2022 as Compared with 2021

Shared services expenses increased \$0.8 million primarily due to increases in the following:

- \$0.9 million IT software, hardware, and PC support costs; and
- \$0.5 million bank administration fees.

Partially offset by a decrease of:

- \$0.6 million labor and employee benefit costs.

Six Months Ended March 31, 2022 as Compared with 2021

Shared services expenses increased \$0.4 million largely driven by increases in the following:

- \$0.7 million IT software, hardware, and PC support costs; and
- \$0.5 million bank administration fees.

Partially offset by a decrease of:

- \$0.8 million labor and employee benefit costs.

GAS

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Mar 31			Six Months Ended Mar 31		
	2022	2021	Change	2022	2021	Change
Operating revenues	\$ 121.3	\$ 95.2	\$ 26.1	\$ 196.0	\$ 168.2	\$ 27.8
Cost of goods sold	59.5	40.4	19.1	91.7	68.9	22.8
Margin	61.8	54.8	7.0	104.3	99.3	5.0
Other operating expenses	24.4	22.5	1.9	49.6	46.0	3.6
Operating income (loss)	37.4	32.3	5.1	54.7	53.3	1.4
Other income (expense), net	0.6	-	0.6	1.1	(0.4)	1.5
Interest charges	1.3	1.5	(0.2)	2.5	2.9	(0.4)
Segment income (loss)	\$ 36.7	\$ 30.8	\$ 5.9	\$ 53.3	\$ 50.0	\$ 3.3
Volume sales, million Dth						
Retail	15.3	14.2	1.1	23.6	23.5	0.1
Transportation	6.4	6.1	0.3	11.3	11.2	0.1
Power generation and other	7.9	3.0	4.9	19.7	6.8	12.9
Cost of gas sold, per Dth	\$ 3.88	\$ 2.83	\$ 1.05	\$ 3.84	\$ 2.93	\$ 0.91
Heating degree days	2,759	2,686	73	4,371	4,453	(82)

Three Months Ended March 31, 2022 as Compared with 2021

The increase in earnings of \$5.9 million was primarily the result of:

- \$7.0 million higher margin due to increased retail revenues (including utility receipts revenue), power generation sales, and gas storage revenue; and
- \$0.6 million increased other income mostly due to reduced costs for non-service cost components of pension and other post-employment benefit costs; partially **offset by**
- \$1.9 million higher operating expenses, primarily driven by increased contract services costs and utility receipts tax.

Six Months Ended March 31, 2022 as Compared with 2021

The increase in earnings of \$3.3 million was principally the result of:

- \$5.0 million higher margin due to increased retail revenues (including utility receipts revenue), power generation sales, and gas storage revenue;
- \$1.5 million increased other income mostly due to reduced costs for non-service cost components of pension and other post-employment benefit costs; and
- \$0.4 million decreased interest charges driven by a lower amount of debt outstanding; partially **offset by**
- \$3.7 million higher operating expenses largely due to contract services costs and utility receipts tax.

STEAM

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Mar 31			Six Months Ended Mar 31		
	2022	2021	Change	2022	2021	Change
Operating revenues	\$ 24.6	\$ 20.9	\$ 3.7	\$ 43.2	\$ 38.0	\$ 5.2
Cost of goods sold	14.0	10.6	3.4	24.4	19.4	5.0
Margin	10.6	10.3	0.3	18.8	18.6	0.2
Other operating expenses	6.7	6.6	0.1	13.3	12.7	0.6
Operating income (loss)	3.9	3.7	0.2	5.5	5.9	(0.4)
Other income (expense), net	0.1	-	0.1	0.3	-	0.3
Interest charges	0.6	0.6	-	1.2	1.2	-
Segment income (loss)	\$ 3.4	\$ 3.1	\$ 0.3	\$ 4.6	\$ 4.7	\$ (0.1)
Volume sales, million therms	18.0	17.1	0.9	31.9	31.2	0.7
Heating degree days	2,759	2,686	73	4,371	4,453	(82)

Three Months Ended March 31, 2022 as Compared with 2021

The increase in earnings of \$0.3 million was primarily the result of higher margin attributable to increased demand rate service volumes.

Six Months Ended March 31, 2022 as Compared with 2021

The decrease in earnings of \$0.1 million was largely the result of:

- \$0.6 million increased operating expenses mainly due to higher maintenance expenses; partially **offset by**
- \$0.3 million increased other income mostly due to reduced costs for non-service cost components of pension and other post-employment benefit costs; and
- \$0.2 million additional margin attributable to increased sales volume.

CHILLED WATER

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Mar 31			Six Months Ended Mar 31		
	2022	2021	Change	2022	2021	Change
Operating revenues	\$ 5.0	\$ 4.7	\$ 0.3	\$ 11.6	\$ 10.2	\$ 1.4
Cost of goods sold	1.4	1.4	-	3.5	3.1	0.4
Margin	3.6	3.3	0.3	8.1	7.1	1.0
Other operating expenses	4.0	3.8	0.2	7.9	7.9	-
Operating income (loss)	(0.4)	(0.5)	0.1	0.2	(0.8)	1.0
Other income (expense), net	0.1	-	0.1	0.1	-	0.1
Interest charges	0.1	0.2	(0.1)	0.3	0.3	-
Segment income (loss)	\$ (0.4)	\$ (0.7)	\$ 0.3	\$ -	\$ (1.1)	\$ 1.1
Volume sales, million ton hours	12.3	10.9	1.4	32.2	26.3	5.9
Cooling degree days	-	-	-	63	23	40

Three Months Ended March 31, 2022 as Compared with 2021

The increase in earnings of \$0.3 million was largely driven by increased margin from higher volumes sold due to an easing of pandemic-related business restrictions.

Six Months Ended March 31, 2022 as Compared with 2021

The increase in earnings of \$1.1 million was largely driven by increased margin from higher volumes sold due to an easing of pandemic-related business restrictions.

WATER

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Mar 31			Six Months Ended Mar 31		
	2022	2021	Change	2022	2021	Change
Operating revenues	\$ 46.5	\$ 46.5	\$ -	\$ 95.2	\$ 95.5	\$ (0.3)
Other operating expenses	31.8	29.2	2.6	62.9	58.9	4.0
Operating income (loss)	14.7	17.3	(2.6)	32.3	36.6	(4.3)
Other income (expense), net	1.2	0.2	1.0	2.1	1.1	1.0
Interest charges	8.3	8.5	(0.2)	16.7	17.2	(0.5)
Segment income (loss)	\$ 7.6	\$ 9.0	\$ (1.4)	\$ 17.7	\$ 20.5	\$ (2.8)
Volume sales, billion gallons	8.3	8.3	-	17.1	17.1	-
Precipitation, inches	10.4	8.1	2.3	23.6	18.7	4.9

Three Months Ended March 31, 2022 as Compared with 2021

The decrease in earnings of \$1.4 million was primarily the result of:

- \$2.6 million of higher operating expenses, largely from a gain recognized on the sale of land in the prior year and elevated depreciation, chemicals, and electricity expense; partially **offset by**
- \$1.0 million increased other income, predominantly from interest and investment income along with lower non-service cost components of pension and other post-employment benefit costs.

Six Months Ended March 31, 2022 as Compared with 2021

The decrease in earnings of \$2.8 million was primarily attributable to:

- \$4.0 million of higher operating expenses, including a gain on the sale of land recognized in the prior year and elevated depreciation, chemicals, and electricity expense; partially **offset by**
- \$1.0 million increased other income due to lower non-service cost components of pension and other post-employment benefit costs and investment income; and
- \$0.5 million decreased interest expense, largely driven by a lower amount of debt outstanding.

WASTEWATER

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Mar 31			Six Months Ended Mar 31		
	2022	2021	Change	2022	2021	Change
Operating revenues	\$ 84.1	\$ 82.0	\$ 2.1	\$ 164.2	\$ 156.8	\$ 7.4
Other operating expenses	44.1	39.7	4.4	87.3	81.1	6.2
Operating income (loss)	40.0	42.3	(2.3)	76.9	75.7	1.2
Other income (expense), net	0.2	0.1	0.1	0.6	0.2	0.4
Interest charges	9.4	16.0	(6.6)	19.2	32.2	(13.0)
Segment income (loss)	\$ 30.8	\$ 26.4	\$ 4.4	\$ 58.3	\$ 43.7	\$ 14.6
Treatment volume sales, billion gallons	8.7	8.3	0.4	16.1	15.4	0.7
Strength surcharge, million pounds	16.6	16.2	0.4	29.7	29.2	0.5

Three Months Ended March 31, 2022 as Compared with 2021

The increase in earnings of \$4.4 million was primarily the result of:

- \$6.6 million lower interest charges, largely the result of bond refunding activities which occurred in the fourth quarter of the prior year; and
- \$2.1 million of increased revenues, principally due to the effect of a step 3 rate increase implemented on September 29, 2021; partially **offset by**
- Increased operating expenses of \$4.4 million, for which the principal drivers were a \$1.2 million receipt of a legal settlement in the prior year, \$0.8 million of elevated electric power costs, and various other increased operating expenses across a variety of categories, none of which were individually significant.

Six Months Ended March 31, 2022 as Compared with 2021

The increase in earnings of \$14.6 million was principally the result of:

- \$13.0 million lower interest charges, largely the result of bond refunding activities which occurred in the fourth quarter of the prior year; and
- \$7.4 million of increased revenues, primarily due to the effect of a step 3 rate increase implemented on September 29, 2021 coupled with higher commercial volume; partially **offset by**
- Increased operating expenses of \$6.2 million, for which the principal drivers were a \$1.6 million increase in electric power costs, a \$1.2 million receipt of a legal settlement in the prior year, a \$1.0 million increase in shared services expense allocations, and various other increased operating expenses across a variety of categories, none of which were individually significant.

RESOURCES

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Mar 31			Six Months Ended Mar 31		
	2022	2021	Change	2022	2021	Change
Operating revenues	\$ 12.4	\$ 9.7	\$ 2.7	\$ 22.6	\$ 18.8	\$ 3.8
Cost of goods sold	2.8	0.8	2.0	3.9	1.3	2.6
Margin	9.6	8.9	0.7	18.7	17.5	1.2
Other operating expenses	6.2	5.8	0.4	12.7	11.1	1.6
Operating income (loss)	3.4	3.1	0.3	6.0	6.4	(0.4)
Other income (expense), net	0.1	-	0.1	0.2	0.1	0.1
Interest charges	0.5	0.5	-	1.0	1.1	(0.1)
Segment income (loss)	\$ 3.0	\$ 2.6	\$ 0.4	\$ 5.2	\$ 5.4	\$ (0.2)

Three Months Ended March 31, 2022 as Compared with 2021

The increase in earnings of \$0.4 million was primarily the result of the following:

- \$0.7 million increased margin, largely from customer growth and increased volume sales in the Westfield utilities; partially **offset by**
- \$0.4 million increased operating expenses, primarily depreciation and shared services expense allocations.

