



Quarterly Financial Report

Q1 - 2024

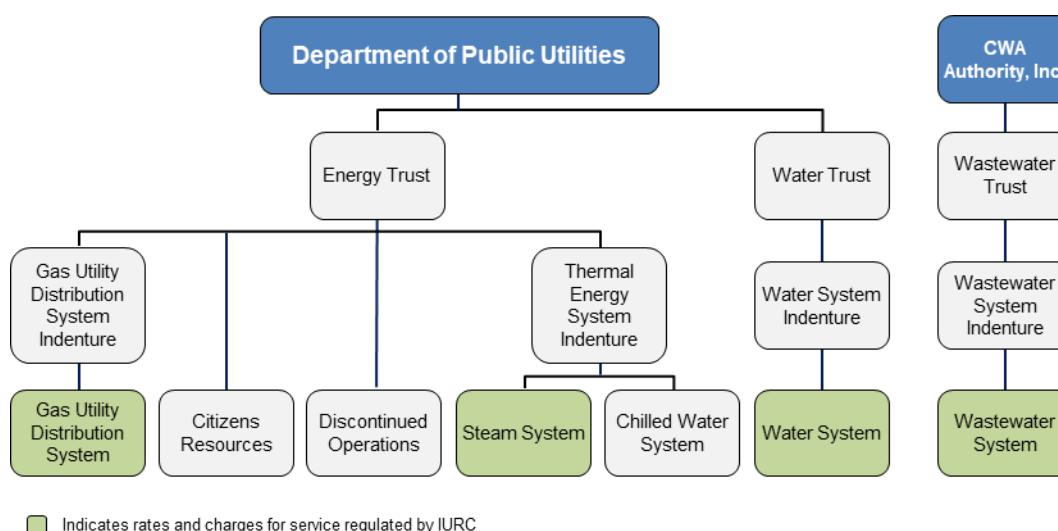
MANAGEMENT DISCUSSION AND ANALYSIS

Forward-looking Statements

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

Organization Structure

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



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

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

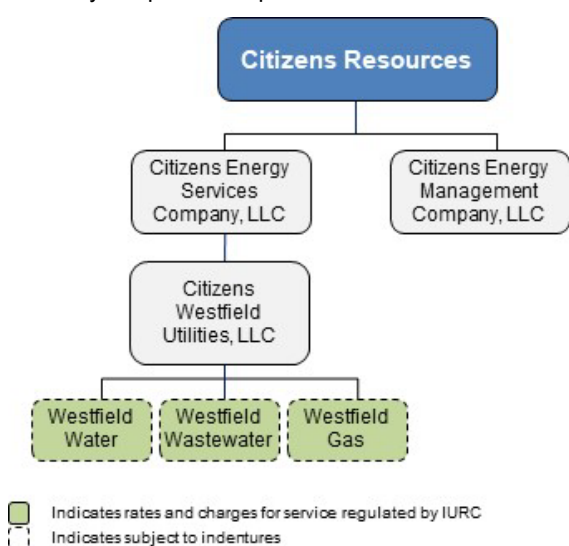
The Wastewater System is owned by CWA, a separate nonprofit corporation, which through an interlocal agreement entered into by and among Citizens, the City of Indianapolis, and the Sanitary District of the City (the "District"), acting by and through its Board of Public Works, pursuant to Indiana Code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

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

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

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

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



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

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

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

FINANCIAL RESULTS

The tables and discussion below summarize the financial results for each segment (in millions) and present an analysis of the results of our operations for the three months ended December 31, 2023, and 2022. Because of the seasonal nature of the various business units, results of operations for the period ended December 31, 2023, are not necessarily indicative of the results of operations to be expected for the full fiscal year. For a more detailed understanding of these results, see the following notes to the condensed combined financial statements:

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

SHARED SERVICES

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

	Three Months Ended Dec 31		
	2023	2022	Change
Shared Services Expenses	\$ 27.3	\$ 26.9	\$ 0.4

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

Three Months Ended December 31, 2023 as Compared with 2022

Shared services expenses were \$0.4 million higher, driven primarily by increased information technology and labor-related costs, partially offset by reduced non-service pension and post-employment benefit costs.

GAS

	Three Months Ended Dec 31		
	2023	2022	Change
Operating revenues	\$ 81.5	\$ 105.0	\$ (23.5)
Cost of goods sold	38.5	60.9	(22.4)
Margin	43.0	44.1	(1.1)
Other operating expenses	25.6	25.1	0.5
Operating income (loss)	17.4	19.0	(1.6)
Other income (expense), net	0.9	(0.4)	1.3
Interest charges	1.1	1.3	(0.2)
Segment income (loss)	\$ 17.2	\$ 17.3	\$ (0.1)

Volume sales, million Dth

Retail	8.5	9.7	(1.2)
Transportation	4.4	4.6	(0.2)
Customer specific contracts	10.5	6.6	3.9
Cost of gas sold, per Dth	\$ 4.18	\$ 5.38	\$ (1.20)
Heating degree days	1,599	1,904	(305)

Three Months Ended December 31, 2023 as Compared with 2022

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

- \$1.9 million lower margin from decreased retail and transportation sales, net of normal temperature adjustment; and
- \$1.5 million higher operating expenses driven primarily by increased shared services expense allocations; **partially offset by**
- \$1.3 million higher other income mostly due to lower non-service pension and other post-employment benefit costs;
- \$1.0 million lower storage well maintenance expenses; and
- \$0.8 million higher margin related to customer specific contracts.

