citizens energy group

QUARTERLY
FINANCIAL REPORT
Q3 - 2019

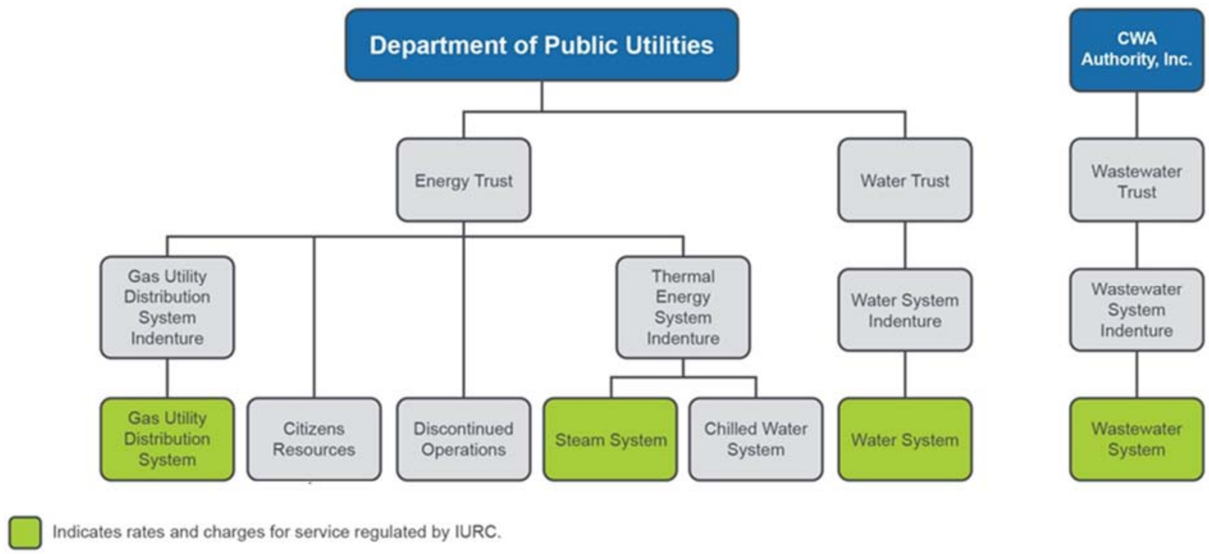
MANAGEMENT DISCUSSION AND ANALYSIS

Forward-looking Statements

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

Organization Structure

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



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

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

The Wastewater System is owned by CWA, a separate nonprofit corporation, which through an interlocal agreement entered into by and among Citizens, the City of Indianapolis, and the Sanitary District of the City (the "District"), acting by and through its Board of Public Works, pursuant to Indiana Code 36-1-7, has the power to exercise all rights and powers of Citizens, the City, and the District in connection with the provision of wastewater utility services, excluding in the case of the City and the District, taxing power and taxing authority. CWA's board of directors comprises the same individuals who serve on the Board. The Wastewater System is managed by employees of Citizens under an operating agreement between Citizens and CWA. CWA is subject to a separate public charitable trust (the Wastewater Trust) that operates in substantially the same manner as the Energy Trust and the Water Trust.

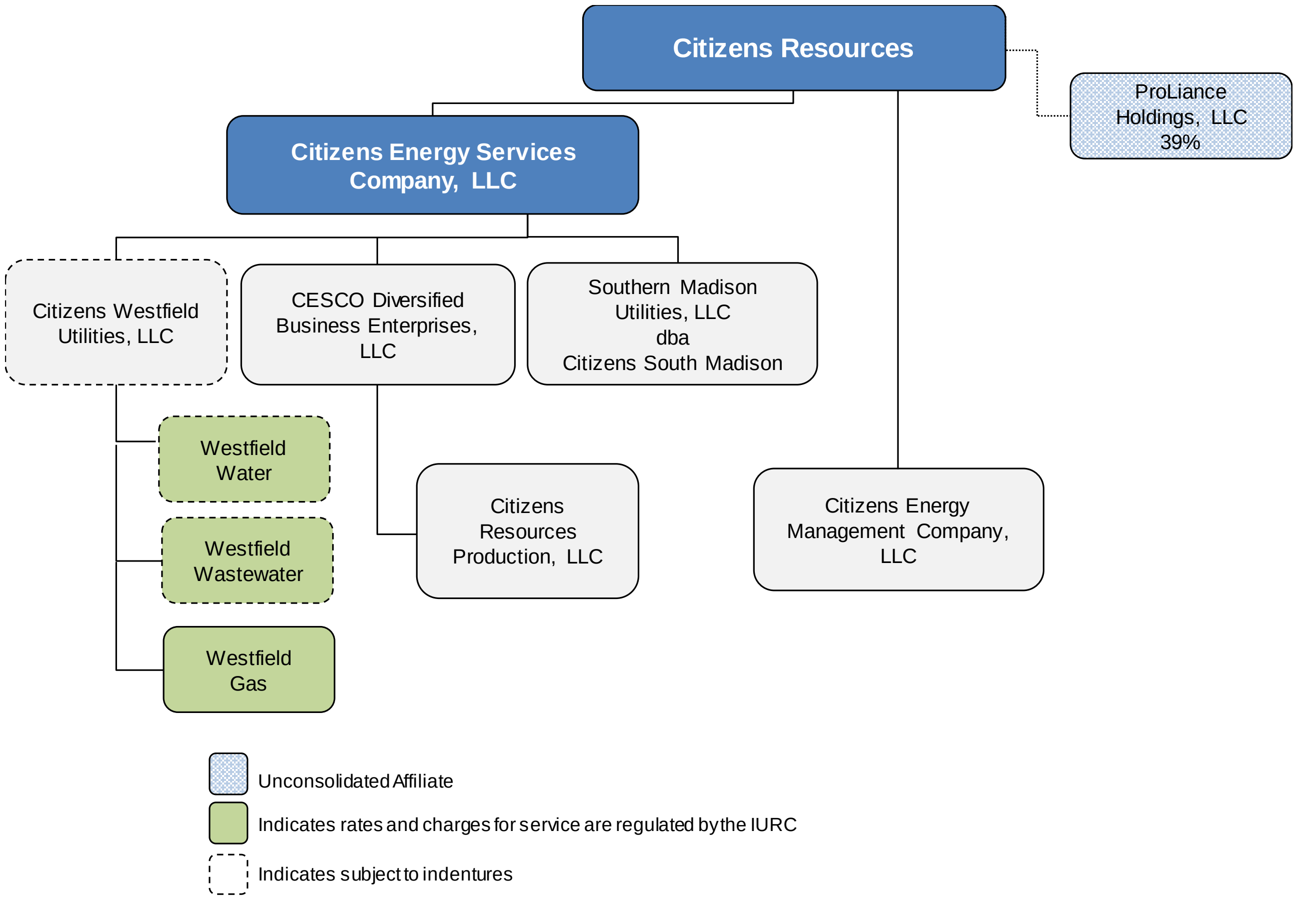
Separate indentures exist to issue debt obligations for the Gas Utility Distribution System, the Thermal Energy System, the Water System, and the Wastewater System. Each indenture captures only the revenues from the respective System, pays the operating expenses of that System and then debt service on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

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

The result of the foregoing is that Citizens and CWA have five distinct cash flow sources in which debt is isolated: (1) the Gas Utility Distribution System; (2) the Thermal Energy System; (3) the Water System; (4) the Wastewater System; (collectively, the four Systems) and (5) Citizens Resources. The cash flow for the four Systems is governed by the respective indentures for each System, which restricts the use of income and revenues of a respective System to the payment of operating expenses and debt service of the respective System before allowing any other use of funds by the System. The fifth source, Citizens Resources is a separate corporation whose stock is owned by the Department in its capacity as trustee of the Energy Trust. The preservation of the corporate organization form of Citizens Resources and its ability to operate for-profit businesses in furtherance of the Energy Trust purposes was specifically authorized by the Act. The assets, liabilities and operations of Citizens Resources are by design isolated within the separate corporate structure of Citizens Resources, as a subsidiary corporation of Citizens, and each of the direct and indirect subsidiaries of Citizens Resources is a limited liability company or corporation designed to limit the liability of the immediate parent to its investment in the subsidiary.[1] Those structures do not insulate the parent from liability for an express assumed contractual liability or guaranty or for the parent's own acts or omissions. In addition to the separate trusts for the Water System and the Wastewater System, those structures along with certain provisions of the Operating Agreements 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 below for a diagram of Citizens Resources' organizational structure.

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

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



FINANCIAL RESULTS

The tables and discussion below summarize the financial results for each segment (in millions) and present an analysis of the results of our operations for the three months and nine months ended June 30, 2019 and 2018. Because of the seasonal nature of the various business units, results of operations for the period ended June 30, 2019 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 2D – Change in Accounting Estimate
- Note 2G – Investment in Unconsolidated Affiliates
- Note 3 – Long-Term Debt
- Note 6 – Financial Segment Information
- Note 8 – Discontinued Operations and Related Asset Retirement Obligations
- Note 9 – Rate and Regulatory Matters, Wastewater

SHARED SERVICES

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

	Quarter-to-Date vs. Prior Year Three Months Ended Jun 30			**Year-to-Date vs. Prior Year** Nine Months Ended Jun 30		
	2019	2018	Change	2019	2018	Change
Shared Services Expenses	$ 24.4	$ 26.6	$ (2.2)	$ 71.1	$ 76.2	$ (5.1)

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

Three Months Ended June 30, 2019 as Compared with 2018

Shared services expenses decreased $2.2 million primarily due to:

- $1.5 million lower employee benefits costs; and
- $1.1 million lower depreciation expense resulting from lower depreciation rates enacted on January 1, 2019, as approved by the IURC.

Nine Months Ended June 30, 2019 as Compared with 2018

Shared services expenses decreased $5.1 million primarily due to:

- $3.4 million lower employee benefits costs; and
- $2.4 million lower depreciation expense due to lower depreciation rates enacted on January 1, 2019, as approved by the IURC.

GAS

	Quarter-to-Date vs. Prior Year Three Months Ended Jun 30			**Year-to-Date vs. Prior Year** Nine Months Ended Jun 30		
	2019	2018	Change	2019	2018	Change
Operating revenues	$ 36.8	$ 39.2	$ (2.4)	$ 232.4	$ 232.0	$ 0.4
Cost of goods sold	10.7	13.1	(2.4)	105.8	105.0	0.8
Margin	26.1	26.1	(0.0)	126.6	127.0	(0.4)
Other operating expenses	22.6	25.0	(2.4)	69.5	73.8	(4.3)
Operating income (loss)	3.5	1.1	2.4	57.1	53.2	3.9
Other income (expense), net	(0.1)	(0.2)	0.1	0.2	(0.1)	0.3
Interest charges	2.7	3.1	(0.4)	8.2	9.3	(1.1)
Segment income (loss)	$ 0.7	$ (2.2)	$ 2.9	$ 49.1	$ 43.8	$ 5.3
Volume sales, million Dth						
Retail	3.1	3.8	(0.7)	28.6	28.4	0.2
Transportation	4.3	4.5	(0.2)	15.3	17.3	(2.0)
Power generation and other	3.6	6.4	(2.8)	10.6	15.5	(4.9)
Cost of gas sold, per Dth	$ 3.65	$ 3.49	$ 0.16	$ 3.70	$ 3.70	$ -
Heating degree days	456	542	(86)	5,352	5,281	71

Three Months Ended June 30, 2019 as Compared with 2018

The increase in earnings of $2.9 million was primarily due:

- $1.7 million lower depreciation expense resulting from lower depreciation rates enacted on January 1, 2019, as approved by the IURC; and
- $0.6 million lower shared services expense allocations.

Nine Months Ended June 30, 2019 as Compared with 2018

The increase in earnings of $5.3 million was primarily due to:

- $3.2 million lower depreciation expense due to lower depreciation rates enacted on January 1, 2019, as approved by the IURC;
- $1.5 million lower shared services expense allocations; and
- $1.1 million lower interest expense driven by a lower amount of debt outstanding.

STEAM

	Quarter-to-Date vs. Prior Year Three Months Ended Jun 30			Year-to-Date vs. Prior Year Nine Months Ended Jun 30		
	2019	2018	Change	2019	2018	Change
Operating revenues	$ 13.5	$ 14.6	$ (1.1)	$ 51.3	$ 56.2	$ (4.9)
Cost of goods sold	6.6	7.4	(0.8)	24.0	28.5	(4.5)
Margin	6.9	7.2	(0.3)	27.3	27.7	(0.4)
Other operating expenses	6.4	6.2	0.2	19.0	18.9	0.1
Operating income (loss)	0.5	1.0	(0.5)	8.3	8.8	(0.5)
Other income (expense), net	-	-	-	0.1	0.1	-
Interest charges	0.7	0.8	(0.1)	2.2	2.4	(0.2)
Segment income (loss)	$ (0.2)	$ 0.2	$ (0.4)	$ 6.2	$ 6.5	$ (0.3)
Volume sales, million therms	12.8	15.0	(2.2)	46.7	48.9	(2.2)
Heating degree days	456	542	(86)	5,352	5,281	71

Three Months Ended June 30, 2019 as Compared with 2018

The decrease in earnings of $0.4 million was primarily due to lower volume sales due to overall warmer weather compared with the prior year.