Six Months Ended March 31, 2022 as Compared with 2021

The decrease in earnings of \$0.2 million was primarily the result of the following:

- \$1.6 million increased operating expenses, primarily depreciation and shared services expense allocations; partially **offset by**
- \$1.2 million increased margin, largely from customer growth and increased volume sales in the Westfield utilities.

OTHER

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Mar 31			Six Months Ended Mar 31		
	2022	2021	Change	2022	2021	Change
Operating revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses	-	-	-	0.1	-	0.1
Operating income (loss)	-	-	-	(0.1)	-	(0.1)
Other income (expense), net	(0.6)	(0.7)	0.1	(0.9)	(0.9)	-
Interest charges	-	-	-	-	-	-
Income (loss) from discontinued operations	-	(0.1)	0.1	-	(0.3)	0.3
Segment income (loss)	\$ (0.6)	\$ (0.8)	\$ 0.2	\$ (1.0)	\$ (1.2)	\$ 0.2

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

Three Months Ended March 31, 2022 as Compared with 2021

Results are consistent with prior period.

Six Months Ended March 31, 2022 as Compared with 2021

Results are consistent with prior period.

LIQUIDITY AND CAPITAL RESOURCES

Debt and Liquidity

Please see Notes 3 and 4 to the condensed combined financial statements for information regarding changes to Citizens' and CWA's outstanding long-term debt and short-term borrowings, respectively. Management believes existing sources of liquidity are sufficient to meet its cash requirements for the foreseeable future. Management will continue to assess liquidity needs and monitor capital markets and other financing sources based on business conditions, including the continuously evolving impacts of the COVID-19 pandemic on the economy, the financial markets, and Citizens' and CWA's operations. Though not currently anticipated, no assurances can be provided that Citizens and CWA will be able to access financing in the future on acceptable terms.

Capital Spending

For the six months ended March 31, 2022, capital expenditures, on an accrual basis, increased by \$3.7 million to \$140.2 million from \$136.5 million during the same period last year. This increase is summarized in the table below (in millions). Certain accrued expenditures, including all capitalized interest, have been included in Other for segment presentation of Capital Expenditures, while the capitalized interest amounts on the segmented statements of financial position are reflected as Property, Plant, and Equipment in their respective segments.

Year To Date	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
March 31, 2022	\$ 10.4	\$ 2.8	\$ 1.2	\$ 26.1	\$ 75.8	\$ 8.2	\$ 15.7	\$ 140.2
March 31, 2021	12.4	1.8	2.0	23.3	77.6	5.2	14.2	136.5
	\$ (2.0)	\$ 1.0	\$ (0.8)	\$ 2.8	\$ (1.8)	\$ 3.0	\$ 1.5	\$ 3.7

Citizens' and CWA's projected capital spending requirement of \$351.1 million for 2022 is summarized as follows (in millions):

	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
2022 Projection	\$ 30.0	\$ 4.6	\$ 3.9	\$ 63.2	\$ 199.1	\$ 20.0	\$ 30.3	\$ 351.1

Gas continues to invest in mains and services to maintain the safety and reliability of its underground distribution system. Gas had cash and cash equivalents of \$71.2 million at March 31, 2022. Gas expects to meet its capital spending requirements in 2022 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, 2022, cash and cash equivalents of Steam and Chilled Water amounted to \$8.6 million and \$19.2 million, respectively. Steam expects to meet its capital spending requirements in 2022 through cash flows from operations and temporary seasonal borrowings while Chilled Water expects to meet its 2022 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 \$42.4 million at March 31, 2022, including \$0.8 million in the construction fund. Water expects to meet its capital spending requirements in 2022 through amounts from the construction fund and cash flows from operations.

The Wastewater business segment has a capital improvement plan to meet guidelines of the Combined Sewer Overflow Long-Term Control Plan and the overall needs of the Wastewater System. See Note 11 to the condensed combined financial statements for additional information regarding the Combined Sewer Overflow Long-Term Control Plan. The capital improvement plan also includes other improvements to and expansion of the Wastewater System. Wastewater had cash and cash equivalents of \$172.6 million including \$73.6 million in the construction fund at March 31, 2022. Wastewater expects to meet its capital spending requirements in 2022 through a combination of cash flows from operations and amounts from the construction fund. 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 2022 includes activities at Citizens South Madison, Westfield Gas, Westfield Water, and Westfield Wastewater. Resources had cash and cash equivalents of \$28.0 million at March 31, 2022. Resources expects to meet its capital spending requirements in 2022 through a combination of cash flows from operations, its lines of credit, available funds from the Series 2019A bond issuance for Westfield Wastewater, and a planned bond issuance for Westfield Water.

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Condensed Combined Statements of Financial Position (Unaudited)

(In Thousands)

	At March 31, 2022	At September 30, 2021
ASSETS		
Property, plant, and equipment, net	\$ 4,430,890	\$ 4,332,120
Intangible assets, net	48,637	50,489
Investments		
Bond restricted funds	239,254	234,183
Other	21,219	28,845
Total investments	260,473	263,028
Current assets		
Cash and cash equivalents	352,237	364,547
Accounts receivable, less allowance for doubtful accounts of \$6,361 and \$6,639, respectively	105,057	79,602
Accrued utility revenue	37,349	26,823
Natural gas in storage	13,214	36,550
Materials and supplies	13,430	12,761
Other current assets	37,000	6,202
Current assets directly related to discontinued operations	827	548
Total current assets	559,114	527,033
Deferred charges and other non-current assets	29,807	28,743
TOTAL ASSETS	\$ 5,328,921	\$ 5,201,413
CAPITALIZATION AND LIABILITIES		
Capitalization and non-current liabilities		
Retained earnings	\$ 1,150,989	\$ 1,012,938
Accumulated other comprehensive loss	(91,887)	(92,679)
Long-term debt (excluding current maturities)	3,278,320	3,324,280
Retirement benefits	113,356	122,237
Contributions in aid of construction	392,846	367,716
Other long-term liabilities	65,580	59,490
Non-current liabilities directly related to discontinued operations	17,235	17,919
Total capitalization and non-current liabilities	4,926,439	4,811,901
Current liabilities		
Current maturities of long-term debt	108,148	89,170
Short-term borrowings	1,000	3,500
Accounts payable and accrued expenses	178,723	181,006
Accrued taxes	74,805	70,360
Customer deposits	7,264	9,414
Other current liabilities	32,483	35,846
Current liabilities directly related to discontinued operations	59	216
Total current liabilities	402,482	389,512
Commitments and contingencies (see note 11)		
TOTAL CAPITALIZATION AND LIABILITIES	\$ 5,328,921	\$ 5,201,413

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

Condensed Combined Statements of Operations and Comprehensive Income (Unaudited)
(In Thousands)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Operating revenues	\$ 291,791	\$ 253,485	\$ 527,973	\$ 480,873
Operating expenses				
Cost of goods sold	76,071	48,224	119,466	86,764
Operations and maintenance	68,903	63,518	138,687	127,707
Depreciation and amortization	31,439	30,084	62,218	60,202
Gain on sale of assets	-	(1,502)	-	(1,502)
Taxes	16,430	15,153	32,089	30,605
Total operating expenses	192,843	155,477	352,460	303,776
Operating income	98,948	98,008	175,513	177,097
Other income (expense), net				
Interest income	497	84	682	646
Non-operating post-employment benefits, net	1,548	135	3,348	269
Other	(181)	(474)	(558)	(866)
Total other income (expense), net	1,864	(255)	3,472	49
Income before interest charges	100,812	97,753	178,985	177,146
Interest charges				
Interest on long-term debt	33,858	37,388	67,893	74,913
Other interest, including net premium amortization	(13,620)	(10,099)	(26,974)	(19,967)
Total interest charges	20,238	27,289	40,919	54,946
Income from continuing operations	80,574	70,464	138,066	122,200
Loss from discontinued operations	(12)	(115)	(15)	(240)
Net income	\$ 80,562	\$ 70,349	\$ 138,051	\$ 121,960
Retirement benefit liability changes:				
Amortization of prior service credit	(412)	(535)	(823)	(1,069)
Amortization of loss	1,239	3,327	2,478	6,653
Total retirement benefit liability changes	827	2,792	1,655	5,584
Unrealized gain (loss) on available-for-sale investments	(934)	83	(863)	538
Total other comprehensive income (loss)	(107)	2,875	792	6,122
Total comprehensive income	\$ 80,455	\$ 73,224	\$ 138,843	\$ 128,082

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,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 138,051	\$ 121,960
Depreciation and amortization	47,783	52,183
Gain on sale of assets	-	(1,502)
Allowance for doubtful accounts	2,727	2,486
Changes in operating assets and liabilities:		
Accounts receivable and accrued utility revenue	(38,708)	(18,306)
Natural gas in storage	23,336	17,870
Accounts payable and accrued expenses	13,472	(1,824)
Retirement benefits	(7,226)	(4,514)
Other operating activities	(18,919)	(4,118)
Change in net liabilities of discontinued operations	(1,119)	(1,114)
Net cash provided by operating activities	159,397	163,121
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction expenditures	(151,090)	(147,032)
Proceeds from asset sale, net of expenses	-	1,562
Other investing activities	6,882	135
Net cash used in investing activities	(144,208)	(145,335)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings and bank line of credit	3,000	5,500
Repayment of short-term borrowings and bank line of credit	-	(2,000)
Principal payments of long-term debt and bond refunding	(63,427)	(120,283)
Proceeds from issuance of long-term debt and bond refunding	52,556	167,363
Bond issuance costs	(373)	(789)
Contributions in aid of construction	5,938	6,689
Other financing activities	(120)	(81)
Net cash provided by (used in) financing activities	(2,426)	56,399
Net change in cash, cash equivalents, and restricted cash	12,763	74,185
Cash, cash equivalents, and restricted cash at beginning of period	590,139	568,738
Cash, cash equivalents, and restricted cash at end of period	\$ 602,902	\$ 642,923
Supplemental Cash Flows Information - Interest paid net of amounts capitalized	\$ 47,967	\$ 60,339
Non-cash Investing Activities		
Construction work-in-progress accrued at end of period	\$ 43,630	\$ 39,119
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	\$ 352,237	\$ 358,233
Restricted cash included in Bond restricted funds	226,242	280,552
Restricted cash included in Other current assets	19,883	-
Restricted cash included in Investments, Other	4,540	4,138
Cash, cash equivalents, and restricted cash at end of period	\$ 602,902	\$ 642,923