STEAM

	Three Months Ended Dec 31		
	2023	2022	Change
Operating revenues	\$ 17.1	\$ 21.9	\$ (4.8)
Cost of goods sold	8.5	13.3	(4.8)
Margin	8.6	8.6	-
Other operating expenses	6.6	6.1	0.5
Operating income (loss)	2.0	2.5	(0.5)
Other income (expense), net	0.4	-	0.4
Interest charges	0.6	0.6	-
Segment income (loss)	\$ 1.8	\$ 1.9	\$ (0.1)

Volume sales, million therms	13.5	14.9	(1.4)
Heating degree days	1,599	1,904	(305)

Three Months Ended December 31, 2023 as Compared with 2022

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

- \$1.0 million lower margin due to decreased volume; and
- \$0.5 million elevated operating expenses in a number of categories, none of which were individually significant; **partially offset by**
- \$1.0 million increased margin related to revenues from special contracts and higher rates per the November 8, 2023 rate order approved by the Indiana Utility Regulatory Commission (IURC); and
- \$0.4 million higher other income driven by increased interest income and reduced non-service pension and post-employment benefit costs.

CHILLED WATER

	Three Months Ended Dec 31		
	2023	2022	Change
Operating revenues	\$ 6.8	\$ 6.5	\$ 0.3
Cost of goods sold	2.1	2.2	(0.1)
Margin	4.7	4.3	0.4
Other operating expenses	3.9	3.9	-
Operating income (loss)	0.8	0.4	0.4
Other income (expense), net	0.4	0.2	0.2
Interest charges	0.1	0.1	-
Segment income (loss)	\$ 1.1	\$ 0.5	\$ 0.6

Volume sales, million ton hours	18.5	17.4	1.1
Cooling degree days	45	3	42

Three Months Ended December 31, 2023 as Compared with 2022

The increase in earnings of \$0.6 million is primarily driven by:

- \$0.4 million additional margin from higher volume and lower cost of goods sold; and
- \$0.2 million higher other income due to increased interest income and lower non-service pension and other post-employment benefit plan costs.

WATER

	Three Months Ended Dec 31		
	2023	2022	Change
Operating revenues	\$ 55.5	\$ 50.1	\$ 5.4
Other operating expenses	32.4	33.3	(0.9)
Operating income (loss)	23.1	16.8	6.3
Other income (expense), net	1.8	0.7	1.1
Interest charges	7.4	7.7	(0.3)
Segment income (loss)	\$ 17.5	\$ 9.8	\$ 7.7

Volume sales, billion gallons	9.4	9.2	0.2
Precipitation, inches	4.7	5.5	(0.8)

Three Months Ended December 31, 2023 as Compared with 2022

The increase in earnings of \$7.7 million was attributable to:

- \$5.4 million of increased revenue, for which the primary components were:
 - \$3.3 million Distribution System Improvement Charges approved in November 2022 and 2023;
 - \$1.2 million higher sales volume due to increased consumption; and
 - \$0.8 million revenues related to the Lead Service Line Replacement Plan approved in May 2022
- \$1.9 million lower operating expenses, primarily contract services and electricity; and
- \$1.1 million higher other income due to increased interest income and lower non-service pension and post-employment benefit plan costs.

These improvements were **partially offset by**:

- \$1.0 million higher operating expenses across various categories, none of which were individually significant.

WASTEWATER

	Three Months Ended Dec 31		
	2023	2022	Change
Operating revenues	\$ 77.5	\$ 80.3	\$ (2.8)
Other operating expenses	45.0	47.3	(2.3)
Operating income (loss)	32.5	33.0	(0.5)
Other income (expense), net	3.1	1.7	1.4
Interest charges	10.9	12.6	(1.7)
Segment income (loss)	\$ 24.7	\$ 22.1	\$ 2.6
Treatment volume sales, billion gallons	7.0	7.3	(0.3)
Strength surcharge, million pounds	7.1	13.0	(5.9)

Three Months Ended December 31, 2023 as Compared with 2022

The increase in earnings of \$2.6 million is principally due to the following:

- \$2.3 million lower operating expenses, primarily electricity, contract services, and chemicals;
- \$1.4 million higher other income due to higher interest income and lower non-service pension and post-employment benefit plan costs; and
- \$1.7 million lower interest expense, for which primary causes include:
 - \$1.7 million increased capitalized interest;
 - \$1.0 million reduced interest expense resulting from a lower amount of debt outstanding and bond refunding activities; these decreases were partially offset by
 - \$1.0 million interest on the Series 2022B bonds issued in November 2022.