Nine Months Ended June 30, 2019 as Compared with 2018

The decrease in earnings of $0.3 million was primarily due to lower volume sales during a warmer shoulder season in the third quarter.

CHILLED WATER

	Quarter-to-Date vs. Prior Year Three Months Ended Jun 30			Year-to-Date vs. Prior Year Nine Months Ended Jun 30		
	2019	2018	Change	2019	2018	Change
Operating revenues	$ 10.3	$ 11.6	$ (1.3)	$ 20.6	$ 22.6	$ (2.0)
Cost of goods sold	3.0	3.6	(0.6)	6.0	7.0	(1.0)
Margin	7.3	8.0	(0.7)	14.6	15.6	(1.0)
Other operating expenses	4.0	4.3	(0.3)	11.4	11.9	(0.5)
Operating income (loss)	3.3	3.7	(0.4)	3.2	3.7	(0.5)
Other income (expense), net	0.1	0.1	-	0.2	0.1	0.1
Interest charges	0.3	0.3	-	0.7	0.9	(0.2)
Segment income (loss)	$ 3.1	$ 3.5	$ (0.4)	$ 2.7	$ 2.9	$ (0.2)
Volume sales, million ton hours	39.5	46.3	(6.8)	68.9	80.0	(11.1)
Cooling degree days	314	575	(261)	400	627	(227)

Three Months Ended June 30, 2019 as Compared with 2018

The decrease in earnings of $0.4 million was primarily due to lower volume sales attributable to cooler weather compared with the prior year.

Nine Months Ended June 30, 2019 as Compared with 2018

The decrease in earnings of $0.2 million was primarily due to lower volume sales due to overall cooler weather in 2019.

WATER

	Quarter-to-Date vs. Prior Year Three Months Ended Jun 30			Year-to-Date vs. Prior Year Nine Months Ended Jun 30		
	2019	2018	Change	2019	2018	Change
Operating revenues	$ 48.5	$ 53.0	$ (4.5)	$ 142.5	$ 148.5	$ (6.0)
Other operating expenses	31.3	34.7	(3.4)	92.4	100.0	(7.6)
Operating income (loss)	17.2	18.3	(1.1)	50.1	48.5	1.6
Other income (expense), net	0.5	0.3	0.2	1.9	1.4	0.5
Interest charges	9.7	11.6	(1.9)	28.5	34.9	(6.4)
Segment income (loss)	$ 8.0	$ 7.0	$ 1.0	$ 23.5	$ 15.0	$ 8.5
Volume sales, billion gallons	8.9	10.1	(1.2)	26.0	27.4	(1.4)
Precipitation, inches	16.6	10.8	5.8	38.9	29.6	9.3

Three Months Ended June 30, 2019 as Compared with 2018

The increase in earnings of $1.0 million was primarily due to:

- $3.9 million lower depreciation expense largely attributable to lower depreciation rates enacted on January 1, 2019, as approved by the IURC; and
- $1.9 million lower interest expense primarily attributable to savings resulting from the refunding of the Water Series 2011F bonds in October 2018; **offset by**
- $4.5 million lower revenues in residential and commercial customer classes principally due to higher levels of precipitation in the current year period; and
- $1.0 million increased property taxes mostly resulting from a higher tax base.

Nine Months Ended June 30, 2019 as Compared with 2018

The increase in earnings of $8.5 million was primarily due to:

- $7.5 million lower depreciation expense resulting from lower depreciation rates enacted on January 1, 2019, as approved by the IURC; and
- $6.4 million lower interest expense primarily the result of refunding the Water Series 2011F bonds in October 2018; **offset by**
- $6.0 million lower revenues in residential and commercial customer classes, principally due to higher levels of precipitation.

WASTEWATER

	Quarter-to-Date vs. Prior Year Three Months Ended Jun 30			Year-to-Date vs. Prior Year Nine Months Ended Jun 30		
	2019	2018	Change	2019	2018	Change
Operating revenues	$ 69.0	$ 69.4	$ (0.4)	$ 201.1	$ 209.6	$ (8.5)
Other operating expenses	41.8	45.9	(4.1)	127.6	132.6	(5.0)
Operating income (loss)	27.2	23.5	3.7	73.5	77.0	(3.5)
Other income (expense), net	0.9	0.8	0.1	2.8	2.0	0.8
Interest charges	17.1	18.3	(1.2)	51.9	53.2	(1.3)
Segment income (loss)	$ 11.0	$ 6.0	$ 5.0	$ 24.4	$ 25.8	$ (1.4)
Treatment volume sales, billion gallons	9.7	9.2	0.5	27.1	25.2	1.9
Strength surcharge, million pounds	17.2	8.8	8.4	49.4	32.1	17.3

Three Months Ended June 30, 2019 as Compared with 2018

The increase in earnings of $5.0 million was primarily due to:

- $5.1 million lower depreciation expense largely attributable to lower depreciation rates enacted on January 1, 2019, as approved by the IURC;
- $3.7 million higher revenues due to increased volume, largely in industrial and wholesale customer classes; and
- $1.2 million lower interest expense primarily attributable to a decrease in the amount of debt outstanding as well as higher capitalized interest expense for capital projects; **offset by**
- $4.1 million lower revenue from alternative revenue programs.

Nine Months Ended June 30, 2019 as Compared with 2018

The decrease in earnings of $1.4 million was primarily due to:

- $15.5 million lower revenues from alternative revenue programs; and
- $1.9 million higher expense for PILOT per the established PILOT schedule; **offset by**
- $8.4 million higher revenues from industrial and wholesale customer classes, due to higher volume sales; and
- $8.6 million lower depreciation expense resulting from lower depreciation rates enacted on January 1, 2019, as approved by the IURC.

RESOURCES

	Quarter-to-Date vs. Prior Year Three Months Ended Jun 30			Year-to-Date vs. Prior Year Nine Months Ended Jun 30		
	2019	2018	Change	2019	2018	Change
Operating revenues	$ 7.8	$ 9.5	$ (1.7)	$ 25.1	$ 28.8	$ (3.7)
Cost of goods sold	0.2	0.2	-	1.8	1.6	0.2
Margin	7.6	9.3	(1.7)	23.3	27.2	(3.9)
Other operating expenses	5.5	6.0	(0.5)	15.9	18.1	(2.2)
Operating income (loss)	2.1	3.3	(1.2)	7.4	9.1	(1.7)
Other income (expense), net	0.1	0.1	-	0.2	0.2	-
Equity in earnings (loss) of affiliates	(0.1)	(3.7)	3.6	(0.1)	(5.7)	5.6
Interest charges	0.5	0.8	(0.3)	1.7	2.4	(0.7)
Segment income (loss)	$ 1.6	$ (1.1)	$ 2.7	$ 5.8	$ 1.2	$ 4.6

Three Months Ended June 30, 2019 as Compared with 2018

The increase in earnings of $2.7 million was primarily due to:

- $3.6 million impairment charge recorded in 2018 for an affiliate joint venture interest; **offset by**
- $1.7 million lower revenues due to the sale of the Plummer Oil Field and the transfer of Heartland Gas Pipeline assets to Gas in September 2018.

Nine Months Ended June 30, 2019 as Compared with 2018

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

- $5.6 million impairment charge recorded in 2018 for an affiliate joint venture interest; and
- $2.2 million lower operating expenses largely due to the sale of the Plummer Oil Field and transfer of Heartland Gas Pipeline assets to Gas; **offset by**
- $3.7 million lower revenues due to the sale of the Plummer Oil Field and the transfer of Heartland Gas Pipeline assets to Gas in September 2018.

OTHER

	Quarter-to-Date vs. Prior Year Three Months Ended Jun 30			Year-to-Date vs. Prior Year Nine Months Ended Jun 30		
	2019	2018	Change	2019	2018	Change
Operating revenues	$ -	$ -	$ -	$ -	$ -	$ -
Operating expenses	-	-	-	-	0.2	(0.2)
Operating income (loss)	-	-	-	-	(0.2)	0.2
Other income (expense), net	(0.4)	(0.7)	0.3	(1.6)	(1.4)	(0.2)
Income (loss) from discontinued operations	(0.2)	(0.9)	0.7	(0.5)	(2.6)	2.1
Segment income (loss)	$ (0.6)	$ (1.6)	$ 1.0	$ (2.1)	$ (4.2)	$ 2.1

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 June 30, 2019 as Compared with 2018

The increase in earnings of $1.0 million was largely attributable to lower Asset Retirement Obligation accretion expense.

Nine Months Ended June 30, 2019 as Compared with 2018

The increase in earnings of $2.1 million was primarily due to lower Asset Retirement Obligation accretion expense.

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 debt obligations and liquidity facilities, respectively.

Capital Spending

For the nine months ended June 30, 2019, capital expenditures, on an accrual basis, increased by $40.0 million to $215.4 million from $175.4 million during the same period last year. This increase is summarized in the table below (in millions). Certain accrued expenditures, including all capitalized interest, have been included in Other for segment presentation of Capital Expenditures, while the capitalized interest amounts on the segmented statements of financial position are reflected as Property, Plant, and Equipment in their respective segments.

	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
Q3 2019 YTD	**$ 22.9**	**$ 1.7**	**$ 1.9**	**$ 28.7**	**$ 130.2**	**$ 13.2**	**$ 16.8**	**$ 215.4**
Q3 2018 YTD	17.0	4.3	1.7	35.8	97.5	5.2	13.9	175.4
	$ 5.9	$ (2.6)	$ 0.2	$ (7.1)	$ 32.7	$ 8.0	$ 2.9	$ 40.0

Citizens' and CWA's projected capital spending requirement of $335.7 million for 2019 is summarized as follows (in millions):

	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
2019 Projection	**$ 29.6**	**$ 3.7**	**$ 3.5**	**$ 51.8**	**$ 197.4**	**$ 20.1**	**$ 29.6**	**$ 335.7**

Gas continues to invest in mains and services to maintain its commitment to modernization of its underground gas distribution system. Gas had cash and cash equivalents of $61.9 million at June 30, 2019. Gas expects to meet its remaining capital spending requirements in 2019 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 June 30, 2019, cash and cash equivalents of Steam and Chilled Water amounted to $9.3 million and $25.3 million, respectively. Steam expects to meet its capital spending requirements in 2019 through cash flows from operations and temporary seasonal use of its credit line while Chilled Water expects to meet its 2019 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 $60.4 million at June 30, 2019. Water expects to meet its remaining capital spending requirements in 2019 through cash flows from operations.

The Wastewater business segment has a capital improvement plan to meet guidelines of the Combined Sewer Overflow Long-Term Control Plan and the overall needs of the Wastewater System. See Note 10 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 $59.1 million at June 30, 2019. Wastewater expects to meet its capital spending requirements in 2019 through a combination of cash flows from operations, as well as from balances remaining from issuance of the Series 2017A State Revolving Fund bonds ($2.2 million; recorded in bond restricted funds), and its line of credit. See Note 9 – 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 2019 includes activities at Citizens South Madison, Westfield Gas, Westfield Water, and Westfield Wastewater. Resources expects to meet its capital spending requirements in 2019 through a combination of cash flows from operations ,its lines of credit, and proceeds from the February 2019 bond issuances for Westfield Water and Westfield Wastewater.

Citizens Energy Group and Subsidiary and CWA Authority Inc.