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Condensed Combined Statements of Equity (Unaudited)

(In Thousands)

	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at September 30, 2020	\$ 810,393	\$ (171,848)	\$ 638,545
Comprehensive income			
Net income	121,960	-	121,960
Unrealized gain on available-for-sale investments	-	538	538
Retirement benefit liability changes	-	5,584	5,584
Total comprehensive income	121,960	6,122	128,082
Customer benefit distributions	-	-	-
Balance at March 31, 2021	\$ 932,353	\$ (165,726)	\$ 766,627
Balance at September 30, 2021	\$ 1,012,938	\$ (92,679)	\$ 920,259
Comprehensive income			
Net income	138,051	-	138,051
Unrealized gain on available-for-sale investments	-	(863)	(863)
Retirement benefit liability changes	-	1,655	1,655
Total comprehensive income	138,051	792	138,843
Customer benefit distributions	-	-	-
Balance at March 31, 2022	\$ 1,150,989	\$ (91,887)	\$ 1,059,102

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

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

1. NATURE OF OPERATIONS AND PRESENTATION

A. Nature of Operations

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

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

B. Basis of Presentation

The accompanying condensed combined interim financial statements are unaudited and should be read in conjunction with the combined annual financial statements, and the notes thereto, included in the Citizens Energy Group Management Discussion and Financial Report for the year ended September 30, 2021. Because of the seasonal nature of the various business segments, the results of operations for the period ended March 31, 2022, are not necessarily indicative of the results of operations to be expected for the full fiscal year.

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

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

The outbreak of COVID-19 during fiscal year 2020 was declared a pandemic by the World Health Organization, a national emergency by the President of the United States and continues to evolve in the United States and around the world.

The full extent of COVID-19's impact on our future operations and financial performance depends on future developments which 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. As a result of economic conditions stemming from the COVID-19 pandemic and current events in the Ukraine, the Company is experiencing issues with its supply chain for certain materials, components, and chemicals used in its operations, including rapidly increasing prices, scarcities/shortages, and longer fulfillment times for orders from suppliers. While the Company has successfully navigated the operational challenges presented by COVID-19 and supply chain issues 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. See Note 5, Revenue Recognition, and Note 11, Commitments and Contingencies for information on COVID-19.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Use of Estimates

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

B. Derivatives and Hedging

In fiscal years 2022 and 2021, Citizens entered into certain derivative and economic hedging transactions with the objective of decreasing the volatility associated with fluctuating natural gas prices. Through a combination of fixed-price purchases, call options, contracted interstate pipeline storage, and on-system company-operated storage, Citizens mitigates the risk of price volatility on approximately 80 percent of its anticipated system supply demand. Citizens' Annual Hedging Plan sets guidelines to support prudent risk management strategies within designated parameters. These instruments, in conjunction with physical gas supply contracts, are designated to cover estimated gas customer requirements. Such energy contracts, to the extent they are not considered "normal" as defined by Financial Accounting Standards Board (FASB) guidance, are recognized at fair value as derivative assets or liabilities on the Condensed Combined Statements of Financial Position. Gains/losses and fees associated with these derivatives, when realized, are recoverable through the Gas and Fuel Cost Adjustment trackers. Accordingly, the offset to the change in fair value of these derivatives is recorded as a regulatory asset or liability. The impact of commodity contracts was not material to the condensed combined financial statements in any of the periods presented.

C. Fair Value Measurements

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

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

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

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

The following table presents the financial assets measured at fair value on a recurring basis, based on the hierarchy, as of March 31, 2022, and September 30, 2021 (in thousands). There were no financial liabilities at March 31, 2022, and September 30, 2021.

March 31, 2022 Fair Value Measurements Using			
<u>Description</u>	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	\$ 32,678	\$ -	\$ -
Bond restricted funds	226,240	-	-
Grantor Trust investments	16,709	-	-
Derivative assets	28,150	-	-
Total financial assets measured at fair value	<u>\$ 303,777</u>	<u>\$ -</u>	<u>\$ -</u>

September 30, 2021 Fair Value Measurements Using			
<u>Description</u>	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	\$ 32,675	\$ -	\$ -
Bond restricted funds	221,171	-	-
Grantor Trust investments	17,411	-	-
Derivative assets	17,728	-	-
Total financial assets measured at fair value	<u>\$ 288,985</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 \$239.3 and \$234.2 million at March 31, 2022, and September 30, 2021, 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, 2022, and September 30, 2021.

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):

	March 31, 2022
CWA First Lien State Revolving Fund Bonds, Series 2021B	\$ 1

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 2022 and 2021 were \$177.4 million and \$196.4 million, respectively.

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

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

Management has estimated the fair value of the outstanding debt securities based on the coupons of the outstanding bonds and the current market yields. These are Level 2 fair value measurements. Management established the corresponding price to the call date as well as the price to maturity. The fair value was determined based on the lower of these two prices. Using this method, the estimated fair value of debt is \$3.3 billion at March 31, 2022, and \$3.5 billion at September 30, 2021, versus the carrying value of \$3.4 billion at March 31, 2022, and September 30, 2021. In the case of Resources debt, the carrying value approximates fair value.

Customers' advances for construction have a carrying value at March 31, 2022, for Water, Wastewater, and Resources of \$15.3 million, \$6.2 million, and \$12.5 million, respectively, versus the carrying values at September 30, 2021, for Water, Wastewater, and Resources of \$14.3 million, \$6.0 million, and \$12.2 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 2032 and amounts not paid by the respective contract expiration dates become non-refundable. The fair value of these amounts would, however, be less than their carrying value due to the non-interest-bearing feature.

D. Comprehensive Income (Loss)

Comprehensive income (loss) is primarily a measure of all changes in equity of an enterprise which result from the transactions or other economic events during the period. This information is reported in the Condensed Combined Statements of 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, 2022 (in thousands):

	Pension Plan	Other Postemployment Benefits	Other	Total
Accumulated other comprehensive (loss) income at September 30, 2021	\$ (98,073)	\$ 4,500	\$ 894	\$ (92,679)
Net current-period other comprehensive (loss) income	2,541	(886)	(863)	792
Accumulated other comprehensive (loss) income at March 31, 2022	<u>\$ (95,532)</u>	<u>\$ 3,614</u>	<u>\$ 31</u>	<u>\$ (91,887)</u>

3. LONG-TERM DEBT

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

	(In Thousands)					
	March 31, 2022			September 30, 2021		
	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)
Gas						
Gas Utility Distribution System Series 2013A, Second Lien Revenue Refunding Bonds, 4.125% to 5.250%, due 2027 to 2030	54,465	-	889	54,465	-	944
Gas Utility Distribution System Series 2017A, Second Lien Revenue Refunding Bonds 5.00%, due 2025 to 2027	49,825	-	4,595	49,825	-	5,089
Gas Utility Distribution System Series 2020A, Second Lien Revenue Refunding Bonds 5.00%, due 2022 to 2024	33,125	15,405	2,949	33,125	15,405	4,004
Subtotal Gas	137,415	15,405	8,433	137,415	15,405	10,037
Thermal						
Thermal Energy System Series 2010B, First Lien Revenue Refunding Bonds, 5.00%, due 2021	-	-	-	-	5,500	-
Thermal Energy System Series 2013A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2022 to 2033	5,625	385	21	6,010	370	26
Thermal Energy System Series 2014A, First Lien Revenue Refunding Bonds, 4.00% to 5.00%, due 2022 to 2034	25,190	1,505	1,848	26,695	1,435	1,974
Thermal Energy System Series 2016A, First Lien Revenue Refunding Bonds, 5.00%, due 2022 to 2029	36,185	10,150	2,892	46,335	4,075	3,518
Subtotal Thermal	67,000	12,040	4,761	79,040	11,380	5,518

	(In Thousands)					
	March 31, 2022			September 30, 2021		
	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)
Water						
Water Utility Series 2011C (ILPIBB 2006A) *, First Lien Net Revenue Bonds, 5.50%, due 2022	-	-	-	-	7,795	(5)
Water Utility Series 2011D (ILPIBB 2007B) *, First Lien Net Revenue Bonds, 5.25%, due 2022 to 2025	46,775	20,570	(53)	57,195	13,215	(49)
Water Utility Series 2014A, First Lien Net Revenue Bonds, 4.00% to 5.00%, due 2022 to 2044	22,960	605	1,310	23,565	580	1,339
Water Utility Series 2016A, First Lien Revenue Bonds, 5.00%, due 2022 to 2046	61,790	1,320	10,368	63,110	1,270	10,651
Water Utility Series 2016B, First Lien Refunding Revenue Bonds, 4.00% to 5.00%, due 2022 to 2038	196,345	4,345	25,867	200,690	4,265	27,076
Water Utility Series 2018A, First Lien Refunding Revenue Bonds, 3.50% to 5.00%, due 2022 to 2038	352,610	1,865	39,841	354,475	2,285	41,483
Water Utility Series 2021A First Lien Revenue Bonds 3.00% to 5.00%, due 2022 to 2051	76,925	1,715	16,293	78,640	200	16,831
Subtotal Water	757,405	30,420	93,626	777,675	29,610	97,326
Wastewater						
CWA Wastewater Utility Series 2012A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2022 to 2042	157,260	4,560	11,263	161,820	4,440	11,763
CWA Wastewater Utility Series 2014A, First Lien Revenue Bonds, 4.25% to 5.00%, due 2022 to 2044	202,755	5,025	15,403	207,780	4,785	15,898
CWA Wastewater Utility Series 2015A, First Lien Revenue Bonds, 3.25% to 5.00%, due 2022 to 2045	138,915	3,260	17,327	142,175	3,105	17,815
CWA Wastewater Utility Series 2016A, First Lien Revenue Bonds 5.00%, due 2022 to 2046	174,020	3,520	31,104	177,540	3,385	31,937
CWA Wastewater Utility Series 2016B, Second Lien Revenue Refunding Bonds, 3.00% to 5.00%, due 2022 to 2046	38,390	935	1,588	39,325	900	1,682
CWA Wastewater Series 2016C, First Lien Revenue Bonds (SRF), 2.00%, due 2022 to 2036	9,345	575	(57)	9,345	575	(61)
CWA Wastewater Series 2017A, First Lien Revenue Bonds (SRF), 3.53%, due 2022 to 2047	146,453	3,613	(63)	146,453	3,613	(65)
CWA Wastewater Series 2019A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2022 to 2049	39,560	695	7,638	40,255	665	7,818