The increases above were offset by \$2.8 million of lower operating revenues, primarily due to lower industrial sales, including strength surcharges.

RESOURCES

	Three Months Ended Dec 31		
	2023	2022	Change
Operating revenues	\$ 11.7	\$ 11.9	\$ (0.2)
Cost of goods sold	1.0	2.1	(1.1)
Margin	10.7	9.8	0.9
Other operating expenses	7.1	5.7	1.4
Operating income (loss)	3.6	4.1	(0.5)
Other income (expense), net	0.2	0.1	0.1
Interest charges	0.5	0.7	(0.2)
Segment income (loss)	\$ 3.3	\$ 3.5	\$ (0.2)

Three Months Ended December 31, 2023 as Compared with 2022

The decrease in earnings of \$0.2 million was largely driven by:

- \$1.4 million increased operating expenses, primarily contract services at CEMCO; **partially offset by**
- \$0.9 million higher margin from the Westfield utilities; and
- \$0.2 million lower interest expense due to additional capitalized interest at Westfield Wastewater.

OTHER

	Three Months Ended Dec 31		
	2023	2022	Change
Operating revenues	\$ -	\$ -	\$ -
Operating expenses	-	0.1	(0.1)
Operating income (loss)	-	(0.1)	0.1
Other income (expense), net	(0.6)	(0.3)	(0.3)
Interest charges	-	0.1	(0.1)
Income (loss) from discontinued operations	-	(0.1)	0.1
Segment income (loss)	\$ (0.6)	\$ (0.6)	\$ -

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

Three Months Ended December 31, 2023 as Compared with 2022

Earnings were comparatively flat with the prior period as increased community investments and advertising expenses were offset by lower costs in several areas, none of which were individually significant.

LIQUIDITY AND CAPITAL RESOURCES

Debt and Liquidity

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

Capital Spending

For the three months ended December 31, 2023, capital expenditures, on an accrual basis, increased by \$16.2 million to \$97.0 million from \$80.8 million during the same period last year. This increase is summarized in the table below (in millions). Certain accrued expenditures, including all capitalized interest, have been included in Other for segment presentation of capital expenditures, while the capitalized interest amounts on the segmented statements of financial position are reflected as Property, Plant, and Equipment in their respective segments.

Year To Date	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
December 31, 2023	\$ 12.5	\$ 3.4	\$ 4.2	\$ 14.7	\$ 45.3	\$ 9.2	\$ 7.7	\$ 97.0
December 31, 2022	8.9	0.6	0.9	16.8	46.2	2.9	4.5	80.8
	<u>\$ 3.6</u>	<u>\$ 2.8</u>	<u>\$ 3.3</u>	<u>\$ (2.1)</u>	<u>\$ (0.9)</u>	<u>\$ 6.3</u>	<u>\$ 3.2</u>	<u>\$ 16.2</u>

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

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

Gas continues to invest in mains and services to maintain the safety and reliability of its underground distribution system. Gas had cash and cash equivalents of \$19.2 million at December 31, 2023. Gas expects to meet its capital spending requirements in 2024 through cash flows from operations and temporary seasonal borrowings.

Citizens Thermal's Steam business segment continues to invest in distribution assets and production equipment for its existing system as well as to meet future needs for customer growth. Chilled Water capital spending plans similarly include investments in existing distribution assets and production equipment in addition to investments to meet future needs for customer growth. At December 31, 2023, cash and cash equivalents of Steam and Chilled Water amounted to \$10.2 million and \$23.5 million, respectively. Steam expects to meet its capital spending requirements in 2024 through cash flows from operations and temporary seasonal borrowings while Chilled Water expects to meet its 2024 capital spending requirements through cash flows from operations.

The Water business segment has a capital improvement plan to address system reliability, maintain compliance with regulations, and implement various distribution system and treatment plant improvements. Water had cash and cash equivalents of \$14.4 million at December 31, 2023. Water expects to meet its capital spending requirements in 2024 through cash flows from operations and temporary seasonal borrowings.

The Wastewater business segment has a capital improvement plan to meet guidelines of the Combined Sewer Overflow Long-Term Control Plan and the overall needs of the Wastewater System. See Note 11 to the condensed combined financial statements for additional information regarding the Combined Sewer Overflow Long-Term Control Plan. The capital improvement plan also includes other improvements to and expansion of the Wastewater System. Wastewater had cash and cash equivalents of \$72.5 million at December 31, 2023, including \$26.4 million in the construction fund. Wastewater expects to meet its capital spending requirements in 2024 through a combination of cash flows from operations and amounts from the construction fund.

Resources' capital spending projection for 2024 includes activities at Westfield Gas, Westfield Water, and Westfield Wastewater. Resources had cash and cash equivalents of \$21.2 million at December 31, 2023. Resources expects to meet its capital spending requirements in 2024 through a combination of cash flows from operations, issuance of new long-term debt, and temporary seasonal borrowings.