Condensed Combined Statements of Financial Position (Unaudited)

(In Thousands)

	At June 30, 2019	At September 30, 2018
ASSETS		
Property, plant, and equipment		
Plant in service	$ 6,751,216	$ 6,592,903
Accumulated depreciation	3,457,879	3,372,718
	3,293,337	3,220,185
Construction work in progress	457,919	393,977
Total property, plant, and equipment	3,751,256	3,614,162
Intangible assets, net	58,821	61,598
Investments		
Bond restricted funds	240,108	349,204
Other	22,692	22,559
Total investments	262,800	371,763
Current assets		
Cash and cash equivalents	261,672	249,923
Accounts receivable, less allowance for doubtful accounts of $2,911 and $2,282, respectively	83,797	74,164
Accrued utility revenue	21,537	24,324
Natural gas in storage	20,092	38,458
Materials and supplies	11,806	11,145
Other current assets	4,313	3,759
Current assets directly related to discontinued operations	158	1,761
Total current assets	403,375	403,534
Deferred charges	38,710	48,850
Non-current assets related to discontinued operations	2	-
TOTAL ASSETS	**$ 4,514,964**	**$ 4,499,907**
CAPITALIZATION AND LIABILITIES		
Capitalization and non-current liabilities		
Retained earnings	$ 592,111	$ 482,529
Accumulated other comprehensive loss	(69,869)	(71,348)
Long-term debt (excluding current maturities)	3,173,580	3,214,522
Retirement benefits	112,570	121,363
Contributions in aid of construction	260,542	235,057
Other long-term liabilities	91,590	49,218
Non-current liabilities directly related to discontinued operations	19,909	22,790
Total capitalization and non-current liabilities	4,180,433	4,054,131
Current liabilities		
Current maturities of long-term debt	84,131	124,480
Short-term borrowings	-	56,500
Accounts payable and accrued expenses	165,827	171,718
Accrued taxes	53,045	60,530
Customer deposits	26,213	24,236
Other current liabilities	4,679	7,251
Current liabilities directly related to discontinued operations	636	1,061
Total current liabilities	334,531	445,776
Commitments and contingencies (see note 10)		
TOTAL CAPITALIZATION AND LIABILITIES	**$ 4,514,964**	**$ 4,499,907**

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Condensed Combined Statements of Operations and Comprehensive Income (Unaudited)

(In Thousands)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Nine Months Ended June 30, 2019	Nine Months Ended June 30, 2018
Operating revenues	$ 183,764	$ 193,707	$ 666,981	$ 688,855
Operating expenses				
Cost of goods sold	18,749	21,121	132,827	134,971
Operations and maintenance	65,917	67,061	189,853	191,612
Depreciation and amortization	28,952	40,660	99,457	119,760
(Gain) loss on divestiture	-	(1,533)	-	(1,533)
Taxes	16,334	14,840	45,189	41,868
Total operating expenses	129,952	142,149	467,326	486,678
Operating income	53,812	51,558	199,655	202,177
Other income (expense), net				
Interest income	1,689	1,198	5,208	3,347
Non-operating post-employment benefits, net	(29)	(702)	(95)	(2,106)
Other	(480)	(856)	(1,256)	(1,044)
Total other income, net	1,180	(360)	3,857	197
Income before equity in earnings of affiliates and interest charges	54,992	51,198	203,512	202,374
Equity in losses of affiliates	(41)	(3,711)	(123)	(5,745)
Interest charges				
Interest on long-term debt	36,763	39,039	110,113	117,707
Other interest, including net premium amortization	(5,786)	(4,165)	(16,734)	(14,514)
Total interest charges	30,977	34,874	93,379	103,193
Income from continuing operations	23,974	12,613	110,010	93,436
Loss from discontinued operations	(166)	(894)	(428)	(2,487)
Net income	**$ 23,808**	**$ 11,719**	**$ 109,582**	**$ 90,949**
Retirement benefit liability changes:				
Amortization of prior service credit	(547)	(479)	(1,638)	(1,437)
Amortization of loss	1,032	1,927	3,096	5,781
Total retirement benefit liability changes	485	1,448	1,458	4,344
Unrealized (loss) gain on available-for-sale investments	488	(118)	21	(552)
Total other comprehensive income	973	1,330	1,479	3,792
Total comprehensive income	**$ 24,781**	**$ 13,049**	**$ 111,061**	**$ 94,741**

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)

	Nine Months Ended June 30, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 109,582	$ 90,949
Depreciation and amortization	90,481	113,557
(Gain) loss on divestiture or sale/impairment of assets	-	(1,393)
Equity in losses (earnings) of affiliates, net of distributions	123	6,370
Allowance for doubtful accounts	3,506	4,216
Changes in operating assets and liabilities:		
Accounts receivable and accrued utility revenue	(10,352)	(10,921)
Natural gas in storage	18,366	16,697
Accounts payable and accrued expenses	(28,720)	(26,938)
Retirement benefits	(7,335)	(3,078)
Other operating activities	11,277	(16,565)
Change in net liabilities of discontinued operations	(1,704)	2,378
Net cash provided by operating activities	185,224	175,272
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction expenditures	(200,286)	(227,597)
Purchase of investment securities	(195,731)	(115,215)
Sale and maturity of investment securities	304,827	214,895
Divestiture proceeds, net of expenses	-	2,091
Acquisition of business, net of cash acquired	-	(3,364)
Other investing activities	(349)	2,353
Net cash used in investing activities	(91,539)	(126,837)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank line of credit	40,000	20,500
Repayment of short-term borrowings and bank line of credit	(56,500)	-
Principal payments of long-term debt and bond refunding	(538,879)	(124,395)
Proceeds from bond refunding	468,525	-
Bond issuance costs	(2,666)	(36)
Contributions in aid of construction	7,913	6,823
Other financing activities	(329)	(407)
Net cash used in financing activities	(81,936)	(97,515)
Net change in cash and cash equivalents	11,749	(49,080)
Cash and cash equivalents at beginning of fiscal year	249,923	299,632
Cash and cash equivalents at end of fiscal period	$ 261,672	$ 250,552
Supplemental Cash Flows Information - Interest paid	$ 125,277	$ 126,339
Non-cash Investing and Operating Activities		
Construction work-in-progress accrued at period end	$ 57,344	$ 36,325

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

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Condensed Combined Statements of Equity (Unaudited)

(In Thousands)

	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at September 30, 2017	**$ 327,635**	**$ (118,465)**	**$ 209,170**
Comprehensive income			
Net income	90,949	-	90,949
Unrealized gain (loss) on available-for-sale investments	-	(552)	(552)
Retirement benefit liability changes	-	4,344	4,344
Total comprehensive income	90,949	3,792	94,741
Balance at June 30, 2018	**$ 418,584**	**$ (114,673)**	**$ 303,911**
Balance at September 30, 2018	**$ 482,529**	**$ (71,348)**	**$ 411,181**
Comprehensive income			
Net income	109,582	-	109,582
Unrealized gain (loss) on available-for-sale investments	-	21	21
Retirement benefit liability changes	-	1,458	1,458
Total comprehensive income	109,582	1,479	111,061
Balance at June 30, 2019	**$ 592,111**	**$ (69,869)**	**$ 522,242**

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

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

1. NATURE OF OPERATIONS AND PRESENTATION

A. Nature of Operations

Operations of Citizens Energy Group and Subsidiary (Citizens or the Company) include activities in five business segments: Gas, Steam, Chilled Water, Water, and Resources. Steam and Chilled Water comprise the Thermal Energy System (Citizens Thermal or Thermal). Operations of CWA Authority, Inc. (CWA) include activities for the Wastewater business segment. Resources includes an affiliate joint venture interest as well as several wholly owned subsidiaries, the most significant of which is Citizens Energy Services Corporation, LLC (CESCO) which serves as a holding company for several subsidiaries, including Citizens Westfield Utilities, LLC (CWU) and CESCO Diversified Business Enterprises, LLC. 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.

CESCO Diversified Business Enterprises, LLC serves as a holding company for Citizens Resources Production, LLC, which operates as an oil producer.

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, 2018. Because of the seasonal nature of the various business segments, the results of operations for the period ended June 30, 2019 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Derivatives and Hedging

In fiscal years 2019 and 2018, Citizens entered into certain derivative and economic hedging transactions with the objective of decreasing the volatility associated with fluctuating natural gas prices. Through a combination of fixed-price purchases, caps, collars and storage, Citizens Gas mitigates the risk of price volatility on approximately 80 percent of its anticipated system supply gas purchases. Citizens' Hedging Transaction Cost Policy sets guidelines for using selected financial derivative products to support prudent risk management strategies within designated parameters. These instruments, in conjunction with physical gas supply contracts, are designated to cover estimated gas customer requirements. Such energy contracts, to the extent they are not considered "normal" as defined by FASB guidance, are recognized at fair value as derivative assets or liabilities on the Condensed Combined Statements of Financial Position. Gains/losses and fees associated with these derivatives, when realized, are recoverable through the Gas Cost Adjustment tracker. Accordingly, the offset to the change in fair value of these derivatives is recorded as a regulatory asset or liability. The impact of commodity contracts was not material to the condensed combined financial statements in any of the periods presented.

B. Fair Value Measurements

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

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

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

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

The following table presents the financial assets measured at fair value on a recurring basis, based on the hierarchy, as of June 30, 2019 and September 30, 2018 (in thousands). There were no financial liabilities at June 30, 2019 and September 30, 2018.

	June 30, 2019 Fair Value Measurements Using		
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			
Cash equivalents	**$ 42,857**	**$ -**	**$ -**
Bond restricted funds	**227,095**	**-**	**-**
Grantor Trust investments	**15,791**	**-**	**-**
Derivative assets	**25**		**-**
Total financial assets measured at fair value	**$ 285,768**	**$ -**	**$ -**

	September 30, 2018 Fair Value Measurements Using		
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			
Cash equivalents	$ 42,243	$ -	$ -
Bond restricted funds	336,191	-	-
Grantor Trust investments	15,355	-	-
Derivative assets	199	-	-
Total financial assets measured at fair value	$ 393,988	$ -	$ -

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 $240.1 and $349.2 million at June 30, 2019 and September 30, 2018, 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 June 30, 2019 and September 30, 2018.

Included in bond restricted funds at June 30, 2019 and September 30, 2018 are $2.2 million and $67.5 million, respectively, of proceeds from CWA's First Lien Wastewater Revenue Bonds, Series 2017A which are held by the Indiana Finance Authority (IFA) until certain conditions for disbursement are met. 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 nine months of fiscal years 2019 and 2018 were $175.3 million and $177.9 million, respectively.

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

Gains/losses and fees associated with the commodity based derivatives, when realized, are recoverable through the Gas Cost Adjustment tracker. There were no transfers between levels during the year.
Management has estimated the fair value of the outstanding debt securities based on the coupons of the outstanding bonds and the current market yields. These are Level 2 fair value measurements. Management established the

corresponding price to the call date as well as the price to maturity. The fair value was determined based on the lower of these two prices. Using this method, the estimated fair value of debt is $3.4 billion and $3.3 billion at June 30, 2019 and September 30, 2018, respectively, versus the carrying value of $3.3 billion at June 30, 2019 and September 30, 2018. In the case of resources debt, the carrying value approximates fair value.

Customers' advances for construction have a carrying value at June 30, 2019 for Water, Wastewater, and Resources of $13.9 million, $4.0 million, and $5.6 million, respectively, versus the carrying values at September 30, 2018 for Water, Wastewater, and Resources of $13.4 million, $2.9 million, and $4.0 million, respectively. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables, including new customer connections, customer consumption levels, and future rate increases. Portions of these non-interest bearing instruments are payable annually through 2029 and amounts not paid by the respective contract expiration dates become non-refundable. The fair value of these amounts would, however, be less than their carrying value due to the non-interest bearing feature.

C. Comprehensive Income (Loss)

Comprehensive income (loss) is primarily a measure of all changes in equity of an enterprise which result from the transactions or other economic events during the period. This information is reported in the Condensed Combined Statements of Comprehensive Income. Citizens' components of accumulated other comprehensive (loss) income (AOCI) include the impact of pension and other post-employment benefits and mark to market valuation adjustments for available for sale investments. The following table presents changes in accumulated other comprehensive (loss) income by component for the nine months ended June 30, 2019 (in thousands):

	Pension Plan	Other Postemployment Benefits	Other	Total
Accumulated other comprehensive (loss) income at September 30, 2018	$ (78,191)	$ 7,056	$ (213)	$ (71,348)
Amounts reclassified from accumulated other comprehensive income (loss)	2,817	(1,359)	21	1,479
Accumulated other comprehensive (loss) income at June 30, 2019	$ (75,374)	$ 5,697	$ (192)	$ (69,869)

D. Change in Accounting Estimate

Pursuant to the joint depreciation case settlement approved by the IURC (see Note 9), the Company changed depreciation rates for Gas, Citizens Thermal Steam, Water, and Wastewater. The change in depreciation rates is considered a change in accounting estimate and has been applied prospectively effective January 1, 2019. For the three months ended June 30, 2019, the effect of the change was a decrease in depreciation and amortization expense of $12.2 million. The impact of the change on each business unit's results (in millions) for the three months and nine months ended June 30, 2019 and estimated impact for fiscal year 2019 is depicted below:

	Three Months Ended June 30, 2019	Nine Months Ended June 30, 2019	Estimated Fiscal Year 2019 Impact
Gas	$ 2.0	$ 4.0	$ 6.0
Steam	0.1	0.2	0.3
Water	4.3	8.6	12.9
Wastewater	5.8	11.6	17.4
Total	$ 12.2	$ 24.4	$ 36.6

E. New Accounting Guidance

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which will replace existing accounting guidance for leases. The new standard requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. ASU 2016-02 also requires qualitative and specific quantitative disclosures to supplement amounts recorded in the financial statements. Entities may elect certain practical expedients when applying ASU 2016-02. These include a package of practical expedients which must be applied in its entirety to all leases commencing before the effective date of the standard, unless the lease is modified, to not reassess (a) the existence of a lease, (b) lease classification or (c) determination of initial direct costs, which effectively allows entities to carryforward accounting conclusions under previous U.S. GAAP. ASU 2016-02 also includes a practical expedient to use hindsight in making judgments when determining the lease term and any long-lived asset impairment. ASU 2018-01 was issued in January 2018, allowing entities to elect a practical expedient that would exclude application of ASU 2016-02 to land easements which existed prior to adoption of ASU 2016-02, if they were not accounted for as leases under previous U.S. GAAP. In addition, ASU 2016-02 and ASU 2018-11 provide practical expedients to the lessee and lessor, respectively, for separating lease and non-lease components.