	(In Thousands)					
	March 31, 2022			September 30, 2021		
	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)
CWA Wastewater Series 2019B, First Lien Revenue Bonds (SRF), 2.99%, due 2023 to 2050	168,900	4,034	(67)	172,934	3,917	(69)
CWA Wastewater Series 2020A First Lien Revenue Bonds 3.00% to 5.00% due 2022 to 2050	55,185	990	12,180	56,175	910	12,450
CWA Wastewater Series 2020B First Lien Revenue Bonds (SRF) 2.56%, due 2023 to 2051	67,254	1,631	(70)	68,885	1,590	(66)
CWA Wastewater Series 2021-1 First Lien Revenue Refunding Bonds 3.00% to 5.00%, due 2022 to 2041	440,955	13,955	101,731	454,910	3,375	106,512
CWA Wastewater Series 2021-2 Second Lien Revenue Refunding Bonds 3.00% to 5.00%, due 2022 to 2041	175,885	5,555	43,531	181,440	1,515	45,491
CWA Wastewater Series 2021A First Lien Revenue Bonds 3.00% to 5.00%, due 2022 to 2051	43,795	715	8,373	44,510	-	8,775
CWA Wastewater Series 2021B First Lien Revenue Bonds (SRF) 2.38%, due 2023 to 2052	51,336	1,220	(52)	-	-	-
Subtotal Wastewater	1,910,008	50,283	249,829	1,903,547	32,775	259,880
Resources						
Citizens Westfield Utilities Series 2018A, Refunding Revenue Bonds, 80% of 3-month LIBOR plus 1.90%, due 2023	5,000	-	(66)	9,000	-	(87)
Citizens Westfield Water Series 2019A, Revenue Bonds, 4.00%, due 2048	20,000	-	(71)	20,000	-	(73)
Citizens Westfield Wastewater Series 2019A, Revenue Bonds, 5.00%, due 2048	22,660	-	2,320	22,660	-	2,342
Subtotal Resources	47,660	-	2,183	51,660	-	2,182
Total	\$ 2,919,488	\$ 108,148	\$ 358,832	\$ 2,949,337	\$ 89,170	\$ 374,943

* Indianapolis Local Public Improvement Bond Bank (ILPIBB)

Recent Debt Transaction Activity

On July 6, 2021, CWA issued \$458.3 million of First Lien Refunding Revenue Bonds, Series 2021-1. The Series 2021-1 bonds were issued at a premium of \$110.4 million and have principal maturities between 2021 and 2041 with coupons ranging from 3.00% to 5.00%. The bonds were issued to refund the Series 2011A First Lien Revenue Bonds.

On July 6, 2021, CWA issued \$182.9 million of Second Lien Refunding Revenue Bonds, Series 2021-2. The Series 2021-2 bonds were issued at a premium of \$47.3 million and have principal maturities between 2021 and 2041 with coupons ranging from 3.00% to 5.00%. The bonds were issued to refund the Series 2011B Second Lien Revenue Bonds.

On September 28, 2021, CWA issued \$44.5 First Lien Revenue Bonds, Series 2021A. The Series 2021A bonds were issued at a premium of \$9 million and have principal maturities between 2022 and 2051 with coupons ranging from 3.00% to 5.00%. The bonds were issued to fund capital improvements.

On October 5, 2021, CWA issued \$52.5 million of State Revolving Fund Bonds, Series 2021B. The bonds were issued at par and have principal maturities between 2023 and 2052 with 2.38% coupons. The bonds were issued to fund specified consent decree capital projects for the Wastewater system (see Note 11).

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, 2022	September 30, 2021
Gas - Letter of Credit	\$50.0 million	May 30, 2022	Base + 1.00%	0.450%	\$ -	\$ -
Gas	25.0 million	August 5, 2022	LIBOR + 0.90%	0.100%	-	-
Gas	25.0 million	September 29, 2024	LIBOR + 0.52%	0.250%	-	-
Thermal	20.0 million	July 25, 2022	LIBOR + 1.125%	0.125%	-	-
Water	25.0 million	November 18, 2022	82% of LIBOR + 1.31%	0.200%	-	-
Water	15.0 million	April 30, 2023	LIBOR + 1.50%	0.200%	-	-
Water	25.0 million	November 2, 2023	83% of LIBOR + 0.95%	0.250%	-	-
Wastewater	45.0 million	July 15, 2022	80% of LIBOR + 0.75%	0.275%	-	-
Wastewater	50.0 million	October 14, 2022	80% of LIBOR + 0.68%	0.220%	-	-

Resources

Westfield Gas, Westfield Water, and Westfield Wastewater have established lines of credit and loans 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, 2022	September 30, 2021
Westfield Gas	4.0 million	March 30, 2024	LIBOR + 1.65%	0.250%	\$ 4.0	\$ 4.0
Westfield Gas	1.0 million	August 18, 2022	LIBOR + 1.65%	-	1.0	1.0
Westfield Water	5.0 million	March 14, 2022	LIBOR + 0.90%	0.100%	*	2.5
Westfield Wastewater	5.0 million	March 14, 2022	LIBOR + 0.90%	0.100%	*	-
Westfield Water	7.0 million	March 10, 2025	BSBY + 0.90% ***	0.100%	5.5	**
Westfield Wastewater	5.0 million	March 10, 2025	BSBY + 0.90% ***	0.100%	-	**

* Line of credit matured prior to March 31, 2022

** Line of credit initiated after September 30, 2021

*** Bloomberg Short-Term Bank Yield Index (BSBY)

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 with the exception of the temporary suspension of shutoffs noted below. Contracts with chilled water customers are based on a fixed capacity charge and a variable usage charge, resulting in performance obligations similar to that of the regulated utilities.

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

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

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

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

Alternative Revenue Programs

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

Disaggregated Revenues

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

Three Months Ended March 31, 2022

	Gas	Steam	Chilled Water	Water	Waste- Water	Resources	Intercompany Eliminations	Total
Residential	\$ 83,508	\$ -	\$ -	\$ 25,920	\$ 42,020	\$ 7,682	\$ -	\$ 159,130
Commercial	32,232	14,285	4,954	16,426	26,374	2,603	(1,537)	95,337
Industrial	3,808	10,238	90	2,742	11,416	227	(503)	28,018
Other	1,713	46	-	1,412	4,233	1,920	-	9,324
Revenues - Contracts w/Customers	121,261	24,569	5,044	46,500	84,043	12,432	(2,040)	291,809
Alternative Revenue Programs	-	-	-	-	-	(18)	-	(18)
Gross Operating Revenues	\$ 121,261	\$ 24,569	\$ 5,044	\$ 46,500	\$ 84,043	\$ 12,414	\$ (2,040)	\$ 291,791

Three Months Ended March 31, 2021

	Gas	Steam	Chilled Water	Water	Waste- Water	Resources	Intercompany Eliminations	Total
Residential	\$ 66,463	\$ -	\$ -	\$ 26,404	\$ 41,777	\$ 5,695	\$ -	\$ 140,339
Commercial	24,908	12,176	4,581	16,201	25,905	1,827	(4,803)	80,795
Industrial	2,961	8,499	86	2,306	10,314	209	(588)	23,787
Other	850	225	-	1,567	3,995	1,861	-	8,498
Revenues - Contracts w/Customers	95,182	20,900	4,667	46,478	81,991	9,592	(5,391)	253,419
Alternative Revenue Programs	-	-	-	-	-	66	-	66
Gross Operating Revenues	\$ 95,182	\$ 20,900	\$ 4,667	\$ 46,478	\$ 81,991	\$ 9,658	\$ (5,391)	\$ 253,485

Six Months Ended March 31, 2022

	Gas	Steam	Chilled Water	Water	Waste- Water	Resources	Intercompany Eliminations	Total
Residential	\$ 133,498	\$ -	\$ -	\$ 53,303	\$ 82,964	\$ 13,887	\$ -	\$ 283,652
Commercial	50,835	24,998	11,462	33,603	53,140	4,465	(1,904)	176,599
Industrial	7,833	18,005	173	4,992	20,504	419	(3,010)	48,916
Other	3,872	161	-	3,295	7,578	3,859	-	18,765
Revenues - Contracts w/Customers	196,038	43,164	11,635	95,193	164,186	22,630	(4,914)	527,932
Alternative Revenue Programs	-	-	-	-	-	41	-	41
Gross Operating Revenues	\$ 196,038	\$ 43,164	\$ 11,635	\$ 95,193	\$ 164,186	\$ 22,671	\$ (4,914)	\$ 527,973

Six Months Ended March 31, 2021

	Gas	Steam	Chilled Water	Water	Waste- Water	Resources	Intercompany Eliminations	Total
Residential	\$ 118,206	\$ -	\$ -	\$ 55,213	\$ 81,369	\$ 11,283	\$ -	\$ 266,071
Commercial	42,739	21,866	10,080	32,398	49,098	3,441	(5,757)	153,865
Industrial	5,856	15,764	171	4,728	19,987	296	(853)	45,949
Other	1,387	354	-	3,140	6,329	3,707	-	14,917
Revenues - Contracts w/Customers	168,188	37,984	10,251	95,479	156,783	18,727	(6,610)	480,802
Alternative Revenue Programs	-	-	-	-	-	71	-	71
Gross Operating Revenues	\$ 168,188	\$ 37,984	\$ 10,251	\$ 95,479	\$ 156,783	\$ 18,798	\$ (6,610)	\$ 480,873

Accounts Receivable and Unbilled Revenue

Amounts due from customers are reflected on the Condensed Combined Statements of Financial Position in the line items labeled "Accounts receivable" for revenue billed to customers and "Accrued utility revenue" which represents unbilled customer revenues. Unbilled revenues relate to a portion of a customer's consumption of utility services from the date of the last cycle billing date through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage and customer rates. The Company had no contract assets or liabilities during the periods presented. Additionally, the Company has not incurred any significant costs to obtain or fulfill contracts. The opening and closing balances for customer accounts receivable and accrued utility revenue for the six months ended March 31, 2022, and 2021 are presented in the tables below.

Citizens and CWA are offering flexible payment plans to customers impacted or experiencing hardship as a result of COVID-19. At March 31, 2022, the Company's allowance for doubtful accounts is \$6.4 million compared with \$6.6 million at September 30, 2021. 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, if necessary, the allowance for doubtful accounts as additional information becomes available.