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Condensed Combined Statements of Financial Position

(In Thousands)

	At December 31, 2023	At September 30, 2023
ASSETS		
Property, plant, and equipment, net	\$ 4,973,830	\$ 4,897,128
Intangible assets, net	42,157	43,083
Investments		
Bond restricted funds	217,302	259,296
Other	19,721	18,998
Total investments	237,023	278,294
Current assets		
Cash and cash equivalents	171,554	248,566
Short-term investments	1,074	200
Accounts receivable, net of allowances of \$6,732 and \$5,821, respectively	100,028	91,345
Accrued utility revenue	34,661	24,930
Natural gas in storage	42,076	44,215
Materials and supplies	19,368	19,168
Other current assets	10,721	16,686
Current assets directly related to discontinued operations	951	1,176
Total current assets	380,433	446,286
Deferred charges and other non-current assets		
Deferred charges	27,914	30,527
Prepaid retirement benefit costs	73,479	70,412
Non-current assets directly related to discontinued operations	3,777	3,663
Total deferred charges and other non-current assets	105,170	104,602
TOTAL ASSETS	\$ 5,738,613	\$ 5,769,393
CAPITALIZATION AND LIABILITIES		
Capitalization and non-current liabilities		
Retained earnings	\$ 1,536,007	\$ 1,472,345
Accumulated other comprehensive income	34,749	34,783
Long-term debt (excluding current maturities)	3,155,449	3,219,671
Retirement benefits	41,030	41,611
Contributions in aid of construction	511,249	488,874
Other long-term liabilities	94,513	90,636
Non-current liabilities directly related to discontinued operations	13,657	13,661
Total capitalization and non-current liabilities	5,386,654	5,361,581
Current liabilities		
Current maturities of long-term debt	119,665	116,629
Short-term borrowings	20,000	20,000
Accounts payable and accrued expenses	131,285	178,137
Accrued taxes	60,372	71,218
Customer deposits	9,878	9,752
Other current liabilities	10,730	11,921
Current liabilities directly related to discontinued operations	29	155
Total current liabilities	351,959	407,812
Commitments and contingencies (see note 11)		
TOTAL CAPITALIZATION AND LIABILITIES	\$ 5,738,613	\$ 5,769,393

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

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Condensed Combined Statements of Operations and Comprehensive Income

(In Thousands)

	Three Months Ended December 31,	
	2023	2022
Operating revenues	\$ 246,762	\$ 266,262
Operating expenses		
Cost of goods sold	47,272	69,450
Operations and maintenance	72,610	73,993
Depreciation and amortization	33,754	33,102
Taxes	13,657	13,949
Total operating expenses	167,293	190,494
Operating income	79,469	75,768
Other income (expense), net		
Interest income	4,751	2,452
Non-operating post-employment benefits, net	2,004	(8)
Other	(643)	(556)
Total other income (expense), net	6,112	1,888
Income before interest charges	85,581	77,656
Interest charges		
Interest on long-term debt	33,146	33,775
Other interest, including net premium amortization	(12,586)	(10,774)
Total interest charges	20,560	23,001
Income from continuing operations	65,021	54,655
Loss from discontinued operations	20	(115)
Net income	\$ 65,041	\$ 54,540
Retirement benefit liability changes:		
Amortization of prior service credit	(500)	(541)
Amortization of (gain) loss	(124)	(107)
Total retirement benefit liability changes	(624)	(648)
Unrealized gain (loss) on available-for-sale investments	590	185
Total other comprehensive income (loss)	(34)	(463)
Total comprehensive income	\$ 65,007	\$ 54,077

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

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Condensed Combined Statements of Cash Flows

(In Thousands)

	Three Months Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 65,041	\$ 54,540
Depreciation and amortization	26,139	25,589
Allowance for credit losses	3,504	1,812
Changes in operating assets and liabilities:		
Accounts receivable and accrued utility revenue	(23,296)	(31,917)
Natural gas in storage	2,139	7,829
Accounts payable and accrued expenses	(38,823)	(45,186)
Retirement benefits	(4,272)	(4,261)
Other operating activities	6,995	(6,227)
Change in net liabilities of discontinued operations	(21)	116
Net cash provided by operating activities	37,406	2,295
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction expenditures	(113,474)	(107,245)
Other investing activities	(1,095)	(250)
Net cash used in investing activities	(114,569)	(107,495)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings and bank lines of credit	5,000	27,000
Principal payments of long-term debt and bond refunding	(64,740)	(61,100)
Proceeds from issuance of long-term debt and bond refunding	11,000	156,861
Bond issuance costs	(416)	(1,359)
Contributions in aid of construction and customer advances, net	6,419	(2,419)
Other financing activities	214	243
Net cash provided by (used in) financing activities	(42,523)	119,226
Net change in cash, cash equivalents, and restricted cash	(119,686)	14,026
Cash, cash equivalents, and restricted cash at beginning of period	501,257	493,202
Cash, cash equivalents, and restricted cash at end of period	\$ 381,571	\$ 507,228
Supplemental Cash Flows Information - Interest paid net of amounts capitalized	\$ 48,423	\$ 49,715
Non-cash Investing Activities		
Construction work-in-progress accrued at end of period	\$ 36,183	\$ 36,029