The Company has formed an internal stakeholder group, has developed a lease inventory, and is in the process of identifying, assessing and documenting technical accounting issues, policy considerations and financial reporting implications of the new standard. Based on the Company's preliminary assessment, adoption of this new lease standard is not expected to have a material impact on the Company's financial position, results of operations, or cash flows. In addition, the Company has determined that it will elect the package of practical expedients, the land easement practical expedient, and the practical expedient to not separate lease and non-lease components available under the transition guidance described above, but will not elect to use the hindsight practical expedient. The Company will adopt ASU 2016-02 beginning October 1, 2019.

F. Recently Adopted Accounting Guidance

In 2014, the FASB issued revised accounting guidance for revenue recognition from contracts with customers (ASC 606). This guidance outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments also require disclosure of sufficient information to allow users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The majority of the Company's revenue is in scope of the new guidance. Alternative revenue programs are excluded from the scope of this guidance and are accounted for under other relevant accounting guidance.

In preparation for adoption, the Company identified material revenue streams and reviewed representative contracts and tariffs, monitored the activities of the power and utilities industry revenue recognition task force and reviewed published positions on specific industry issues to evaluate the impact, if any, on the Company's specific contracts and conclusions. The Company applied certain practical expedients, including utilizing the portfolio approach to aggregate similar contracts for purposes of analysis, ignoring the effects of a significant financing when the period between transfer of the good or service and payment is one year or less, and recognizing revenues for certain contracts under the invoice practical expedient, which allows revenue recognition to be consistent with invoiced amounts (including unbilled estimates) provided certain criteria are met, including consideration of whether the invoiced amounts reasonably represent the value provided to customers.

The Company adopted the provisions of ASC 606 beginning on October 1, 2018 using the full-retrospective method, which requires each prior reporting period presented to be adjusted beginning with the issuance of the Company's fiscal 2019 interim financial statements. Adoption of this standard did not result in any change to the timing or pattern of revenue recognition and a cumulative retained earnings adjustment was not required. For additional information, see Note 5 – Revenue Recognition.

In March 2017, the FASB issued ASU No. 2017-07, Compensation-Retirement Benefits (ASC 715), which revises how employers sponsoring defined benefit pension and other post-employment plans present the net periodic benefit cost in their income statement. ASC 715 requires the service cost component of net periodic benefit costs to be presented in the same income statement line item as other employee compensation costs arising from services rendered during the period and the other components of net periodic benefit costs to be presented separately outside of operating income. The guidance also allows only the service cost component to be eligible for capitalization. Amendments are to be applied retrospectively for presentation of costs and prospectively for capitalization of service costs. The guidance allows a practical expedient which permits use of previously disclosed service costs and other costs from the pension and other post-retirement benefit plan disclosure in the comparative periods as appropriate estimates when retrospectively changing the presentation of these costs in the statements of operations. The Company adopted the standard on October 1, 2018 and elected the practical expedient available under the transition guidance. The presentation changes required for net periodic benefit costs did not impact previously reported net income; however, reclassification of the other components of net periodic benefits cost resulted in a decrease in "Operations and maintenance" expense and an increase in "Non-operating post-employment benefits, net" of $0.7 million and $2.1 million for the three and nine months ended June 30, 2018, respectively.

G. Investment in Unconsolidated Affiliates

Unconsolidated affiliates at June 30, 2019 include ProLiance Holdings, LLC (ProLiance), a jointly-owned affiliate of Resources (39%) and Vectren Energy Marketing & Services, Inc., (61%), which is accounted for under the equity method. Investment in unconsolidated affiliates is presented as part of "Investments, Other" in the condensed combined statements of financial position at June 30, 2019 and September 30, 2018.

3. LONG-TERM DEBT

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

(In Thousands)

	June 30, 2019			September 30, 2018		
	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 2008C, Second Lien Revenue Refunding Bonds, 5.25%, due 2020 to 2021	**$ 11,550**	**$15,535**	**$ 361**	$ 27,085	$ 14,950	$ 653
Gas Utility Distribution System Series 2010A, Second Lien Revenue Refunding Bonds, 4.00% to 5.00%, due 2019 to 2024	**59,495**	**480**	**1,161**	59,495	480	1,353
Gas Utility Distribution System Series 2013A, Second Lien Revenue Refunding Bonds, 4.125% to 5.250%, due 2027 to 2030	**54,465**	**-**	**1,166**	54,465	-	1,234
Gas Utility Distribution System Series 2017A, Second Lien Revenue Refunding Bonds 5.00%, due 2025 to 2027	**49,825**	**-**	**7,227**	49,825	-	7,910
Subtotal Gas Long-Term Debt	**175,335**	**16,015**	**9,915**	190,870	15,430	11,150
Thermal						
Thermal Energy System Series 2010A, First Lien Revenue Refunding Bonds, 4.00%, due 2019 to 2020	**530**	**510**	**2**	1,040	490	5
Thermal Energy System Series 2010B, First Lien Revenue Refunding Bonds, 5.00%, due 2019 to 2021	**14,310**	**8,390**	**522**	22,700	7,950	866
Thermal Energy System Series 2013A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2019 to 2033	**6,735**	**340**	**51**	7,075	330	59
Thermal Energy System Series 2014A, First Lien Revenue Refunding Bonds, 4.00% to 5.00%, due 2019 to 2034	**29,495**	**1,300**	**2,569**	30,795	1,255	2,774
Thermal Energy System Series 2016A, First Lien Revenue Refunding Bonds, 5.00%, due 2021 to 2029	**50,410**	**-**	**6,494**	50,410	-	7,458
Subtotal Thermal Long-Term Debt	**101,480**	**10,540**	**9,638**	112,020	10,025	11,162
Water						
Water Utility Series 2011C (ILPIBB 2006A)*, First Lien Net Revenue Bonds, 5.50%, due 2019 to 2022	**33,170**	**7,845**	**(31)**	37,090	7,465	(39)

(In Thousands)

	June 30, 2019			September 30, 2018		
	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 Utility Series 2011D (ILPIBB 2007B)*, First Lien Net Revenue Bonds, 5.25% to 5.50%, due 2022 to 2025	**70,410**	**-**	**(54)**	70,410	-	(61)
Water Utility Series 2011F (ILPIBB 2009A)*, First Lien Net Revenue Bonds	**-**	**-**	**-**	410,385	5,160	(364)
Water Utility Series 2011G (ILPIBB 2011E)*, First Lien Net Revenue Bonds, 4.50% to 5.125%, due 2020 to 2041	**48,930**	**1,315**	**(38)**	50,245	1,275	(45)
Water Utility Series 2014A, First Lien Net Revenue Bonds, 4.00% to 5.00%, due 2019 to 2044	**24,700**	**530**	**1,451**	25,230	510	1,489
Water Utility Series 2014B, Second Lien Revenue Refunding Bonds, 2.95%, due 2022	**43,595**	**-**	**(136)**	43,595	-	(167)
Water Utility Series 2016A, First Lien Revenue Bonds, 3.50% to 5.00%, due 2019 to 2046	**65,605**	**1,180**	**11,875**	66,785	1,140	12,266
Water Utility Series 2016B, First Lien Revenue Refunding Bonds, 4.00% to 5.00%, due 2019 to 2038	**211,045**	**5,850**	**32,536**	216,895	3,000	34,374
Water Utility Series 2018A, First Lien Refunding Revenue Bonds, 3.50% to 5.00%, due 2019 to 2038	**359,170**	**1,975**	**48,565**	-	-	-
Subtotal Water Long-Term Debt	**856,625**	**18,695**	**94,168**	920,635	18,550	47,453
Wastewater						
CWA Wastewater Utility Series 2011A, First Lien Revenue Bonds, 5.00% to 5.25%, due 2019 to 2041	**586,600**	**14,160**	**25,835**	600,760	13,610	27,241
CWA Wastewater Utility Series 2011B, Second Lien Revenue Bonds, 5.00% to 5.25%, due 2019 to 2041	**237,245**	**5,775**	**4,266**	243,020	5,500	4,200
CWA Wastewater Utility Series 2012A, First Lien Revenue Bonds, 2.75% to 5.00%, due 2019 to 2042	**170,485**	**4,025**	**13,851**	174,510	3,835	14,560
CWA Wastewater Utility Series 2014A, First Lien Revenue Bonds, 4.25% to 5.00%, due 2019 to 2044	**217,120**	**4,340**	**18,120**	221,460	4,135	18,857

	(In Thousands)					
	June 30, 2019			September 30, 2018		
	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)
CWA Wastewater Utility Series 2015A, First Lien Revenue Bonds, 3.25% to 5.00%, due 2019 to 2045	**148,240**	**2,815**	**20,016**	151,055	2,685	20,749
CWA Wastewater Utility Series 2016A, First Lien Revenue Bonds 4.00% to 5.00%, due 2019 to 2046	**184,180**	**3,130**	**35,544**	187,310	3,010	36,708
CWA Wastewater Utility Series 2016B, Second Lien Revenue Refunding Bonds, 3.00% to 5.00%, due 2019 to 2046	**41,100**	**840**	**2,105**	41,940	815	2,248
CWA Wastewater Series 2016C, First Lien Revenue Bonds (SRF), 2.00%, due 2019 to 2036	**11,035**	**540**	**(79)**	11,035	540	(85)
CWA Wastewater Series 2017A, First Lien Revenue Bonds (SRF), 3.53%, due 2019 to 2047	**156,927**	**3,256**	**(75)**	156,927	3,256	(78)
Subtotal Wastewater Long-Term Debt	**1,752,932**	**38,881**	**119,583**	1,788,017	37,386	124,400
<u>Resources</u>						
Citizens Westfield Utilities Series 2014A, Revenue Bonds, 90% of 3-month LIBOR plus 2.674%, Due 2019	**-**	**-**	**-**	9,000**	19,454	(138)
Citizens Westfield Water Series 2014A, Revenue Bonds, 90% of 1-month LIBOR plus 1.945 %, Due 2019	**-**	**-**	**-**	-	8,365	(17)
Citizens Westfield Wastewater Series 2014A, Revenue Bonds, 90% of 1-month LIBOR plus 1.945%, Due 2019	**-**	**-**	**-**	-	15,270	(30)
Citizens Westfield Utilities Series 2018A, Refunding Revenue Bonds, 80% of 3-month LIBOR plus 1.90%, due 2023	**9,000**	**-**	**(110)**	-	-	-
Citizens Westfield Water Series 2019A, Revenue Bonds, 4.00%, due 2048	**20,000**	**-**	**(81)**	-	-	-
Citizens Westfield Wastewater Series 2019A, Revenue Bonds, 5.00%, due 2048	**22,660**	**-**	**2,435**	-	-	-
Subtotal Resources Long-Term Debt	**51,660**	**-**	**2,244**	9,000	43,089	(185)
Total Long-Term Debt	**$ 2,938,032**	**$ 84,131**	**$ 235,548**	$3,020,542	$ 124,480	$ 193,980

* Indianapolis Local Public Improvement Bond Bank (ILPIBB)
** Refinanced $9 million of Series 2014A Revenue Bonds; see below.

Recent Debt Transaction Activity

On October 3, 2018, Citizens Water issued $361.1 million of First Lien Refunding Revenue Bonds, Series 2018A. The bonds refunded a portion of the Series 2011F bonds. The 2018A bonds were issued at a premium of $52.8 million and have principal maturities due from 2019 through 2038 with coupons ranging from 3.50% to 5.00%.