Accounts Receivable, net

<u>\$ Thousands</u>	<u>Gas</u>	<u>Steam</u>	<u>Chilled Water</u>	<u>Water</u>	<u>Wastewater</u>	<u>Resources</u>	<u>Total</u>
Balance at March 31, 2022	\$ 42,974	\$ 8,026	\$ 2,368	\$ 16,175	\$ 30,403	\$ 5,111	\$ 105,057
Balance at September 30, 2021	11,676	5,094	6,120	24,914	28,522	3,276	79,602
Increase (Decrease)	<u>\$ 31,298</u>	<u>\$ 2,932</u>	<u>\$ (3,752)</u>	<u>\$ (8,739)</u>	<u>\$ 1,881</u>	<u>\$ 1,835</u>	<u>\$ 25,455</u>
Balance at March 31, 2021	\$ 31,562	\$ 7,945	\$ 2,165	\$ 20,050	\$ 29,308	\$ 3,081	\$ 94,111
Balance at September 30, 2020	12,232	6,437	7,520	24,330	30,686	3,915	85,120
Increase (Decrease)	<u>\$ 19,330</u>	<u>\$ 1,508</u>	<u>\$ (5,355)</u>	<u>\$ (4,280)</u>	<u>\$ (1,378)</u>	<u>\$ (834)</u>	<u>\$ 8,991</u>

Accrued Utility Revenue

<u>\$ Thousands</u>	<u>Gas</u>	<u>Steam</u>	<u>Chilled Water</u>	<u>Water</u>	<u>Wastewater</u>	<u>Resources</u>	<u>Total</u>
Balance at March 31, 2022	\$ 14,145	\$ -	\$ -	\$ 7,477	\$ 15,017	\$ 710	\$ 37,349
Balance at September 30, 2021	3,510	-	-	9,061	13,690	562	26,823
Increase (Decrease)	<u>\$ 10,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,584)</u>	<u>\$ 1,327</u>	<u>\$ 148</u>	<u>\$ 10,526</u>
Balance at March 31, 2021	\$ 9,071	\$ -	\$ -	\$ 7,854	\$ 13,515	\$ 622	\$ 31,062
Balance at September 30, 2020	2,071	-	-	9,662	11,783	718	24,234
Increase (Decrease)	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,808)</u>	<u>\$ 1,732</u>	<u>\$ (96)</u>	<u>\$ 6,828</u>

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

6. FINANCIAL SEGMENT INFORMATION

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

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

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

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

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

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

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

Other includes certain non-profit instrumentalities, as well as advertising and philanthropic costs that are not recoverable through rates and are funded by contributions from non-regulated segments. Other also includes shared services comprised of various administrative and operational departments that provide support services to each of Citizens and CWA business segments and the combined enterprise as a whole and allocates the associated cost of the services to the appropriate segment. Management reviews the allocation methodology for shared services on a regular basis and refines the methodology as necessary. The former Manufacturing business segment has been reported as Discontinued Operations and is also included in Other. To the extent certain business segments purchase services from one another, these amounts have been eliminated on the face of the condensed combined financial statements. Such transactions are reported gross for segment presentation, with eliminating entries reported as Eliminations.

Operating revenues and operating expenses are set forth in the Condensed Combined Statements of Operations. Operating income represents operating revenues less operating expenses directly attributable to the segments and an allocation of certain operating expenses benefiting each.

Segment statements of financial position at March 31, 2022, and September 30, 2021, statements of operations for the three and six months ended March 31, 2022, and 2021, and statements of cash flows for the six months ended March 31, 2022, and 2021 are summarized as follows:

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

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Assets									
Property, plant, and equipment	\$ 364,076	\$ 76,148	\$ 65,973	\$ 1,262,982	\$ 2,368,068	\$ 270,606	\$ 23,037	\$ -	\$ 4,430,890
Intangibles	-	12,727	35,910	-	-	-	-	-	48,637
Investments	11,440	8,544	3,168	71,761	164,371	969	220	-	260,473
Cash and cash equivalents	71,165	8,555	19,155	42,364	172,633	28,039	10,326	-	352,237
Other current assets	99,380	16,722	13,733	29,124	52,999	8,237	3,626	(16,944)	206,877
Deferred charges and other non-current assets	3,067	1,348	205	16,190	3,852	470	4,675	-	29,807
Total assets	\$ 549,128	\$ 124,044	\$ 138,144	\$ 1,422,421	\$ 2,761,923	\$ 308,321	\$ 41,884	\$ (16,944)	\$ 5,328,921
Capitalization and Liabilities									
Equity	\$ 286,602	\$ 32,462	\$ 107,960	\$ 244,066	\$ 292,895	\$ 130,755	\$ (35,638)	\$ -	\$ 1,059,102
Long-term debt	145,848	52,059	19,702	851,031	2,159,837	49,843	-	-	3,278,320
Retirement benefit and Other long-term liabilities	23,480	9,344	1,725	238,803	136,516	118,814	60,335	-	589,017
Current mat. of long-term debt	15,405	6,922	5,118	30,420	50,283	-	-	-	108,148
Short-term borrowings	-	-	-	-	-	1,000	-	-	1,000
Other current liabilities	77,793	23,257	3,639	58,101	122,392	7,909	17,187	(16,944)	293,334
Total capitalization and liabilities	\$ 549,128	\$ 124,044	\$ 138,144	\$ 1,422,421	\$ 2,761,923	\$ 308,321	\$ 41,884	\$ (16,944)	\$ 5,328,921

Segment Footnote - Condensed Combined Statement of Financial Position*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**At September 30, 2021*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Assets									
Property, plant, and equipment	\$ 362,248	\$ 75,652	\$ 66,163	\$ 1,243,820	\$ 2,306,925	\$ 254,163	\$ 23,149	\$ -	\$ 4,332,120
Intangibles	-	13,219	37,270	-	-	-	-	-	50,489
Investments	5,980	16,204	6,052	75,641	157,367	1,762	22	-	263,028
Cash and cash equivalents	73,703	733	24,024	48,499	168,303	31,596	17,689	-	364,547
Other current assets	56,367	10,316	12,934	37,946	48,050	6,523	1,806	(11,456)	162,486
Deferred charges and other non-current assets	2,731	1,290	94	17,041	3,751	555	3,281	-	28,743
Total assets	\$ 501,029	\$ 117,414	\$ 146,537	\$ 1,422,947	\$ 2,684,396	\$ 294,599	\$ 45,947	\$ (11,456)	\$ 5,201,413
Capitalization and Liabilities									
Equity	\$ 233,656	\$ 27,756	\$ 107,910	\$ 227,563	\$ 234,539	\$ 125,514	\$ (36,679)	\$ -	\$ 920,259
Long-term debt	147,452	59,422	25,136	875,001	2,163,427	53,842	-	-	3,324,280
Retirement benefit and Other long-term liabilities	25,822	9,957	1,781	232,199	129,219	103,002	65,382	-	567,362
Current mat. of long-term debt	15,405	6,213	5,167	29,610	32,775	-	-	-	89,170
Short-term borrowings	-	-	-	-	-	3,500	-	-	3,500
Other current liabilities	78,694	14,066	6,543	58,574	124,436	8,741	17,244	(11,456)	296,842
Total capitalization and liabilities	\$ 501,029	\$ 117,414	\$ 146,537	\$ 1,422,947	\$ 2,684,396	\$ 294,599	\$ 45,947	\$ (11,456)	\$ 5,201,413

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
(In Thousands)
For the Three Months Ended March 31, 2022

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 119,916	\$ 24,368	\$ 5,044	\$ 46,372	\$ 83,849	\$ 12,242	\$ -	\$ -	\$ 291,791
Intercompany revenues	1,345	201	-	128	194	172	-	(2,040)	-
Gross operating revenues	121,261	24,569	5,044	46,500	84,043	12,414	-	(2,040)	291,791
Operating expenses:									
Cost of goods sold	59,488	13,961	1,364	-	-	2,825	-	(1,567)	76,071
Operations and maintenance	16,378	4,849	2,173	20,493	21,492	3,955	30	(467)	68,903
Depreciation and amortization	4,893	1,397	1,380	7,143	15,222	1,404	-	-	31,439
Taxes	3,146	465	438	4,211	7,390	780	-	-	16,430
Total operating expenses	83,905	20,672	5,355	31,847	44,104	8,964	30	(2,034)	192,843
Operating income (loss)	37,356	3,897	(311)	14,653	39,939	3,450	(30)	(6)	98,948
Other income (expense), net:									
Interest income	8	1	31	412	46	-	29	(30)	497
Non-operating post-employment benefits, net	658	133	34	501	187	35	-	-	1,548
Other	-	-	-	378	-	59	(618)	-	(181)
Total other income (expense), net	666	134	65	1,291	233	94	(589)	(30)	1,864
Income (loss) before interest charges	38,022	4,031	(246)	15,944	40,172	3,544	(619)	(36)	100,812
Interest charges:									
Interest on long-term debt	1,921	685	292	9,612	20,838	510	30	(30)	33,858
Other interest, including net (premium) discount amortization	(645)	(103)	(157)	(1,284)	(11,423)	(8)	-	-	(13,620)
Total interest charges	1,276	582	135	8,328	9,415	502	30	(30)	20,238
Income (loss) from continuing operations	36,746	3,449	(381)	7,616	30,757	3,042	(649)	(6)	80,574
Loss from discontinued operations	-	-	-	-	-	-	(18)	6	(12)
Net income (loss)	\$ 36,746	\$ 3,449	\$ (381)	\$ 7,616	\$ 30,757	\$ 3,042	\$ (667)	\$ -	\$ 80,562