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

Cash and cash equivalents	\$ 171,554	\$ 310,175
Restricted cash included in Bond restricted funds	204,290	191,523
Restricted cash included in Other current assets	2,053	1,992
Restricted cash included in Investments, Other	3,674	3,538
Cash, cash equivalents, and restricted cash at end of period	\$ 381,571	\$ 507,228

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

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Condensed Combined Statements of Equity

(In Thousands)

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at September 30, 2022	\$ 1,247,178	\$ (15,698)	\$ 1,231,480
Comprehensive income			
Net income	54,540	-	54,540
Unrealized gain (loss) on available-for-sale investments	-	185	185
Retirement benefit liability changes	-	(648)	(648)
Total comprehensive income	54,540	(463)	54,077
Customer benefit distributions	-	-	-
Balance at December 31, 2022	\$ 1,301,718	\$ (16,161)	\$ 1,285,557
Balance at September 30, 2023	\$ 1,472,345	\$ 34,783	\$ 1,507,128
Comprehensive income			
Net income	65,041	-	65,041
Unrealized gain (loss) on available-for-sale investments	-	590	590
Retirement benefit liability changes	-	(624)	(624)
Total comprehensive income	65,041	(34)	65,007
Customer benefit distributions	-	-	-
Adjustment for adoption of ASC 326 - See footnote 2E	(1,379)	-	(1,379)
Balance at December 31, 2023	\$ 1,536,007	\$ 34,749	\$ 1,570,756

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

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

1. NATURE OF OPERATIONS AND PRESENTATION

A. Nature of Operations

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

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

B. Basis of Presentation

The accompanying condensed combined interim financial statements are unaudited and should be read in conjunction with the combined annual financial statements, and the notes thereto, included in the Citizens Energy Group Management Discussion and Financial Report for the year ended September 30, 2023. Because of the seasonal nature of the various business segments, the results of operations for the period ended December 31, 2023 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.

On June 6, 2023, the Indiana Utility Regulatory Commission approved the merger between Citizens Westfield Water and Southern Madison Utilities, LLC as more fully described in Note 10, Rate and Regulatory Matters. The merger was a non-cash common control acquisition by Westfield Water. As a result, Westfield Water acquired the business at its historical cost basis. The transaction did not impact the Company's carrying basis in any entity nor did the Company recognize any gain or loss in connection with the transaction. The Company accounted for the merger using the guidance prescribed by ASC 805-50, "Transactions between Entities Under Common Control". Accordingly, the financial statements of Westfield Water, the receiving and surviving entity, are reporting results of operations in Note 7 for the period in which the merger occurred as though the merger had occurred at the beginning of the financial period.

C. Global Supply Chain and Related Economic Impacts

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Use of Estimates

The preparation of the condensed combined financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the amounts reported in the condensed combined financial statements and the accompanying notes. Key estimates include the recoverability of regulatory assets; fair value estimates; asset lives used in computing depreciation and amortization; asset retirement obligations; other reserves and accruals; and the estimated impact of contingencies and ongoing litigation. While management believes that its estimates are reasonable when

considered in conjunction with the Company's condensed combined financial position and results of operations, actual results could differ materially from those estimates.

B. Derivatives and Hedging

In fiscal years 2024 and 2023, Citizens entered into certain derivative and economic hedging transactions with the objective of decreasing the volatility associated with fluctuating natural gas prices. Through a combination of fixed-price purchases, call options, futures, contracted interstate pipeline storage, and on-system company-operated storage, Citizens mitigates the risk of price volatility on approximately 80 percent of its anticipated system supply demand. Citizens' Annual Hedging Plan sets guidelines to support prudent risk management strategies within designated parameters. These instruments, in conjunction with physical gas supply contracts, are designated to cover estimated gas customer requirements. Such energy contracts, to the extent they are not considered "normal" as defined by Financial Accounting Standards Board (FASB) guidance, are recognized at fair value as derivative assets or liabilities on the Condensed Combined Statements of Financial Position. Gains/losses and fees associated with these derivatives, when realized, are generally included in the Gas and Fuel Cost Adjustment trackers. Accordingly, the offset to the change in fair value of these derivatives is recorded as a regulatory asset or liability.

The following tables present information (in thousands) about the Company's derivative instruments and hedging activities. The first table provides a financial position overview of the Company's derivative assets and liabilities at December 31, 2023 and September 30, 2023, while the latter table provides a breakdown of the related impact on the results of operations for the three months ended December 31, 2023 and 2022. The Company generally recovers all derivative costs through its regulatory mechanism for gas cost adjustments; hence there is minimal financial risk to the Company with respect to these derivative instruments. Individual derivative asset and liability transactions are offset and the net amount is reported in the Condensed Combined Statements of Financial Position if, and only if, there is currently an enforceable legal right to offset the amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously. Individual derivative transactions are typically offset at the legal entity and counterparty level. The impact of netting derivative assets and liabilities is presented in the table below (in thousands):