On October 15, 2018, CWU repaid $19.5 million of debt prior to its maturity date as permitted in the indenture between CWU and its lenders.

On October 26, 2018 CWU issued $9 million of Refunding Revenue Bonds Series 2018A. The 2018A bonds were purchased by a syndicate of banks including PNC Bank as administrative agent and BMO Harris Bank. The bonds are non-amortizing and are subject to mandatory tender on October 26, 2023. Interest on the bonds is at a floating rate of 80 percent of 3-month LIBOR plus 1.9 percent. The Series 2018A bonds refunded $9 million of outstanding Series 2014A Revenue Bonds which were therefore classified as long-term debt at September 30, 2018.

On February 13, 2019, Citizens Westfield Water issued $20.0 million of Water Utility Revenue Bonds, Series 2019A. The 2019A bonds were issued at a premium of $0.1 million, have a coupon rate of 4.00%, and mature on October 1, 2048. The bonds provided funds for capital spending requirements and also refunded the Citizens Westfield Water Series 2014A Revenue Bonds and the outstanding balance on Westfield Water's line of credit in their entirety.

On February 13, 2019, Citizens Westfield Wastewater issued $22.7 million of Wastewater Utility Revenue Bonds, Series 2019A. The 2019A bonds were issued at a premium of $2.8 million, have a coupon rate of 5.00%, and mature on October 1, 2048. The bonds provided funds for capital spending requirements and also refunded the Citizens Westfield Wastewater Series 2014A Revenue Bonds and the outstanding balance on Westfield Wastewater's line of credit in their entirety.

4. SHORT-TERM AND OTHER BORROWINGS

Gas

Gas repaid $50.0 in commercial paper outstanding on June 3, 2019 and had no amount outstanding as of June 30, 2019; the balance at September 30, 2018 was $50 million. Gas has two three-year working capital lines of credit amounting to $50.0 million. On August 1, 2019 the maturity date on the $25.0 million line of credit agreement with BMO Harris Bank NA was extended to August 5, 2022 with an interest rate of LIBOR plus 0.90 percent. The $25.0 million line of credit with J.P. Morgan Chase has a maturity date of August 13, 2021 with an interest rate of LIBOR plus 1.25 percent. At June 30, 2019 and September 30, 2018, Gas had no amount outstanding under either line of credit.

Thermal

On July 25, 2019, the Thermal Energy System closed on a $20 million line of credit with PNC Bank maturing July 25, 2022, replacing the existing credit agreement with JP Morgan Chase which matured on June 21, 2019. Proceeds can be used for both operating expenses and capital expenditures. The commitment fee on the line is 0.125 percent and the applicable interest rate is LIBOR plus 1.125 percent. At June 30, 2019 and September 30, 2018, no amounts were outstanding.

Water

Water has a $50.0 million line of credit provided by PNC Bank with a maturity date of November 2, 2020. The line has an interest rate of 83 percent of LIBOR plus 0.70 percent with a commitment fee of 0.15 percent. At June 30, 2019 and September 30, 2018, no amounts were outstanding.

In April 2019, the $30.0 million working capital line of credit with BMO Harris Bank NA expired and was not renewed. There were no draws on the facility during 2019 or 2018.

Wastewater

On July 17, 2019 CWA closed on a capital expenditure line of credit of $45 million with Bank of America, NA with a maturity date of July 15, 2022 at an interest rate of 80 percent of LIBOR plus 0.75 percent and a commitment fee of 0.275 percent. CWA also has a $100 million line of credit with a maturity date of September 30, 2020 provided by a syndicate of JP Morgan Chase and Wells Fargo, each with equal participation and with JP Morgan Chase acting as Administrative Agent, at an interest rate of 87.8 percent of LIBOR plus 0.84 percent and a commitment fee of 0.22 percent. At June 30, 2019 and September 30, 2018, $60 million and $20.0 million were outstanding on the line of credit respectively, classified as non-current liabilities in the Condensed Combined Statements of Financial Position in the line item labeled, "Other long-term liabilities".

Resources

Westfield Gas, Westfield Water, and Westfield Wastewater have established lines of credit with terms and conditions as outlined in the table below. On March 14, 2019, Westfield Water and Westfield Wastewater each closed on $5.0 million revolving credit facilities, replacing existing $10.3 million and $11.0 million revolving credit agreements, respectively, both which matured on March 21, 2019. Outstanding balances for the Westfield Water and Westfield Wastewater lines of credit were repaid in February 2019 using proceeds from the Series 2019A Utility Revenue Bonds (see Note 3).

					Amount Outstanding at (in millions)	
Entity	Credit Capacity	Maturity Date	Interest Rate	Commitment Fee	June 30, 2019	September 30, 2018
Westfield Gas	$4.0 million	March 30, 2021	LIBOR + 1.65%	0.150%	$ 1.7	$ 1.7
Westfield Water	5.0 million	March 14, 2022	LIBOR + .90%	0.100%	-	3.5
Westfield Wastewater	5.0 million	March 14, 2022	LIBOR + .90%	0.100%	-	3.0

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

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

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

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

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

Alternative Revenue Programs

Alternative Revenue Programs, such as the System Integrity Adjustment described in Note 9 – Wastewater, represent regulator-approved programs which allow for the adjustment of billings and revenue for certain broad, external factors such as normalization programs that adjust revenues for the effects of weather or programs designed to compensate for fluctuations in consumer demand. Such programs typically enable the Company to adjust rates in the future, usually as a surcharge applied to future billings, in response to past activities or completed events. Alternative Revenue Programs represent a contract between the utility and its regulators, not customers, and are therefore not within the scope of the accounting guidance for recognizing revenue from contracts with customers. When the criteria to recognize revenues from Alternative Revenue Programs have been met in accordance with ASC 980-605-25, a regulatory asset is established and the revenue is presented as a component of operating revenues. When amounts previously recognized under Alternative Revenue Programs accounting guidance are billed, the regulatory asset is reduced and a customer account receivable is recorded.

Disaggregated Revenues

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

Three Months Ended June 30, 2019

	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Intercompany Eliminations	Total
Residential	$ 24,003	$ -	$ -	$ 26,720	$ 32,472	$ 4,170	$ -	$ 87,365
Commercial	9,179	8,130	10,084	17,691	21,556	1,617	(1,795)	66,462
Industrial	2,858	5,323	244	2,483	11,090	13	(343)	21,668
Other	769	70	-	1,596	3,854	2,001	-	8,290
Revenues - Contracts w/Customers	36,809	13,523	10,328	48,490	68,972	7,801	(2,138)	183,785
Alternative Revenue Programs	-	-	-	-	-	(21)	-	(21)
Gross Operating Revenues	$ 36,809	$ 13,523	$10,328	$ 48,490	$ 68,972	$ 7,780	$ (2,138)	$ 183,764

Three Months Ended June 30, 2018

	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Intercompany Eliminations	Total
Residential	$ 24,840	$ -	$ -	$ 30,347	$ 33,629	$ 4,356	$ -	$ 93,172
Commercial	9,943	8,853	11,319	18,242	20,035	2,251	(3,199)	67,444
Industrial	3,475	5,781	302	3,435	8,654	14	(493)	21,168
Other	916	10	-	973	3,068	2,904	-	7,871
Revenues - Contracts w/Customers	39,174	14,644	11,621	52,997	65,386	9,525	(3,692)	189,655
Alternative Revenue Programs	-	-	-	-	4,067	(15)	-	4,052
Gross Operating Revenues	$ 39,174	$ 14,644	$11,621	$ 52,997	$ 69,453	$ 9,510	$ (3,692)	$ 193,707

Nine Months Ended June 30, 2019

	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Intercompany Eliminations	Total
Residential	$ 160,471	$ -	$ -	$ 79,135	$ 99,335	$ 14,438	$ -	$ 353,379
Commercial	60,712	30,573	20,181	50,188	64,046	5,149	(4,762)	226,087
Industrial	8,737	20,532	406	7,264	32,549	82	(1,551)	68,019
Other	2,533	287	-	5,976	10,004	5,563	-	24,363
Revenues - Contracts w/Customers	232,453	51,392	20,587	142,563	205,934	25,232	(6,313)	671,848
Alternative Revenue Programs	-	-	-	-	(4,810)	(57)	-	(4,867)
Gross Operating Revenues	$ 232,453	$ 51,392	$20,587	$ 142,563	$ 201,124	$ 25,175	$ (6,313)	$ 666,981

Nine Months Ended June 30, 2018

	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Intercompany Eliminations	Total
Residential	$ 158,273	$ -	$ -	$ 83,185	$ 100,419	$ 14,047	$ -	$ 355,924
Commercial	60,665	32,943	22,033	51,583	63,741	6,603	(7,310)	230,258
Industrial	9,890	23,219	558	8,210	27,338	77	(1,492)	67,800
Other	3,143	35	-	5,529	7,358	8,083	-	24,148
Revenues - Contracts w/Customers	231,971	56,197	22,591	148,507	198,856	28,810	(8,802)	678,130
Alternative Revenue Programs	-	-	-	-	10,702	23	-	10,725
Gross Operating Revenues	$ 231,971	$ 56,197	$22,591	$ 148,507	$ 209,558	$ 28,833	$ (8,802)	$ 688,855

Accounts Receivable and Unbilled Revenue

Amounts due from customers are reflected on the Condensed Combined Statements of Financial Position in the line items labeled “Accounts receivable” for revenue billed to customers and “Accrued utility revenue” which represent unbilled customer revenues. Unbilled revenues relate to a portion of a customer’s consumption of utility services from the date of the last cycle billing date through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage and customer rates. The Company had no contract assets or liabilities during the periods presented. Additionally, the Company has not incurred any significant costs to obtain or fulfill contracts. The opening and closing balances for customer accounts receivable and accrued utility revenue for the nine months ended June 30, 2019 and 2018 are presented in the table below.

Accounts Receivable, net

$ Thousands	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Total
Balance at June 30, 2019	$ 20,027	$ 4,535	$ 4,489	$ 24,441	$ 28,136	$ 2,169	$ 83,797
Balance at September 30, 2018	11,621	4,784	4,584	23,451	25,696	4,028	74,164
Increase (Decrease)	$ 8,406	$ (249)	$ (95)	$ 990	$ 2,440	$ (1,859)	$ 9,633
Balance at June 30, 2018	$ 17,817	$ 4,751	$ 6,984	$ 19,710	$ 24,955	$ 5,605	$ 79,822
Balance at September 30, 2017	10,132	5,220	4,404	21,076	25,552	4,116	70,500
Increase (Decrease)	$ 7,685	$ (469)	$ 2,580	$ (1,366)	$ (597)	$ 1,489	$ 9,322

Accrued Utility Revenue

$ Thousands	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Total
Balance at June 30, 2019	$ 2,095	$ -	$ -	$ 7,042	$ 12,012	$ 388	$ 21,537
Balance at September 30, 2018	4,068	-	-	8,403	11,381	472	24,324
Increase (Decrease)	$ (1,973)	$ -	$ -	$ (1,361)	$ 631	$ (84)	$ (2,787)
Balance at June 30, 2018	$ 2,216	$ -	$ -	$ 8,276	$ 10,285	$ 387	$ 21,164
Balance at September 30, 2017	3,763	-	-	8,218	11,004	416	23,401
Increase (Decrease)	$ (1,547)	$ -	$ -	$ 58	$ (719)	$ (29)	$ (2,237)

Accounts receivable increased and accrued utility revenue decreased over the period due to seasonal changes in customer usage in June when compared with September.

6. FINANCIAL SEGMENT INFORMATION

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

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

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

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

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

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

Resources conducts for-profit business activities to ultimately provide enhanced benefits to Citizens' beneficiaries. Resources includes affiliate joint venture investments of $0.3 million at June 30, 2019 and September 30, 2018. Resources also includes several wholly-owned subsidiaries under CESCO, which serves as a holding company for several LLC subsidiaries. CESCO subsidiaries include: Citizens Westfield Utilities, which is the holding company for the three utilities serving Westfield (Westfield Gas, Westfield Water, and Westfield Wastewater); CESCO Diversified Business Enterprises, which is the holding company for Citizens Resources Production LLC, an oil producer; 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. As of December 2017, Resources also owned Heartland Gas Pipeline, LLC, which provided gas transportation and storage services to Gas.

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.