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, 2021*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 90,381	\$ 20,745	\$ 4,667	\$ 46,382	\$ 81,817	\$ 9,493	\$ -	\$ -	\$ 253,485
Intercompany revenues	4,801	155	-	96	174	165	-	(5,391)	-
Gross operating revenues	95,182	20,900	4,667	46,478	81,991	9,658	-	(5,391)	253,485
Operating expenses:									
Cost of goods sold	40,371	10,608	1,448	-	-	811	-	(5,014)	48,224
Operations and maintenance	15,501	4,901	2,015	20,015	17,635	3,808	11	(368)	63,518
Depreciation and amortization	4,706	1,333	1,349	6,665	14,739	1,292	-	-	30,084
Gain on sale of assets	-	-	-	(1,502)	-	-	-	-	(1,502)
Taxes	2,317	369	417	4,025	7,315	710	-	-	15,153
Total operating expenses	62,895	17,211	5,229	29,203	39,689	6,621	11	(5,382)	155,477
Operating income (loss)	32,287	3,689	(562)	17,275	42,302	3,037	(11)	(9)	98,008
Other income (expense), net:									
Interest income	9	-	14	25	35	1	13	(13)	84
Non-operating post-employment benefits, net	(59)	(24)	(6)	219	3	2	-	-	135
Other	-	-	-	30	84	52	(640)	-	(474)
Total other income (expense), net	(50)	(24)	8	274	122	55	(627)	(13)	(255)
Income (loss) before interest charges	32,237	3,665	(554)	17,549	42,424	3,092	(638)	(22)	97,753
Interest charges:									
Interest on long-term debt	2,122	763	356	10,030	23,587	530	13	(13)	37,388
Other interest, including net (premium) discount amortization	(669)	(133)	(185)	(1,521)	(7,603)	12	-	-	(10,099)
Total interest charges	1,453	630	171	8,509	15,984	542	13	(13)	27,289
Income (loss) from continuing operations	30,784	3,035	(725)	9,040	26,440	2,550	(651)	(9)	70,464
Loss from discontinued operations	-	-	-	-	-	-	(124)	9	(115)
Net income (loss)	\$ 30,784	\$ 3,035	\$ (725)	\$ 9,040	\$ 26,440	\$ 2,550	\$ (775)	\$ -	\$ 70,349

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, 2022*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 192,940	\$ 42,416	\$ 11,635	\$ 94,902	\$ 163,746	\$ 22,334	\$ -	\$ -	\$ 527,973
Intercompany revenues	3,098	748	-	291	440	337	-	(4,914)	-
Gross operating revenues	196,038	43,164	11,635	95,193	164,186	22,671	-	(4,914)	527,973
Operating expenses:									
Cost of goods sold	91,667	24,397	3,490	-	-	3,951	-	(4,039)	119,466
Operations and maintenance	34,238	9,677	4,272	40,521	42,378	8,412	51	(862)	138,687
Depreciation and amortization	9,640	2,753	2,748	14,034	30,242	2,801	-	-	62,218
Taxes	5,764	898	949	8,323	14,707	1,448	-	-	32,089
Total operating expenses	141,309	37,725	11,459	62,878	87,327	16,612	51	(4,901)	352,460
Operating income (loss)	54,729	5,439	176	32,315	76,859	6,059	(51)	(13)	175,513
Other income (expense), net:									
Interest income	17	1	50	522	92	-	48	(48)	682
Non-operating post-employment benefits, net	1,401	277	73	1,074	437	86	-	-	3,348
Other	(300)	-	-	538	64	118	(978)	-	(558)
Total other income (expense), net	1,118	278	123	2,134	593	204	(930)	(48)	3,472
Income (loss) before interest charges	55,847	5,717	299	34,449	77,452	6,263	(981)	(61)	178,985
Interest charges:									
Interest on long-term debt	3,843	1,370	584	19,371	41,702	1,023	48	(48)	67,893
Other interest, including net (premium) discount amortization	(1,288)	(218)	(315)	(2,615)	(22,536)	(2)	-	-	(26,974)
Total interest charges	2,555	1,152	269	16,756	19,166	1,021	48	(48)	40,919
Income (loss) from continuing operations	53,292	4,565	30	17,693	58,286	5,242	(1,029)	(13)	138,066
Loss from discontinued operations	-	-	-	-	-	-	(28)	13	(15)
Net income (loss)	\$ 53,292	\$ 4,565	\$ 30	\$ 17,693	\$ 58,286	\$ 5,242	\$ (1,057)	\$ -	\$ 138,051

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, 2021*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 163,026	\$ 37,545	\$ 10,251	\$ 95,227	\$ 156,319	\$ 18,505	\$ -	\$ -	\$ 480,873
Intercompany revenues	5,162	439	-	252	464	293	-	(6,610)	-
Gross operating revenues	168,188	37,984	10,251	95,479	156,783	18,798	-	(6,610)	480,873
Operating expenses:									
Cost of goods sold	68,866	19,354	3,133	-	-	1,316	-	(5,905)	86,764
Operations and maintenance	31,503	9,177	4,359	39,033	37,110	7,189	20	(684)	127,707
Depreciation and amortization	9,413	2,667	2,705	13,382	29,454	2,581	-	-	60,202
Gain on sale of assets	-	-	-	(1,502)	-	-	-	-	(1,502)
Taxes	5,056	795	871	8,029	14,528	1,326	-	-	30,605
Total operating expenses	114,838	31,993	11,068	58,942	81,092	12,412	20	(6,589)	303,776
Operating income (loss)	53,350	5,991	(817)	36,537	75,691	6,386	(20)	(21)	177,097
Other income (expense), net:									
Interest income	13	1	18	542	71	1	15	(15)	646
Non-operating post-employment benefits, net	(119)	(48)	(11)	437	6	4	-	-	269
Other	(300)	-	-	127	85	110	(888)	-	(866)
Total other income (expense), net	(406)	(47)	7	1,106	162	115	(873)	(15)	49
Income (loss) before interest charges	52,944	5,944	(810)	37,643	75,853	6,501	(893)	(36)	177,146
Interest charges:									
Interest on long-term debt	4,244	1,524	713	20,188	47,183	1,061	15	(15)	74,913
Other interest, including net (premium) discount amortization	(1,317)	(274)	(370)	(3,027)	(15,001)	22	-	-	(19,967)
Total interest charges	2,927	1,250	343	17,161	32,182	1,083	15	(15)	54,946
Income (loss) from continuing operations	50,017	4,694	(1,153)	20,482	43,671	5,418	(908)	(21)	122,200
Loss from discontinued operations	-	-	-	-	-	-	(261)	21	(240)
Net income (loss)	\$ 50,017	\$ 4,694	\$ (1,153)	\$ 20,482	\$ 43,671	\$ 5,418	\$ (1,169)	\$ -	\$ 121,960

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

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Total
Net cash provided by (used in) operating activities	35,607	9,611	(1,577)	37,110	77,620	6,113	(5,087)	\$ 159,397
Investing Activities:								
Construction expenditures	(11,682)	(3,236)	(1,009)	(28,163)	(95,207)	(8,715)	(3,078)	(151,090)
Other investing activities	1,900	4,432	-	3	(48)	793	(198)	6,882
Net cash provided by (used in) investing activities	(9,782)	1,196	(1,009)	(28,160)	(95,255)	(7,922)	(3,276)	(144,208)
Financing Activities:								
Proceeds from short-term borrowings and bank line of credit	-	-	-	-	-	3,000	-	3,000
Principal payments of long-term debt and bond refunding	-	(6,213)	(5,167)	(19,460)	(28,587)	(4,000)	-	(63,427)
Proceeds from issuance of long-term debt and bond refunding	-	-	-	-	52,556	-	-	52,556
Bond issuance costs	-	-	-	(2)	(371)	-	-	(373)
Contributions in aid of construction	-	-	-	1,363	5,323	(748)	-	5,938
Other financing activities	(1,120)	-	-	-	-	-	1,000	(120)
Net cash provided by (used in) financing activities	(1,120)	(6,213)	(5,167)	(18,099)	28,921	(1,748)	1,000	(2,426)
Net change in cash, cash equivalents, and restricted cash	24,705	4,594	(7,753)	(9,149)	11,286	(3,557)	(7,363)	12,763
Cash, cash equivalents & restricted cash - beginning of period	77,783	12,505	30,076	95,358	324,163	32,565	17,689	590,139
Cash, cash equivalents & restricted cash - end of period	\$ 102,488	\$ 17,099	\$ 22,323	\$ 86,209	\$ 335,449	\$ 29,008	\$ 10,326	\$ 602,902
Reconciliation:								
Cash and cash equivalents	\$ 71,165	\$ 8,555	\$ 19,155	\$ 42,364	\$ 172,633	\$ 28,039	\$ 10,326	\$ 352,237
Restricted cash included in Bond restricted funds	11,440	8,544	3,168	41,482	160,639	969	-	226,242
Restricted cash included in Other current assets	19,883	-	-	-	-	-	-	19,883
Restricted cash included in Investments, Other	-	-	-	2,363	2,177	-	-	4,540
Cash, cash equivalents & restricted cash - end of period	\$ 102,488	\$ 17,099	\$ 22,323	\$ 86,209	\$ 335,449	\$ 29,008	\$ 10,326	\$ 602,902

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

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Total
Net cash provided by (used in) operating activities	53,442	7,466	1,255	26,956	66,136	6,197	1,669	\$ 163,121
Investing Activities:								
Construction expenditures	(13,154)	(1,913)	(1,835)	(24,100)	(97,084)	(5,073)	(3,873)	(147,032)
Proceeds from asset sale, net of expenses	-	-	-	1,562	-	-	-	1,562
Other investing activities	396	(215)	-	(175)	152	(23)	-	135
Net cash provided by (used in) investing activities	(12,758)	(2,128)	(1,835)	(22,713)	(96,932)	(5,096)	(3,873)	(145,335)
Financing Activities:								
Proceeds from bank line of credit	-	2,000	-	-	-	3,500	-	5,500
Repayment of short-term borrowings and bank line of credit	-	(2,000)	-	-	-	-	-	(2,000)
Principal payments of long-term debt and bond refunding	-	(6,074)	(4,986)	(67,995)	(41,228)	-	-	(120,283)
Proceeds from issuance of long-term debt and bond refunding	-	-	-	96,888	70,475	-	-	167,363
Bond issuance costs	-	-	-	(494)	(295)	-	-	(789)
Contributions in aid of construction	-	-	-	6,051	1,193	(555)	-	6,689
Other financing activities	(1,081)	-	-	-	-	-	1,000	(81)
Net cash provided by (used in) financing activities	(1,081)	(6,074)	(4,986)	34,450	30,145	2,945	1,000	56,399
Net change in cash, cash equivalents, and restricted cash	39,603	(736)	(5,566)	38,693	(651)	4,046	(1,204)	74,185
Cash, cash equivalents & restricted cash - beginning of period	52,777	14,428	29,650	99,364	331,632	22,333	18,554	568,738
Cash, cash equivalents & restricted cash - end of period	\$ 92,380	\$ 13,692	\$ 24,084	\$ 138,057	\$ 330,981	\$ 26,379	\$ 17,350	\$ 642,923
Reconciliation:								
Cash and cash equivalents	\$ 78,416	\$ 5,028	\$ 20,616	\$ 100,862	\$ 110,551	\$ 25,410	\$ 17,350	\$ 358,233
Restricted cash included in Bond restricted funds	13,964	8,664	3,468	35,234	218,253	969	-	280,552
Restricted cash included in Investments, Other	-	-	-	1,961	2,177	-	-	4,138
Cash, cash equivalents & restricted cash - end of period	\$ 92,380	\$ 13,692	\$ 24,084	\$ 138,057	\$ 330,981	\$ 26,379	\$ 17,350	\$ 642,923

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.