Fair Value of Derivative Instruments

Derivative Instrument	Derivative Designation	Condensed Combined Statement of Financial Position Location	December 31, 2023		September 30, 2023	
			Derivative Assets Fair Value	Derivative Liabilities Fair Value	Derivative Assets Fair Value	Derivative Liabilities Fair Value
Commodity Contracts	Not accounted for as a hedge	Other current assets (liabilities)	\$ 4,246	\$ (4,887)	\$ 4,968	\$ (3,563)

Commodity contracts represent exchange-traded options and futures. The margin receivable, which is excluded from the table above, was \$1.7 million at December 31, 2023 and \$0.1 million at September 30, 2023. At December 31, 2023 and September 30, 2023, the Company had 25.4 million and 22.8 million dekatherms, respectively, of net energy derivative volumes outstanding related to its natural gas hedges.

Derivative Impact on Condensed Combined Statement of Operations

Derivative Instrument	Derivative Designation	Condensed Combined Statement of Operations Location	Three Months Ended December 31,	
			2023	2022
Commodity Contracts	Not accounted for as a hedge	(Gain)/loss in cost of goods sold	\$ 3,709	\$ (4,694)

As noted above, the derivative impact in utility cost of goods sold is recovered through regulatory gas rate adjustments in subsequent months. The derivative impact on cash flow for the three months ended December 31, 2023 and 2022 is included in cash flows from operating activities.

C. Fair Value Measurements

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

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

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

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

The following table presents the financial assets and liabilities measured at fair value on a recurring basis, based on the hierarchy, at December 31, 2023 and September 30, 2022 (in thousands). There were no financial liabilities at September 30, 2023.

<u>Description</u>	December 31, 2023 Fair Value Measurements Using		
	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	\$ 23,710	\$ -	\$ -
Bond restricted funds	204,289	-	-
Grantor Trust investments	15,984	-	-
Derivative assets	-	-	-
Total financial assets measured at fair value	<u>\$ 243,983</u>	<u>\$ -</u>	<u>\$ -</u>
Financial Liabilities:			
Derivative liabilities	\$ (641)	\$ -	\$ -
<u>Description</u>	September 30, 2023 Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			
Cash equivalents	\$ 22,410	\$ -	\$ -
Bond restricted funds	246,284	-	-
Grantor Trust investments	15,180	-	-
Derivative assets	1,405	-	-
Total financial assets measured at fair value	<u>\$ 285,279</u>	<u>\$ -</u>	<u>\$ -</u>

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 \$217.3 and \$259.3 million at December 31, 2023, and September 30, 2023, respectively. In accordance with fair value disclosure guidance, \$13.0 million of investments in a guaranteed investment contract are excluded in determining the fair value of bond restricted funds pursuant to ASC 825-10-50-8c at December 31, 2023, and September 30, 2023. Gross deposits to the bond restricted fund investments during the first three months of fiscal years 2024 and 2023 were \$73.7 million and \$59.5 million, respectively.

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

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

Management has estimated the fair value of the outstanding debt securities based on the coupons of the outstanding bonds and the current market yields. These are Level 2 fair value measurements. Management established the corresponding price to the call date as well as the price to maturity. The fair value was determined based on the lower of these two prices. Using this method, the estimated fair value of debt is \$3.1 billion at December 31, 2023, and \$3.0 billion at September 30, 2023, versus the carrying value of \$3.3 billion at December 31, 2023, and \$3.3 billion at September 30, 2023. In the case of Resources debt, the carrying value approximates fair value.

Customers' advances for construction have a carrying value at December 31, 2023, for Water, Wastewater, and Resources of \$19.7 million, \$9.5 million, and \$19.2 million, respectively, versus the carrying values at September 30, 2023, for Water, Wastewater, and Resources of \$19.8 million, \$9.0 million, and \$19.8 million, respectively. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables, including new customer connections, customer consumption levels, and future rate increases. Portions of these non-interest-bearing instruments are payable annually through 2032 and amounts not paid by the respective contract expiration dates become non-refundable. The fair value of these amounts would, however, be less than their carrying value due to the non-interest-bearing feature.

D. Comprehensive Income (Loss)

Comprehensive income (loss) is primarily a measure of all changes in equity of an enterprise which result from the transactions or other economic events during the period. This information is reported in the Condensed Combined Statements of Operations and Comprehensive Income. Citizens' components of accumulated other comprehensive (loss) income (AOCI) include the impact of pension and other post-employment benefits and mark to market valuation adjustments for available-for-sale investments. The following table presents changes in accumulated other comprehensive (loss) income by component for the three months ended December 31, 2023 (in thousands):

	Pension Plan	Other Postemployment Benefits	Other	Total
Accumulated other comprehensive income (loss) at September 30, 2023	\$ 15,376	\$ 20,568	\$ (1,161)	\$ 34,783
Net current-period other comprehensive income (loss)	24	(648)	590	(34)
Accumulated other comprehensive income (loss) at December 31, 2023	<u>\$ 15,400</u>	<u>\$ 19,920</u>	<u>\$ (571)</u>	<u>\$ 34,749</u>