Segment Footnote - Condensed Combined Statement of Financial Position

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
(In Thousands)
At June 30, 2019

	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Other	Elimin-ations	Total
Assets									
Property, plant, and equipment	$317,156	$ 73,571	$ 63,753	$1,121,606	$1,955,651	$194,785	$ 24,734	$ -	**$3,751,256**
Intangibles	-	15,432	43,389	-	-	-	-	-	**58,821**
Investments	5,114	9,244	4,154	68,897	170,199	4,803	389	-	**262,800**
Cash and cash equivalents	61,912	9,328	25,294	60,419	59,099	27,202	18,418	-	**261,672**
Other current assets	50,156	9,448	5,947	38,520	48,787	3,428	(4,008)	(10,575)	**141,703**
Deferred charges and other non-current assets	7,241	2,360	99	18,099	5,882	1,448	3,583	-	**38,712**
Total assets	$441,579	$119,383	$142,636	$1,307,541	$2,239,618	$231,666	$ 43,116	$ (10,575)	**$4,514,964**
Capitalization and Liabilities									
Equity	$151,719	$ 27,218	$ 94,903	$ 109,332	$ 65,873	$107,084	$ (33,887)	$ -	**$ 522,242**
Long-term debt	185,250	74,035	37,083	950,793	1,872,515	53,904	-	-	**3,173,580**
Retirement benefit and Other long-term liabilities	31,129	6,102	1,492	173,700	148,528	64,219	59,441	-	**484,611**
Current mat. of long-term debt	16,015	5,792	4,748	18,695	38,881	-	-	-	**84,131**
Short-term borrowings	-	-	-	-	-	-	-	-	**-**
Current liabilities	57,466	6,236	4,410	55,021	113,821	6,459	17,562	(10,575)	**250,400**
Total capitalization and liabilities	$441,579	$119,383	$142,636	$1,307,541	$2,239,618	$231,666	$ 43,116	$ (10,575)	**$4,514,964**

Segment Footnote - Condensed Combined Statement of Financial Position

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
(In Thousands)
At September 30, 2018

	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Other	Elimin-ations	Total
Assets									
Property, plant, and equipment	$305,862	$ 74,801	$ 63,660	$1,105,821	$1,861,272	$178,788	$ 23,958	$ -	**$3,614,162**
Intangibles	-	16,169	45,429	-	-	-	-	-	**61,598**
Investments	6,961	11,341	5,640	84,351	258,372	4,568	530	-	**371,763**
Cash and cash equivalents	75,531	11,139	25,562	44,034	32,503	35,953	25,201	-	**249,923**
Other current assets	66,559	10,033	6,322	40,299	43,345	5,676	(1,870)	(16,753)	**153,611**
Deferred charges and other non-current assets	8,033	2,633	49	17,248	16,973	1,500	2,414	-	**48,850**
Total assets	$462,946	$126,116	$146,662	$1,291,753	$2,212,465	$226,485	$ 50,233	$(16,753)	**$4,499,907**
Capitalization and Liabilities									
Equity	$103,664	$ 20,876	$ 92,216	$ 86,384	$ 41,446	$102,975	$ (36,380)	$ -	**$ 411,181**
Long-term debt	202,020	80,671	42,511	968,088	1,912,417	8,815	-	-	**3,214,522**
Retirement benefit and Other long-term liabilities	34,023	6,742	1,537	160,205	101,236	58,110	66,575	-	**428,428**
Current mat. of long-term debt	15,430	5,526	4,499	18,550	37,386	43,089	-	-	**124,480**
Short-term borrowings	50,000	-	-	-	-	6,500	-	-	**56,500**
Current liabilities	57,809	12,301	5,899	58,526	119,980	6,996	20,038	(16,753)	**264,796**
Total capitalization and liabilities	$462,946	$126,116	$146,662	$1,291,753	$2,212,465	$226,485	$ 50,233	$(16,753)	**$4,499,907**

Segment Footnote - Condensed Combined Statement of Operations

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
(In Thousands)
For the Three Months Ended June 30, 2019

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Elimin-ations	Total
Operating revenues									
Customer revenues	$ 36,368	$ 12,406	$ 10,328	$ 48,241	$ 68,804	$ 7,617	$ -	$ -	**$ 183,764**
Intercompany revenues	441	1,117	-	249	168	163	-	(2,138)	**-**
Gross operating revenues	36,809	13,523	10,328	48,490	68,972	7,780	-	(2,138)	**183,764**
Operating expenses:									
Cost of goods sold	10,749	6,561	2,981	-	-	210	-	(1,752)	**18,749**
Operations and maintenance	15,916	4,781	1,988	19,624	20,447	3,531	-	(370)	**65,917**
Depreciation and amortization	4,291	1,251	1,303	6,669	14,297	1,141	-	-	**28,952**
Loss (gain) on divestiture	-	-	-	-	-	-	-	-	**-**
Taxes	2,408	391	745	4,982	7,019	789	-	-	**16,334**
Total operating expenses	33,364	12,984	7,017	31,275	41,763	5,671	-	(2,122)	**129,952**
Operating income (loss)	3,445	539	3,311	17,215	27,209	2,109	-	(16)	**53,812**
Other income (expense), net:									
Interest income	285	47	71	383	821	48	39	(5)	**1,689**
Non-operating post-employment benefits, net	(74)	(19)	2	24	32	6	-	-	**(29)**
Other	(283)	-	-	142	10	52	(401)	-	**(480)**
Total other income (expense), net	(72)	28	73	549	863	106	(362)	(5)	**1,180**
Income (loss) before equity in losses of affiliates and interest charges	3,373	567	3,384	17,764	28,072	2,215	(362)	(21)	**54,992**
Equity in losses of affiliates	-	-	-	-	-	(41)	-	-	**(41)**
Interest charges:									
Interest on long-term debt	2,547	906	478	10,638	21,617	577	5	(5)	**36,763**
Other interest, including net discount (premium) amortization	116	(170)	(229)	(899)	(4,575)	(34)	5	-	**(5,786)**
Total interest charges	2,663	736	249	9,739	17,042	543	10	(5)	**30,977**
Income (loss) from continuing operations	710	(169)	3,135	8,025	11,030	1,631	(372)	(16)	**23,974**
Loss from discontinued operations	-	-	-	-	-	-	(182)	16	**(166)**
Net income (loss)	$ 710	$ (169)	$ 3,135	$ 8,025	$ 11,030	$ 1,631	$ (554)	$ -	**$ 23,808**

Segment Footnote - Condensed Combined Statement of Operations

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
(In Thousands)
For the Three Months Ended June 30, 2018

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Elimin-ations	Total
Operating revenues									
Customer revenues	$ 38,462	$13,168	$11,621	$ 52,687	$ 69,133	$ 8,636	$ -	$ -	**$ 193,707**
Intercompany revenues	712	1,476	-	310	320	874	-	(3,692)	**-**
Gross operating revenues	39,174	14,644	11,621	52,997	69,453	9,510	-	(3,692)	**193,707**
Operating expenses:									
Cost of goods sold	13,062	7,380	3,584	-	-	200	-	(3,105)	**21,121**
Operations and maintenance	16,534	4,617	2,223	19,559	19,548	5,426	(281)	(565)	**67,061**
Depreciation and amortization	6,032	1,295	1,301	10,600	19,939	1,493	-	-	**40,660**
Loss (gain) on divestiture	-	-	-	-	-	(1,533)	-	-	**(1,533)**
Taxes	2,180	300	755	4,464	6,429	596	116	-	**14,840**
Total operating expenses	37,808	13,592	7,863	34,623	45,916	6,182	(165)	(3,670)	**142,149**
Operating income (loss)	1,366	1,052	3,758	18,374	23,537	3,328	165	(22)	**51,558**
Other income (expense), net:									
Interest income	109	30	49	187	787	36	6	(6)	**1,198**
Non-operating post-employment benefits, net	(306)	(74)	(15)	(105)	(10)	-	(192)	-	**(702)**
Other	(310)	-	-	102	2	60	(710)	-	**(856)**
Total other income (expense), net	(507)	(44)	34	184	779	96	(896)	(6)	**(360)**
Income (loss) before equity in earnings of affiliates and interest charges	859	1,008	3,792	18,558	24,316	3,424	(731)	(28)	**51,198**
Equity in losses of affiliates	-	-	-	-	-	(3,711)	-	-	**(3,711)**
Interest charges:									
Interest on long-term debt	2,814	971	535	12,098	22,023	598	6	(6)	**39,039**
Other interest, including net (premium) discount amortization	261	(170)	(242)	(534)	(3,663)	177	6	-	**(4,165)**
Total interest charges	3,075	801	293	11,564	18,360	775	12	(6)	**34,874**
Income (loss) from continuing operations	(2,216)	207	3,499	6,994	5,956	(1,062)	(743)	(22)	**12,613**
Loss from discontinued operations	-	-	-	-	-	-	(916)	22	**(894)**
Net income (loss)	$ (2,216)	$ 207	$ 3,499	$ 6,994	$ 5,956	$ (1,062)	$ (1,659)	$ -	**$ 11,719**

Segment Footnote - Condensed Combined Statement of Operations

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
(In Thousands)
For the Nine Months Ended June 30, 2019

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Elimin-ations	Total
Operating revenues									
Customer revenues	$ 230,533	$48,908	$20,587	$ 141,858	$ 200,430	$ 24,665	$ -	$ -	**$ 666,981**
Intercompany revenues	1,920	2,484	-	705	694	510	-	(6,313)	**-**
Gross operating revenues	232,453	51,392	20,587	142,563	201,124	25,175	-	(6,313)	**666,981**
Operating expenses:									
Cost of goods sold	105,838	24,042	6,001	-	-	1,809	-	(4,863)	**132,827**
Operations and maintenance	47,038	13,950	5,918	56,105	57,789	10,453	-	(1,400)	**189,853**
Depreciation and amortization	14,722	3,840	3,896	24,100	49,319	3,580	-	-	**99,457**
Loss (gain) on divestiture	-	-	-	-	-		-	-	**-**
Taxes	7,761	1,242	1,562	12,238	20,476	1,910	-	-	**45,189**
Total operating expenses	175,359	43,074	17,377	92,443	127,584	17,752	-	(6,263)	**467,326**
Operating income (loss)	57,094	8,318	3,210	50,120	73,540	7,423	-	(50)	**199,655**
Other income (expense), net:									
Interest income	648	120	198	1,443	2,626	139	49	(15)	**5,208**
Non-operating post-employment benefits, net	(221)	(56)	7	63	96	16	-	-	**(95)**
Other	(208)	-	-	394	107	63	(1,612)	-	**(1,256)**
Total other income (expense), net	219	64	205	1,900	2,829	218	(1,563)	(15)	**3,857**
Income (loss) before equity in losses of affiliates and interest charges	57,313	8,382	3,415	52,020	76,369	7,641	(1,563)	(65)	**203,512**
Equity in losses of affiliates	-	-	-	-	-	(123)	-	-	**(123)**
Interest charges:									
Interest on long-term debt	7,718	2,719	1,435	32,110	64,780	1,351	15	(15)	**110,113**
Other interest, including net discount (premium) amortization	516	(512)	(689)	(3,631)	(12,791)	358	15	-	**(16,734)**
Total interest charges	8,234	2,207	746	28,479	51,989	1,709	30	(15)	**93,379**
Income (loss) from continuing operations	49,079	6,175	2,669	23,541	24,380	5,809	(1,593)	(50)	**110,010**
Loss from discontinued operations	-	-	-	-	-	-	(478)	50	**(428)**
Net income (loss)	$ 49,079	$ 6,175	$ 2,669	$ 23,541	$ 24,380	$ 5,809	$ (2,071)	$ -	**$ 109,582**

Segment Footnote - Condensed Combined Statement of Operations

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
(In Thousands)
For the Nine Months Ended June 30, 2018