(In Thousands)

At March 31, 2022

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Assets						
Property, plant, and equipment	\$ -	\$ 15,769	\$ 117,631	\$ 131,157	\$ -	\$ 264,557
Investments	122,100	-	-	-	(122,100)	-
Cash and cash equivalents	154	1,910	1,626	16,264	-	19,954
Other current assets	68	4,604	1,462	2,169	-	8,303
Other non-current assets	-	467	404	568	-	1,439
Total assets	<u>\$ 122,322</u>	<u>\$ 22,750</u>	<u>\$ 121,123</u>	<u>\$ 150,158</u>	<u>\$ (122,100)</u>	<u>\$ 294,253</u>
Capitalization and Liabilities						
Member's equity	\$ 117,304	\$ 15,839	\$ 39,774	\$ 66,487	\$ (122,100)	\$ 117,304
Long-term debt	4,934	-	19,929	24,980	-	49,843
Other long-term borrowings	-	4,000	5,500	-	-	9,500
Other long-term liabilities	-	-	52,357	56,136	-	108,493
Current maturities of long-term debt	-	-	-	-	-	-
Short-term borrowings	-	1,000	-	-	-	1,000
Other current liabilities	84	1,911	3,563	2,555	-	8,113
Total capitalization and liabilities	<u>\$ 122,322</u>	<u>\$ 22,750</u>	<u>\$ 121,123</u>	<u>\$ 150,158</u>	<u>\$ (122,100)</u>	<u>\$ 294,253</u>

Condensed Consolidated Statement of Financial Position

Citizens Westfield Utilities, LLC

(In Thousands)

At September 30, 2021

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Assets						
Property, plant, and equipment	\$ -	\$ 14,431	\$ 107,832	\$ 125,770	\$ -	\$ 248,033
Investments	116,191	-	-	-	(116,191)	-
Cash and cash equivalents	108	1,560	1,667	14,993	-	18,328
Other current assets	91	3,560	1,935	1,771	-	7,357
Other non-current assets	-	555	402	568	-	1,525
Total assets	<u>\$ 116,390</u>	<u>\$ 20,106</u>	<u>\$ 111,836</u>	<u>\$ 143,102</u>	<u>\$ (116,191)</u>	<u>\$ 275,243</u>
Capitalization and Liabilities						
Member's equity	\$ 107,408	\$ 13,302	\$ 39,063	\$ 63,826	\$ (116,191)	\$ 107,408
Long-term debt	8,912	-	19,927	25,002	-	53,841
Other long-term borrowings	-	4,000	-	-	-	4,000
Other long-term liabilities	-	-	47,179	50,991	-	98,170
Current maturities of long-term debt	-	-	-	-	-	-
Short-term borrowings	-	1,000	2,500	-	-	3,500
Other current liabilities	70	1,804	3,167	3,283	-	8,324
Total capitalization and liabilities	<u>\$ 116,390</u>	<u>\$ 20,106</u>	<u>\$ 111,836</u>	<u>\$ 143,102</u>	<u>\$ (116,191)</u>	<u>\$ 275,243</u>

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

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 4,280	\$ 2,370	\$ 3,845	\$ -	\$ 10,495
Operating expenses						
Cost of goods sold	-	2,825	-	-	-	2,825
Other operating expenses	10	412	1,107	1,214	-	2,743
Depreciation and amortization	-	212	432	720	-	1,364
Taxes	-	88	361	315	-	764
Total operating expenses	10	3,537	1,900	2,249	-	7,696
Total operating (loss) income	(10)	743	470	1,596	-	2,799
Other income (expense)	-	9	73	10	-	92
Equity in earnings of subsidiaries	2,435	-	-	-	(2,435)	-
Interest charges						
Interest on long-term debt	26	-	200	283	-	509
Other interest	11	23	-	(40)	-	(6)
Total interest charges	37	23	200	243	-	503
Net income (loss)	\$ 2,388	\$ 729	\$ 343	\$ 1,363	\$ (2,435)	\$ 2,388

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

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 2,151	\$ 2,118	\$ 3,516	\$ -	\$ 7,785
Operating expenses						
Cost of goods sold	-	811	-	-	-	811
Other operating expenses	10	390	990	1,054	-	2,444
Depreciation and amortization	-	179	395	679	-	1,253
Taxes	-	70	343	280	-	693
Total operating expenses	10	1,450	1,728	2,013	-	5,201
Total operating (loss) income	(10)	701	390	1,503	-	2,584
Other income (expense)	-	-	52	1	-	53
Equity in earnings of subsidiaries	2,163	-	-	-	(2,163)	-
Interest charges						
Interest on long-term debt	48	-	200	283	-	531
Other interest	10	8	4	(11)	-	11
Total interest charges	58	8	204	272	-	542
Net income (loss)	\$ 2,095	\$ 693	\$ 238	\$ 1,232	\$ (2,163)	\$ 2,095

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

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 6,420	\$ 4,840	\$ 7,629	\$ -	\$18,889
Operating expenses						
Cost of goods sold	-	3,951	-	-	-	3,951
Other operating expenses	18	849	2,314	2,398	-	5,579
Depreciation and amortization	-	412	873	1,437	-	2,722
Taxes	-	148	686	583	-	1,417
Total operating expenses	18	5,360	3,873	4,418	-	13,669
Total operating (loss) income	(18)	1,060	967	3,211	-	5,220
Other income (expense)	-	22	150	25	-	197
Equity in earnings of subsidiaries	4,491	-	-	-	(4,491)	-
Interest charges						
Interest on long-term debt	56	-	400	566	-	1,022
Other interest	21	45	6	(73)	-	(1)
Total interest charges	77	45	406	493	-	1,021
Net income (loss)	\$4,396	\$ 1,037	\$ 711	\$ 2,743	\$ (4,491)	\$ 4,396

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

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 3,607	\$ 4,597	\$ 7,009	\$ -	\$15,213
Operating expenses						
Cost of goods sold	-	1,316	-	-	-	1,316
Other operating expenses	19	765	1,981	2,100	-	4,865
Depreciation and amortization	-	357	796	1,353	-	2,506
Taxes	-	127	648	515	-	1,290
Total operating expenses	19	2,565	3,425	3,968	-	9,977
Total operating (loss) income	(19)	1,042	1,172	3,041	-	5,236
Other income (expense)	-	1	111	2	-	114
Equity in earnings of subsidiaries	4,401	-	-	-	(4,401)	-
Interest charges						
Interest on long-term debt	95	-	400	567	-	1,062
Other interest	21	14	8	(21)	-	22
Total interest charges	116	14	408	546	-	1,084
Net income (loss)	\$4,266	\$ 1,029	\$ 875	\$ 2,497	\$ (4,401)	\$ 4,266

Condensed Consolidated Statement of Cash Flows**Citizens Westfield Utilities, LLC****(In Thousands)****For the Six Months Ended March 31, 2022**

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	\$ (36)	\$ 142	\$ 2,017	\$ 3,640	\$ 5,763
Investing Activities:					
Construction expenditures	-	(2,085)	(4,486)	(2,111)	(8,682)
Other investing activities	-	793	-	-	793
Net cash provided by (used in) investing activities	-	(1,292)	(4,486)	(2,111)	(7,889)
Financing Activities:					
Proceeds from bank line of credit/term loan	-	-	3,000	-	3,000
Principal payments of long-term debt and bond refunding	(4,000)	-	-	-	(4,000)
Additional paid-in capital and dividends	4,082	1,500	-	(82)	5,500
Contributions in aid of construction and customer advances, net	-	-	(572)	(176)	(748)
Net cash provided by (used in) financing activities	82	1,500	2,428	(258)	3,752
Net change in cash, cash equivalents, and restricted cash	46	350	(41)	1,271	1,626
Cash, cash equivalents & restricted cash - beginning of period	108	1,560	2,068	15,561	19,297
Cash, cash equivalents & restricted cash - end of period	\$ 154	\$ 1,910	\$ 2,027	\$ 16,832	\$ 20,923
Reconciliation:					
Cash and cash equivalents	\$ 154	\$ 1,910	\$ 1,626	\$ 16,264	\$ 19,954
Restricted cash included in Other non-current assets	-	-	401	568	969
Cash, cash equivalents & restricted cash - end of period	\$ 154	\$ 1,910	\$ 2,027	\$ 16,832	\$ 20,923

Condensed Consolidated Statement of Cash Flows**Citizens Westfield Utilities, LLC****(In Thousands)****For the Six Months Ended March 31, 2021**

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	\$ (255)	\$ (1,380)	\$ 2,540	\$ 4,356	\$ 5,261
Investing Activities:					
Construction expenditures	-	(969)	(2,318)	(1,661)	(4,948)
Other investing activities	-	(23)	-	-	(23)
Net cash provided by (used in) investing activities	-	(992)	(2,318)	(1,661)	(4,971)
Financing Activities:					
Proceeds from bank line of credit	-	3,000	500	-	3,500
Additional paid-in capital and dividends	120	-	(60)	(60)	-
Contributions in aid of construction and customer advances, net	-	-	(840)	285	(555)
Net cash provided by (used in) financing activities	120	3,000	(400)	225	2,945
Net change in cash, cash equivalents, and restricted cash	(135)	628	(178)	2,920	3,235
Cash, cash equivalents & restricted cash - beginning of period	311	843	1,075	11,472	13,701
Cash, cash equivalents & restricted cash - end of period	\$ 176	\$ 1,471	\$ 897	\$ 14,392	\$ 16,936
Reconciliation:					
Cash and cash equivalents	\$ 176	\$ 1,471	\$ 496	\$ 13,824	\$ 15,967
Restricted cash included in Other non-current assets	-	-	401	568	969
Cash, cash equivalents & restricted cash - end of period	\$ 176	\$ 1,471	\$ 897	\$ 14,392	\$ 16,936

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, 2022, and 2021.