E. Current Expected Credit Losses

Effective October 1, 2023, the Company adopted Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments and all related amendments using a modified retrospective approach, which requires use of a current expected credit loss (CECL) model for the measurement of credit losses on financial instruments within the scope of the guidance. Under this model, the Company segregates financial assets which fall under the scope of ASC 326 into portfolio segments based on shared risk characteristics, such as account aging and payment activity status, for evaluation of expected credit losses. Historical and current information, including average write-offs, are applied to each portfolio segment to estimate the allowance for losses on uncollectible receivables. Additionally, the allowance for losses on uncollectible receivables can be adjusted for reasonable and supportable forecasts of future economic conditions, which can include commodity prices, regulations, and macroeconomic factors, among others. See footnote 5, Revenue Recognition, for additional information regarding the Company's accounts receivable. On October 1, 2023, the Company recorded a reduction to retained earnings of approximately \$1.4 million representing the cumulative effect of adopting the new standards update, which primarily related to the impact of applying the CECL model to the Company's trade accounts receivable.

3. LONG-TERM DEBT

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

	(In Thousands)					
	December 31, 2023			September 30, 2023		
	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)
Gas						
Gas Utility Distribution System Series 2013A, Second Lien Revenue Refunding Bonds, 4.125% to 5.250%, due 2027 to 2030	\$ 54,465	\$ -	\$ 690	\$ 54,465	\$ -	\$ 720
Gas Utility Distribution System Series 2017A, Second Lien Revenue Refunding Bonds 5.00%, due 2025 to 2027	49,825	-	2,815	49,825	-	3,076
Gas Utility Distribution System Series 2020A Second Lien Revenue Refunding Bonds 5.00%, due 2024	-	16,965	465	-	16,964	651
Subtotal Gas	104,290	16,965	3,970	104,290	16,964	4,447
Thermal						
Thermal Energy System Series 2013A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2024 to 2033	4,795	425	8	5,220	405	9
Thermal Energy System Series 2014A, First Lien Revenue Refunding Bonds, 4.00% to 5.00%, due 2024 to 2034	21,945	1,660	1,425	23,605	1,585	1,482
Thermal Energy System Series 2016A, First Lien Revenue Refunding Bonds, 5.00%, due 2024 to 2029	14,295	11,225	1,101	25,520	10,665	1,277
Subtotal Thermal	41,035	13,310	2,534	54,345	12,655	2,768
Water						
Water Utility Series 2011D (ILPIBB 2007B) *, First Lien Net Revenue Bonds, 5.25%, due 2024 to 2025	12,340	23,380	(48)	12,340	23,380	(49)
Water Utility Series 2014A, First Lien Net Revenue Bonds, 4.00% to 5.00%, due 2024 to 2044	7,430	650	417	8,080	625	433
Water Utility Series 2016A, First Lien Revenue Bonds, 5.00%, due 2024 to 2046	45,070	1,460	7,216	46,530	1,390	7,324
Water Utility Series 2016B, First Lien Refunding Revenue Bonds, 4.00% to 5.00%, due 2024 to 2038	166,485	4,605	19,203	171,090	4,410	19,760
Water Utility Series 2018A, First Lien Refunding Revenue Bonds, 3.50% to 5.00%, due 2024 to 2038	302,350	695	29,170	303,045	1,350	29,958
Water Utility Series 2021A First Lien Revenue Bonds 3.00% to 5.00%, due 2024 to 2051	73,225	1,895	14,441	75,120	1,805	14,701

	(In Thousands)					
	December 31, 2023			September 30, 2023		
	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 2023A First Lien Revenue Refunding Bonds 4.00% to 5.00%, due 2025 to 2044	89,620	-	12,046	89,620	-	12,271
Water Utility Series 2023B First Lien Revenue Bonds (SRF) 0.00%, due 2024 to 2043	4,750	250	(81)	-	-	-
Water Utility Series 2023C First Lien Revenue Bond Anticipation Note 0.00%, due 2027	6,000	-	-	-	-	-
Subtotal Water	707,270	32,935	82,364	705,825	32,960	84,398
Wastewater						
CWA Wastewater Utility Series 2012A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2038 to 2042	53,925	-	3,671	53,925	-	3,711
CWA Wastewater Utility Series 2014A, First Lien Revenue Bonds, 4.25% to 5.00%, due 2024 to 2044	114,870	5,540	8,459	120,410	5,275	8,613
CWA Wastewater Utility Series 2015A, First Lien Revenue Bonds, 3.25% to 5.00%, due 2024 to 2045	89,405	3,595	10,864	93,000	3,425	11,013
CWA Wastewater Utility Series 2016A, First Lien Revenue Bonds 5.00%, due 2024 to 2046	145,435	3,880	24,776	149,315	3,695	25,133
CWA Wastewater Utility Series 2016B, Second Lien Revenue Refunding Bonds, 3.00% to 5.00%, due 2024 to 2046	36,420	1,005	1,254	37,425	965	1,301
CWA Wastewater Series 2016C, First Lien Revenue Bonds (SRF), 2.00%, due 2024 to 2036	8,165	595	(45)	8,165	595	(47)
CWA Wastewater Series 2017A, First Lien Revenue Bonds (SRF), 3.53%, due 2024 to 2047	138,838	3,873	(55)	138,838	3,873	(56)
CWA Wastewater Series 2019A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2024 to 2049	38,060	770	7,007	38,830	730	7,097
CWA Wastewater Series 2019B, First Lien Revenue Bonds (SRF), 2.99%, due 2024 to 2050	164,745	4,155	(60)	164,745	4,155	(61)
CWA Wastewater Series 2020A First Lien Revenue Bonds 4.00% to 5.00% due 2024 to 2050	53,110	1,060	11,230	54,170	1,015	11,368
CWA Wastewater Series 2020B First Lien Revenue Bonds (SRF) 2.56%, due 2024 to 2051	65,582	1,673	(63)	65,582	1,673	(64)
CWA Wastewater Series 2021-1 First Lien Revenue Refunding Bonds 3.00% to 5.00%, due 2024 to 2041	410,920	15,385	85,648	426,305	14,650	87,867