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Elimin-ations	Total
Operating revenues									
Customer revenues	$ 229,779	$ 53,311	$ 22,591	$ 147,819	$ 208,783	$ 26,572	$ -	$ -	**$ 688,855**
Intercompany revenues	2,192	2,886	-	688	775	2,261	-	(8,802)	**-**
Gross operating revenues	231,971	56,197	22,591	148,507	209,558	28,833	-	(8,802)	**688,855**
Operating expenses:									
Cost of goods sold	105,001	28,503	7,026	-	-	1,600	-	(7,159)	**134,971**
Operations and maintenance	47,618	13,636	6,095	56,720	56,093	13,741	(712)	(1,579)	**191,612**
Depreciation and amortization	17,917	3,867	4,149	31,588	57,946	4,293	-	-	**119,760**
Loss (gain) on divestiture	-	-	-	-	-	(1,533)	-	-	**(1,533)**
Taxes	7,326	1,138	1,588	11,383	18,541	1,582	310	-	**41,868**
Total operating expenses	177,862	47,144	18,858	99,691	132,580	19,683	(402)	(8,738)	**486,678**
Operating income (loss)	54,109	9,053	3,733	48,816	76,978	9,150	402	(64)	**202,177**
Other income (expense), net:									
Interest income	217	66	105	790	1,922	138	141	(32)	**3,347**
Non-operating post-employment benefits, net	(918)	(222)	(45)	(315)	(30)	-	(576)	-	**(2,106)**
Other	(310)	-	-	636	85	112	(1,567)	-	**(1,044)**
Total other income (expense), net	(1,011)	(156)	60	1,111	1,977	250	(2,002)	(32)	**197**
Income (loss) before equity in earnings of affiliates and interest charges	53,098	8,897	3,793	49,927	78,955	9,400	(1,600)	(96)	**202,374**
Equity in losses of affiliates	-	-	-	-	-	(5,745)	-	-	**(5,745)**
Interest charges:									
Interest on long-term debt	8,605	2,912	1,604	36,455	66,212	1,919	32	(32)	**117,707**
Other interest, including net (premium) discount amortization	726	(512)	(732)	(1,500)	(13,028)	514	18	-	**(14,514)**
Total interest charges	9,331	2,400	872	34,955	53,184	2,433	50	(32)	**103,193**
Income (loss) from continuing operations	43,767	6,497	2,921	14,972	25,771	1,222	(1,650)	(64)	**93,436**
Loss from discontinued operations	-	-	-	-	-	-	(2,551)	64	**(2,487)**
Net income (loss)	$ 43,767	$ 6,497	$ 2,921	$ 14,972	$ 25,771	$ 1,222	$ (4,201)	$ -	**$ 90,949**

Segment Footnote - Condensed Combined Statement of Cash Flows

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
(In Thousands)
For the Nine Months Ended June 30, 2019

	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Other	Total
Net cash provided by (used in) operating activities	$ 74,403	$ 4,114	$ 5,056	$ 41,990	$ 52,020	$ 10,992	$ (3,351)	**$ 185,224**
Investing Activities:								
Construction expenditures	(22,590)	(2,496)	(2,311)	(30,939)	(123,294)	(11,383)	(7,273)	**(200,286)**
Purchase of investment securities	(24,285)	(7,184)	(5,039)	(49,665)	(108,816)	(742)	-	**(195,731)**
Sale and maturity of investment securities	25,958	9,281	6,525	65,554	197,251	258	-	**304,827**
Other investing activities	174	-	-	(414)	(262)	12	141	**(349)**
Net cash provided by (used in) investing activities	(20,743)	(399)	(825)	(15,464)	(35,121)	(11,855)	(7,132)	**(91,539)**
Financing Activities:								
Proceeds from bank line of credit	-	-	-	-	40,000	-	-	**40,000**
Repayment of short-term borrowings and bank line of credit	(50,000)	-	-	-	-	(6,500)	-	**(56,500)**
Principal payments of long-term debt and bond refunding	(14,950)	(5,526)	(4,499)	(428,225)	(33,590)	(52,089)	-	**(538,879)**
Proceeds from bond refunding	-	-	-	413,987	-	54,538	-	**468,525**
Bond issuance costs	-	-	-	(2,029)	-	(637)	-	**(2,666)**
Contributions in aid of construction	-	-	-	6,126	3,287	(1,500)	-	**7,913**
Cash contributions from (to) affiliates and subsidiaries	(2,000)	-	-	-	-	(1,700)	3,700	**-**
Other financing activities	(329)	-	-	-	-	-	-	**(329)**
Net cash provided by (used in) financing activities	(67,279)	(5,526)	(4,499)	(10,141)	9,697	(7,888)	3,700	**(81,936)**
Net change in cash and cash equivalents	(13,619)	(1,811)	(268)	16,385	26,596	(8,751)	(6,783)	**11,749**
Cash and cash equivalents at beginning of period	75,531	11,139	25,562	44,034	32,503	35,953	25,201	**249,923**
Cash and cash equivalents at end of period	$ 61,912	$ 9,328	$ 25,294	$ 60,419	$ 59,099	$ 27,202	$ 18,418	**$ 261,672**

Segment Footnote - Condensed Combined Statement of Cash Flows

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
(In Thousands)
For the Nine Months Ended June 30, 2018

	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Other	Total
Net cash provided by (used in) operating activities	$ 69,974	$ 10,109	$ 2,792	$ 43,437	$ 49,801	$ 11,348	$ (12,189)	**$ 175,272**
Investing Activities:								
Construction expenditures	(18,346)	(4,963)	(1,405)	(41,182)	(150,581)	(5,323)	(5,797)	**(227,597)**
Purchase of investment securities	(19,592)	(7,123)	(5,001)	(52,181)	(31,318)	-	-	**(115,215)**
Sale and maturity of investment securities	33,527	9,304	6,555	47,825	117,684	-	-	**214,895**
Divestiture proceeds, net of expenses	-	-	-	-	-	2,091	-	**2,091**
Acquisition of business, net of cash acquired	-	-	-	-	-	(3,364)	-	**(3,364)**
Other investing activities	(37,481)	-	(20,757)	(609)	(353)	36,535	25,018	**2,353**
Net cash provided by (used in) investing activities	(41,892)	(2,782)	(20,608)	(46,147)	(64,568)	29,939	19,221	**(126,837)**
Financing Activities:								
Proceeds from bank line of credit	-	-	-	-	20,000	500	-	**20,500**
Principal payments of long-term debt and bond refunding	(26,060)	(5,301)	(4,309)	(14,935)	(39,563)	(34,227)	-	**(124,395)**
Bond issuance costs	-	-	-	-	(33)	(3)	-	**(36)**
Contributions in aid of construction	-	-	-	1,920	4,895	8	-	**6,823**
Other financing activities	(407)	-	-	-	-	-	-	**(407)**
Net cash provided by (used in) financing activities	(26,467)	(5,301)	(4,309)	(13,015)	(14,701)	(33,722)	-	**(97,515)**
Net change in cash and cash equivalents	1,615	2,026	(22,125)	(15,725)	(29,468)	7,565	7,032	**(49,080)**
Cash and cash equivalents at beginning of period	96,379	11,450	40,448	53,196	54,263	27,595	16,301	**299,632**
Cash and cash equivalents at end of period	$ 97,994	$ 13,476	$ 18,323	$ 37,471	$ 24,795	$ 35,160	$ 23,333	**$ 250,552**

During the nine months ended June 30, 2018, an $18 million contribution was made by Chilled Water to Resources for the purposes of contributing to CWU.

7. ADDITIONAL FINANCIAL INFORMATION – CITIZENS WESTFIELD UTILITIES

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

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

Condensed Consolidating Statement of Financial Position
Citizens Westfield Utilities, LLC
(In Thousands)
At June 30, 2019

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Assets						
Property, plant, and equipment	$ -	$ 10,558	$ 77,090	$ 99,731	$ -	**$ 187,379**
Investments	96,674	-	-	-	(96,674)	**-**
Cash and cash equivalents	73	2,540	6,252	11,324	-	**20,189**
Other current assets	-	572	1,403	1,734	-	**3,709**
Other non-current assets	84	790	8	99	-	**981**
Total assets	$ 96,831	$ 14,460	$ 84,753	$ 112,888	$ (96,674)	**$ 212,258**
Capitalization and Liabilities						
Member's equity	$ 87,762	$ 12,153	$ 30,752	$ 53,769	$ (96,674)	**$ 87,762**
Long-term debt	8,890	-	19,918	25,095	-	**53,903**
Other long-term borrowings	-	1,700	-	-	-	**1,700**
Other long-term liabilities	-	5	31,152	30,477	-	**61,634**
Current maturities of long-term debt	-	-	-	-	-	**-**
Short-term borrowings	-	-	-	-	-	**-**
Current liabilities	179	602	2,931	3,547	-	**7,259**
Total capitalization and liabilities	$ 96,831	$ 14,460	$ 84,753	$ 112,888	$ (96,674)	**$ 212,258**

Condensed Consolidating Statement of Financial Position
Citizens Westfield Utilities, LLC
(In Thousands)
At September 30, 2018

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Assets						
Property, plant, and equipment	$ -	$ 10,077	$ 68,657	$ 92,584	$ -	**$ 171,318**
Investments	91,985	-	-	-	(91,985)	**-**
Cash and cash equivalents	407	1,562	2,208	4,213	-	**8,390**
Other current assets	1	778	1,300	1,443	-	**3,522**
Other non-current assets	59	1,287	15	139	-	**1,500**
Total assets	$ 92,452	$ 13,704	$ 72,180	$ 98,379	$ (91,985)	**$ 184,730**
Capitalization and Liabilities						
Member's equity	$ 63,914	$ 11,191	$ 29,773	$ 51,021	$ (91,985)	**$ 63,914**
Long-term debt	8,862	-	8,348	15,240	-	**32,450**
Other long-term borrowings	-	1,700	3,500	3,000	-	**8,200**
Other long-term liabilities	-	4	28,539	26,962	-	**55,505**
Current maturities of long-term debt	19,454	-	-	-	-	**19,454**
Short-term borrowings	-	-	-	-	-	**-**
Current liabilities	222	809	2,020	2,156	-	**5,207**
Total capitalization and liabilities	$ 92,452	$ 13,704	$ 72,180	$ 98,379	$ (91,985)	**$ 184,730**

Condensed Consolidating Statement of Operations
Citizens Westfield Utilities, LLC
For the Three Months Ended June 30, 2019
(In Thousands)

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	$ -	$ 696	$ 2,113	$ 3,137	$ -	$ 5,946
Operating expenses						
Cost of goods sold	-	209	-	-	-	209
Other operating expenses		321	929	1,135	-	2,385
Depreciation and amortization	-	145	295	578	-	1,018
Taxes	-	59	411	299	-	769
Total operating expenses	-	734	1,635	2,012	-	4,381
Total operating (loss) income	-	(38)	478	1,125	-	1,565
Other income	-	2	60	11	-	73
Equity in earnings of subsidiaries	1,195	-	-	-	(1,195)	-
Interest charges						
Interest on long-term debt	92	-	200	283	-	575
Other interest	6	17	1	(58)	-	(34)
Total interest charges	98	17	201	225	-	541
Net income	$ 1,097	$ (53)	$ 337	$ 911	$ (1,195)	$ 1,097

Condensed Consolidating Statement of Operations
Citizens Westfield Utilities, LLC
For the Three Months Ended June 30, 2018
(In Thousands)

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	$ -	$ 643	$ 2,508	$ 2,882	$ -	$ 6,033
Operating expenses						
Cost of goods sold	-	200	-	-	-	200
Other operating expenses	1	372	989	1,023	-	2,385
Depreciation and amortization	-	149	278	585	-	1,012
Taxes	-	43	329	170	-	542
Total operating expenses	1	764	1,596	1,778	-	4,139
Total operating income (loss)	(1)	(121)	912	1,104	-	1,894
Other income	-	2	47	2	-	51
Equity in earnings of subsidiaries	1,615	-	-	-	(1,615)	-
Interest charges						
Interest on long-term debt	355	-	80	144	-	579
Other interest	73	11	47	45	-	176
Total interest charges	428	11	127	189	-	755
Net income	$ 1,186	$ (130)	$ 832	$ 917	$ (1,615)	$ 1,190

Condensed Consolidating Statement of Operations
Citizens Westfield Utilities, LLC
For the Nine Months Ended June 30, 2019
(In Thousands)

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	$ -	$ 4,334	$ 6,053	$ 9,270	$ -	$ 19,657
Operating expenses						
Cost of goods sold	-	1,809	-	-	-	1,809
Other operating expenses	196	901	2,695	3,234	-	7,026
Depreciation and amortization	-	442	914	1,749	-	3,105
Taxes	-	172	955	721	-	1,848
Total operating expenses	196	3,324	4,564	5,704	-	13,788
Total operating (loss) income	(196)	1,010	1,489	3,566	-	5,869
Other income	-	5	165	19	-	189
Equity in earnings of subsidiaries	5,009	-	-	-	(5,009)	-
Interest charges						
Interest on long-term debt	248	-	434	669	-	1,351
Other interest	217	52	81	9	-	359
Total interest charges	465	52	515	678	-	1,710
Net income	$ 4,348	$ 963	$ 1,139	$ 2,907	$ (5,009)	$ 4,348

Condensed Consolidating Statement of Operations
Citizens Westfield Utilities, LLC
For the Nine Months Ended June 30, 2018
(In Thousands)

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	$ -	$ 3,961	$ 6,455	$ 8,666	$ -	$ 19,082
Operating expenses						
Cost of goods sold	-	1,600	-	-	-	1,600
Other operating expenses	201	1,015	2,613	2,936	-	6,765
Depreciation and amortization	-	432	837	1,739	-	3,008
Taxes	-	150	752	514	-	1,416
Total operating expenses	201	3,197	4,202	5,189	-	12,789
Total operating income (loss)	(201)	764	2,253	3,477	-	6,293
Other income	-	2	142	5	-	149
Equity in earnings of subsidiaries	5,812	-	-	-	(5,812)	-
Interest charges						
Interest on long-term debt	1,357	-	189	344	-	1,890
Other interest	219	34	133	127	-	513
Total interest charges	1,576	34	322	471	-	2,403
Net income	$ 4,035	$ 732	$ 2,073	$ 3,011	$ (5,812)	$ 4,039