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

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

	Combined Statement of Financial Position Classification	At March 31, 2022	At September 30, 2021
Assets			
Right-of-use assets - operating leases	Property, plant, and equipment, net	\$ 3,229	\$ 3,358
Liabilities			
Operating lease liabilities - current	Other current liabilities	\$ 268	\$ 261
Operating lease liabilities - non-current	Other long-term liabilities	\$ 2,961	\$ 3,097

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

	Three Months Ended		Six Months Ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Operating lease expense	\$ 105	\$ 105	\$ 210	\$ 210
Short-term lease expense	224	78	454	234
Variable lease expense	123	124	171	154
Total lease expense	<u>\$ 452</u>	<u>\$ 307</u>	<u>\$ 835</u>	<u>\$ 598</u>

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

	At March 31, 2022
2022	\$ 210
2023	420
2024	420
2025	420
2026	420
Thereafter	2,170
Total operating lease payments	4,060
Less: imputed interest	831
Total operating lease liabilities	<u>\$ 3,229</u>

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

	At March 31, 2022
Weighted-average remaining lease term	116 months
Weighted-average discount rate	4.9%
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -

Operating cash outflows from operating leases included in the measurement of lease liabilities were \$210 thousand for each of the six months ended March 31, 2022, and 2021, respectively.

9. DISCONTINUED OPERATIONS AND RELATED ASSET RETIREMENT OBLIGATIONS

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

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

Activity for the six months ended March 31, 2022, for the asset retirement obligation liability is as follows (in thousands):

Asset retirement obligation at September 30, 2021	\$	13,054
Accretion expense		233
Remediation liabilities settled		(335)
Asset retirement obligation at March 31, 2022	\$	<u>12,952</u>

The major classes of assets and liabilities of the Manufacturing segment (reported as Discontinued Operations in Other) at March 31, 2022, and September 30, 2021, are as follows (in thousands):

	March 31, 2022	September 30, 2021
Current assets	\$ 827	\$ 548
Total assets	<u>\$ 827</u>	<u>\$ 548</u>
Equity (deficiency)	\$ (16,467)	\$ (17,587)
Retirement benefit and other long-term liabilities	17,235	17,919
Current liabilities	59	216
Total capitalization and liabilities	<u>\$ 827</u>	<u>\$ 548</u>

For the six months ended March 31, 2022, and 2021, Discontinued Operations operating expenses were \$0.0 million and \$0.2 million, respectively. Approximately \$1.0 million of cash was provided by Gas to Discontinued Operations during fiscal year 2021, and an additional \$1.0 million during the six months ended March 31, 2022, to settle a portion of the liabilities. Additional cash funding from Gas to settle liabilities may be provided to Discontinued Operations in future periods.

10. RATE AND REGULATORY MATTERS

A. Regulatory Developments

Gas

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

On July 1, 2021, Citizens Gas filed a petition requesting the IURC decline to exercise, in part, its jurisdiction over Citizens Gas as an "energy utility" with respect to the utility's proposed provision of natural gas storage services and sales of natural gas in the wholesale market for natural gas. Under its proposal, Citizens Gas will use the margins it realizes from

the sale of storage services to offset the revenue requirements used to establish base rates in future rate cases and will credit 100 percent of the margins associated with wholesale natural gas sales to retail customers via the GCA. On September 3, 2021, the OUCC filed testimony recommending approval of the relief requested in Citizens Gas's petition. On November 24, 2021, the IURC issued an order declining to exercise, in part, its jurisdiction over Citizens Gas's provision of natural gas storage services and sales of natural gas in the wholesale market. The IURC also approved the utility's proposal to use the margins it realizes from the sale of storage services to offset the revenue requirements used to establish base rates in future rate cases and credit 100 percent of the margins associated with wholesale natural gas sales to retail customers via the GCA.

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.

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

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

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 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. 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 increase took effect on September 28, 2020, and was reduced by \$1.4 million effective October 23, 2020, since the actual debt service on the CWA bonds issued in 2020 was less than the amount assumed in the 2019 Wastewater Order. The step three increase took effect on September 29, 2021, and was reduced by \$1.2 million effective October 25, 2021, since the actual debt service on the CWA bonds issued in 2021 was less 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 April 1, 2021, Westfield Gas filed its application for Gas Cost Adjustment to be applicable during the months of June – August 2021. In testimony supporting the petition, the utility described certain weather-related events that occurred during February 2021, the steps the utility took to manage its gas supply while those events were ongoing, and the corresponding effects on the gas cost adjustments that were proposed. Westfield Gas proposed that an under recovery of gas costs in the amount of \$2.4 million due to the February weather event be collected over a 24-month period to mitigate the bill impact to customers. On May 26, 2021, the IURC approved the utility's proposal to collect the February 2021 under recovery over 24 months. The IURC also found the steps Westfield Gas took to manage its supply during the February weather event satisfied the statutory requirement that the utility follow a policy of securing natural gas supply at the lowest gas cost reasonably possible to meet anticipated customer requirements.

On January 14, 2022, Westfield Gas filed with the IURC a petition requesting approvals related to certain financing transactions, including approval to issue through December 31, 2022, up to \$4 million of long-term debt and approval to extend the utility's current three-year line of credit by an additional year and increase the line of credit to \$7 million. On March 25, 2022, the OUCC filed testimony recommending approval of Westfield Gas's petition and that Westfield Gas be required to file a report detailing the terms of the financing within 30 days of issuing the debt. Westfield Gas does not intend to object to the OUCC's proposed reporting requirement. An uncontested hearing was held on May 11, 2022. A joint agreed proposed order, which is pending before the IURC, was submitted to the presiding administrative law judge the same day.

Resources - Westfield Water

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

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

Resources – Westfield Wastewater

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

On July 29, 2021, Westfield Wastewater filed a petition requesting approval to extend an existing \$5 million line of credit. On October 7, 2021, the OUCC filed testimony recommending approval of Westfield Wastewater's petition. A hearing was held on November 19, 2021. On January 5, 2022, the IURC issued an order approving the request.

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 11 for additional information regarding demolition and environmental remediation of the former Indianapolis Coke Manufacturing facility. For operating facilities, accruals for environmental commitments and contingencies are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Langsdale Environmental Remediation

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

Upon completion of a remediation work plan (RWP) in the fourth quarter of fiscal year 2016, Citizens recorded a \$9.4 million liability for estimated remediation and restoration costs at the Langsdale Facility. These costs were expected to be incurred over a ten-year period. Citizens filed the RWP with IDEM in November 2016. In response to comments received from IDEM in fiscal year 2019 and the filing of a revised RWP in November 2019, Citizens filed a final RWP in April 2020 which received approval from IDEM in August 2020. Pursuant to the approved plan, Citizens revised the remaining liability to remediate the site, recognizing income of approximately \$5.7 million in September 2020 as estimated future costs to complete the remediation plan were less than those accrued at that date. The obligation is included in "Other current liabilities" and "Other long-term liabilities" in the Condensed Combined Statements of Financial Position and represents management's best estimate of the costs for remediation and restoration of the site. The accrued liability related to Langsdale environmental remediation was \$0.3 million at December 31, 2021, and September 30, 2021. 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 includes 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. Since 2017, IDEM has made significant progress to move the site toward de-proposal in accordance with the terms set forth by the EPA. On December 7, 2021, a request to de-propose the site was approved by the EPA Region 5 Superfund Division Director and the matter was forwarded to EPA Headquarters for approval. The EPA approved the de-proposal for the site on March 9, 2022 and published the de-proposal in the Federal Register on March 18, 2022, which terminates the EPA's oversight regarding the matter. While the company has incurred and may continue to incur costs related to IDEM's response actions, 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.

In 1991, the EPA issued federal regulations that establish acceptable concentrations of lead and copper in public water supplies, as measured at the customer's tap (the "EPA Lead and Copper Rule"). Samples of the Water System have never exceeded the acceptable levels established in the existing EPA Lead and Copper Rule. However, in January 2021, the EPA proposed revisions to the Lead and Copper Rule that, if adopted, would include several new requirements, including revised sampling procedures and action levels as well as development of a lead service line replacement program. Additionally, the Indiana General Assembly has enacted statutes that authorize the IURC to approve a water utility's plan for the replacement of the customer owned portion of the lead service lines within or connected to the water utility's system. While we cannot predict with certainty the final revisions the EPA will make to the EPA Lead and Copper Rule, the Water System is taking proactive steps to align itself with the policies and regulations of the federal government and the State of Indiana, including the Indiana General Assembly, regarding customer-owned lead service lines.

Wastewater System

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

Combined Sewer Overflow Long-Term Control Plan Consent Decree

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

Upon acquisition of the Wastewater System in August 2011, CWA assumed the City's obligations under the order of the U.S. District Court for the Southern District of Indiana (the Court) dated December 19, 2006, among the EPA, IDEM, and the City, as amended (the Consent Decree). CWA has a capital improvement plan to meet guidelines of the Consent Decree and the overall needs of the Wastewater System. The improvements related to the Consent Decree and LTCP have been planned and scheduled through 2025. The DigIndy program, the most significant element of the Consent Decree, is the largest sewer infrastructure project in Indianapolis' history. The Deep Rock Tunnel Connector (DRTC) and the Eagle Creek Tunnel 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 are pumped to the Southport AWTP, which was expanded as a part of this Consent Decree. The Belmont AWTP was also expanded as part of the Consent Decree and this work was completed in

2012. On December 29, 2017, the first 10 miles of the DigIndy Tunnel system and the DRTC pump station were operational and are in use. Mining for the White River and Lower Pogues 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 Pogues Run segments to capture raw sewage is ongoing with the tunnels scheduled to be online in 2022. Tunnel boring to mine the 3.4-mile Fall Creek Tunnel has been completed. Mining began on the tunnel system's final segment, the 7.6-mile Pleasant Run Tunnel, in April 2021. CWA estimates the projected cost of the Consent Decree, including capital and operation and maintenance costs, is approximately \$2.0 billion in 2016 dollars.

In December 2021, CWA requested a six-month extension of time from the U.S. Department of Justice, U.S. Environmental Protection Agency, and Indiana Department of Environmental Management (collectively, the Agencies) for three enforceable deadlines contained in the CSO Consent Decree. The requests were based on force majeure claims due to delays in obtaining necessary materials and equipment, the need to replace defective materials and equipment, and transportation delays, most of which were attributable to the effects of COVID-19 on the operations of our contractors, suppliers, and shipping companies. These delays qualify as force majeure events which are completely outside CWA's span of control. As required by the Consent Decree, CWA has taken measures to minimize any adverse environmental impact associated with these delays, including equipment substitution where possible, and manual operation of the Upper Pogues Run Storage pumps. On March 8, 2022, the Agencies granted the six-month extension of time to complete the projects as requested. The Company anticipates completion of the projects within the approved timeline.

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 18, 2022, the date at which these condensed combined financial statements were issued.