Condensed Consolidating Statement of Cash Flows

Citizens Westfield Utilities, LLC
(In Thousands)
For the Nine Months Ended June 30, 2019

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	$ (574)	$ 1,865	$ 2,910	$ 5,849	**$ 10,050**
Investing Activities:					
Construction expenditures	-	(886)	(5,458)	(4,734)	**(11,078)**
Purchase of investment securities	-	-	(307)	(435)	**(742)**
Sale and maturity of investment securities			107	151	**258**
Net cash provided by (used in) investing activities	-	(886)	(5,658)	(5,018)	**(11,562)**
Financing Activities:					
Repayment of bank line of credit	-	-	(3,500)	(3,000)	**(6,500)**
Proceeds from bond refunding	9,000	-	20,082	25,456	**54,538**
Principal payments of long-term debt	(28,454)	-	(8,365)	(15,270)	**(52,089)**
Bond issuance costs	(127)	-	(165)	(346)	**(638)**
Additional paid-in capital and dividends	19,820	-	(160)	(160)	**19,500**
Contributions in aid of construction	-	-	(1,100)	(400)	**(1,500)**
Net cash provided by (used in) financing activities	239	-	6,792	6,280	**13,311**
Net change in cash and cash equivalents	(335)	979	4,044	7,111	**11,799**
Cash and cash equivalents at beginning of period	408	1,561	2,208	4,213	**8,390**
Cash and cash equivalents at end of period	$ 73	$ 2,540	$ 6,252	$ 11,324	**$ 20,189**

Condensed Consolidating Statement of Cash Flows

Citizens Westfield Utilities, LLC
(In Thousands)
For the Nine Months Ended June 30, 2018

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	$ (1,554)	$ 1,356	$ 2,711	$ 3,842	**$ 6,355**
Investing Activities:					
Construction expenditures	-	(473)	(2,469)	(2,104)	**(5,046)**
Net cash provided by (used in) investing activities	-	(473)	(2,469)	(2,104)	**(5,046)**
Financing Activities:					
Proceeds from bank line of credit	-	500	-	-	**500**
Principal payments of long-term debt	(33,727)	-	-	-	**(33,727)**
Additional paid-in capital and dividends	35,950	(50)	(700)	(700)	**34,500**
Contributions in aid of construction	-	-	(209)	216	**7**
Net cash provided by (used in) financing activities	2,223	450	(909)	(484)	**1,280**
Net change in cash and cash equivalents	669	1,333	(667)	1,254	**2,589**
Cash and cash equivalents at beginning of period	486	699	2,465	2,199	**5,849**
Cash and cash equivalents at end of period	$ 1,155	$ 2,032	$ 1,798	$ 3,453	**$ 8,438**

8. 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 nine months ended June 30, 2019 for the asset retirement obligation liability is as follows (in thousands):

Asset retirement obligation at September 30, 2018	$	16,734
Accretion expense		586
Remediation liabilities settled		(2,599)
Asset retirement obligation at June 30, 2019	$	14,721

In June 2018, Citizens sold certain land parcels associated with Discontinued Operations to the City of Indianapolis (the City) for $2.1 million. Remaining land parcels of Discontinued Operations, which are subject to the remediation plan discussed above, were leased to the City with ownership to be conveyed to the City upon successful completion of environmental remediation. The City's development plans for the site resulted in changes to the overall site remediation plan and timeline. A remediation work plan was prepared by Citizens and approved by the Indiana Department of Environmental Management in 2018. Effective September 30, 2018, Citizens revised its estimate of the costs and related amount of cash flows for the asset retirement obligation which resulted in a $43.0 million reduction in the asset retirement obligation liability, primarily relating to decreased estimates for future environmental remediation as required per the revised remediation work plan.

The major classes of assets and liabilities of the Manufacturing segment (reported as Discontinued Operations in Other) at June 30, 2019 and September 30, 2018, are as follows (in thousands):

		June 30, 2019		September 30, 2018
Current assets	**$**	**158**	$	1,761
Deferred charges and other non-current assets		**2**		-
Total assets	**$**	**160**	$	1,761
Equity (deficiency)	**$**	**(20,385)**	$	(22,090)
Retirement benefit and other long-term liabilities		**19,909**		22,790
Current liabilities		**636**		1,061
Total capitalization and liabilities	**$**	**160**	$	1,761

For the nine months ended June 30, 2019 and 2018 Discontinued Operations operating expenses were $0.5 million and $2.6 million, respectively. Approximately $24.7 million of cash was provided by Gas to Discontinued Operations during fiscal year 2018, and an additional $2.0 million during the nine months ended June 30, 2019, to settle a portion of the liabilities. Additional cash funding from Gas to settle liabilities may be provided to Discontinued Operations in future years.

9. RATE AND REGULATORY MATTERS

Gas

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

On April 18, 2018 and May 31, 2018, Citizens Gas filed two petitions and supporting testimony requesting approval of agreements entered into under Rate 30 of its IURC approved tariff. Pursuant to the agreements, Citizens Gas would provide gas transportation service to electric generation facilities located at the same location in Indianapolis but separately owned by Indianapolis Power & Light Company ("IPL") and Indiana Municipal Power Agency ("IMPA") at negotiated rates. Based on discussions with the Office of Utility Consumer Counselor (OUCC), in November 2018, Citizens Gas amended both petitions to seek approval of the contracts as general special contracts that are not subject to the requirements of Rate 30. In January 2019, Citizens Gas and the OUCC submitted settlement agreements and supporting testimony recommending the Commission approve both contracts. On April 3, 2019, the Commission issued orders in both cases approving the settlement agreements and the contracts with IPL and IMPA.

On April 25, 2018, Citizens Gas and Heartland Gas Pipeline, LLC (Heartland), filed a joint petition requesting certain approvals in connection with Heartland's proposed transfer of substantially all its assets to Citizens Gas Pipeline Assets, LLC (Citizens Gas Pipeline) to be held for the exclusive use and benefit of Citizens Gas. The proposed transaction will result in annual savings of $1.59 million for Citizens Gas's customers by eliminating transportation and storage charges Citizens Gas currently pays Heartland and recovers from customers through the Gas Cost Adjustment (GCA) mechanism. On July 10, 2018, the OUCC filed testimony recommending approval of the proposed transfer. On September 12, 2018, the IURC issued an order approving, without modification, the proposed asset purchase agreement pursuant to which Heartland would sell its assets to Citizens Gas Pipeline Assets, LLC, which will own the assets for the exclusive use and benefit of Citizens Gas. The transaction closed and the transfer was effected on September 28, 2018.

Citizens Thermal Steam

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

Water

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

Wastewater

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

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

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

On October 12, 2018, CWA filed a petition with the IURC requesting, among other things, a three-step increase in base rate revenues. On April 12, 2019, CWA, the OUCC and all other parties to the case filed a settlement agreement with the Commission reflecting a three-step increase in base rate revenues of $31.9 million or 11.9% for the first step, $13.9 million or 4.6% for the second step, and $12.0 million or 3.8% for the third step. Included among the various components of the revenue requirements was debt service on CWA bonds expected to be issued in 2019 (step1), 2020 (step 2) and 2021 (step 3). In the rate case settlement agreement, CWA agreed voluntarily not to seek recovery of SIA 2 revenues uncollected as of the issuance of the final order in the rate case. Accordingly, CWA expensed $4.0 million of regulatory assets related to SIA 2 revenues which were previously recorded within "Other current assets" as they were no longer probable of recovery. On July 29, 2019, the IURC issued an Order (the 2019 Wastewater Order) essentially approving the settlement agreement. The step one increase took effect on August 1, 2019. The step two and step three increases will be implemented upon confirmation of pricing for the planned CWA 2020 and 2021 bond issuances which are expected to take place in October 2020 and October 2021, respectively. Each of the three step increases is subject to a true-up to the extent the actual debt service on the bonds issued in each year is materially different than the amount assumed in the 2019 Wastewater Order.

Resources - Westfield Gas

Westfield Gas's most recent general rate case order was issued by the IURC in April 2017. On July 19, 2019, Westfield Gas filed a petition and testimony requesting approval to extend the provision of energy efficiency programs and continue a rider that provides for recovery of costs to administer the energy efficiency programs as well as a decoupling rate adjustment mechanism previously approved in prior cases for the utility. Subject to IURC approval, Westfield Gas and the OUCC agreed to a schedule that would provide for the filing of testimony by the OUCC and any intervenors on or before September 18, 2019, the filing of any rebuttal testimony by Westfield Gas on or before September 27, 2019 and a hearing before the IURC the week of October 21, 2019.

Resources - Westfield Water

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

Resources – Westfield Wastewater

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

Joint Depreciation Case

On January 12, 2018, Citizens filed a depreciation case requesting approval to implement a decrease in depreciation accrual rates when compared to current depreciation rates for Gas, Citizens Thermal Steam, Water, Wastewater, and the Westfield utilities owned by Resources. On September 10, 2018, Citizens and the OUCC submitted a settlement agreement and supporting testimony. Under the settlement agreement, neither Westfield Gas, Citizens Water of Westfield or Citizens Wastewater of Westfield will implement the change in depreciation accrual rates applicable to it approved by the Commission in this proceeding prior to the approval of new basic rates and charges in each utility's next base rate case. A hearing before the IURC was held October 24, 2018. On December 27, 2018, the IURC issued an order approving the settlement agreement without modification.

10. 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 8 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 2016, Citizens recorded a $9.4 million liability for estimated remediation and restoration costs at the Langsdale Facility. These costs are expected to be incurred over a ten-year period. Citizens filed the RWP with IDEM in November 2016. 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 $7.3 million and $7.8 million at June 30, 2019 and September 30, 2018, respectively. Due to a number of uncertainties, including uncertainty of timing, the scope of remediation, future technology, regulatory changes, and other factors, the ultimate remediation costs may exceed the amounts estimated.

<u>Potential National Priorities List Site, Indianapolis</u>

In April 2016, the United States Environmental Protection Agency (EPA) proposed that an area near downtown Indianapolis be added to the National Priorities List (NPL) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), commonly known as "Superfund," due to the presence of certain chlorinated solvents in groundwater. The area is expected to include two well fields operated by Water. In addition, Gas owns property within the evaluation area. In June 2017, the EPA acknowledged its agreement with the Indiana Department of Environmental Management (IDEM) to defer final listing of the proposed site to the NPL whereby IDEM will oversee response actions at the site. It is probable that the company will incur costs related to IDEM's response actions. While those amounts are not reasonably estimable at this time due to the early stages of this process, management does not anticipate they will have a material effect on its financial position, operations, equity, or cash flows at this time.

<u>Water System</u>

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.

<u>Wastewater System</u>

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 water of the United States.

<u>Combined Sewer Overflow Long-Term Control Plan Consent Decree</u>

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

Upon acquisition of the Wastewater System in August 2011, CWA Authority (the Authority) 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). The Authority has a capital improvement plan to meet guidelines of the Consent Decree and the overall needs of the Wastewater System. The improvements related to the Consent Decree and LTCP have been planned and scheduled through 2025. The DigIndy program, the most significant element of the Consent Decree, is the largest sewer infrastructure project in Indianapolis' history. The Deep Rock Tunnel Connector (DRTC) and the Eagle Creek Tunnel are the first two segments online of the 250 feet deep, 28-mile underground tunnel system designed to store 250 million gallons of combined sewage during wet weather events to prevent overflows from entering area rivers and streams. The stored flows will be pumped to the Southport AWTP, which was expanded as a part of this Consent Decree. The Belmont AWTP was also expanded as part of the Consent Decree and this work was completed in 2012. On December 29, 2017, the first 10 miles of the DigIndy Tunnel system and the DRTC pump station were operational and available for use. Mining for the White River and Lower 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 2021. Tunnel boring will begin shortly to mine the 3.4-mile Fall Creek Tunnel. Upon its completion, mining will begin on the tunnel system's final segment, the 7.6-mile Pleasant Run Tunnel. The Authority estimates the projected cost of the Consent Decree, including capital and operation and maintenance costs, is approximately $2.0 billion in 2016 dollars.

B. Legal Contingencies

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

11. SUBSEQUENT EVENTS

Management has considered the impact of subsequent events through August 21, 2019, the date at which these condensed combined financial statements were issued.