	(In Thousands)					
	December 31, 2023			September 30, 2023		
	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)
CWA Wastewater Series 2021-2 Second Lien Revenue Refunding Bonds 3.00% to 5.00%, due 2024 to 2041	163,935	6,120	37,082	170,055	5,830	37,976
CWA Wastewater Series 2021A First Lien Revenue Bonds 3.00% to 5.00%, due 2024 to 2051	42,225	805	7,566	43,030	765	7,678
CWA Wastewater Series 2021B First Lien Revenue Bonds (SRF) 2.38%, due 2024 to 2052	50,087	1,249	(48)	50,087	1,249	(49)
CWA Wastewater Series 2022A First Lien Revenue Refunding Bonds 5.00%, due 2024 to 2037	82,105	4,415	6,382	86,520	4,205	6,560
CWA Wastewater Series 2022B First Lien Revenue Refunding Bonds 5.00% to 5.25%, due 2024 to 2052	145,715	2,335	5,511	148,050	1,950	5,551
CWA Wastewater Series 2023A First Lien Revenue Refunding Bonds 4.00% to 5.00%, due 2027 to 2041	122,025	-	15,687	122,025	-	15,977
Subtotal Wastewater	1,925,567	56,455	224,866	1,970,477	54,050	229,568
Resources						
Citizens Westfield Water Series 2019A, Revenue Bonds, 4.00%, due 2048	20,000	-	(64)	20,000	-	(65)
Citizens Westfield Wastewater Series 2019A, Revenue Bonds, 5.00%, due 2048	22,660	-	2,238	22,660	-	2,250
Citizens Westfield Water Series 2022A, Revenue Bonds, 4.00%, due 2052	16,000	-	(1,164)	16,000	-	(1,170)
Citizens Westfield Gas Series 2022A Revenue Bonds 4.05%, due 2029	4,000	-	(117)	4,000	-	(122)
Subtotal Resources	62,660	-	893	62,660	-	893
Total	\$ 2,840,822	\$ 119,665	\$ 314,627	\$ 2,897,597	\$ 116,629	\$ 322,074

* Indianapolis Local Public Improvement Bond Bank (ILPIBB)

Recent Debt Transaction Activity

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

On December 28, 2023, Water issued \$5.0 million of First Lien Revenue Bonds through the Indiana Finance Authority's State Revolving Fund, Series 2023B. The Series 2023B bonds were issued at par, have principal maturities between

2024 and 2043, and bear interest of 0.00%. The bonds were issued to fund planning, design, and construction costs for specified Water system lead service line replacement projects.

On December 28, 2023, Water issued a \$6.0 million First Lien Revenue Bond Anticipation Note through the Indiana Finance Authority's State Revolving Fund, Series 2023C. The Series 2023C Bond Anticipation Note (BAN) was issued at par and bears interest of 0.00%. Proceeds from the BAN are to fund planning, design, and construction costs for specified Water system lead service line replacement projects. If Citizens meets the requirements of the funding agreement, the Series 2023C BAN is eligible to be forgiven and discharged in March 2027.

4. SHORT-TERM AND OTHER BORROWINGS

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

Entity	Credit Capacity	Maturity Date	Interest Rate	Commitment Fee	Amount Outstanding at (in millions)	
					December 31, 2023	September 30, 2023
Gas	50.0 million	September 29, 2024	SOFR ¹ + 0.62%	0.250%	\$ -	\$ -
Gas	25.0 million	August 1, 2025	SOFR + 0.90%	0.200%	-	-
Thermal	20.0 million	July 25, 2025	BSBY ² + 1.125%	0.125%	5.0	-
Water	15.0 million	April 30, 2025	SOFR + 1.60%	0.200%	-	-
Water	25.0 million	November 2, 2023	83% of BSBY + 0.95%	0.250%	*	-
Water	25.0 million	November 2, 2026	83% of BSBY + 1.40%	0.300%	-	**
Water	25.0 million	November 18, 2024	82% of SOFR + 1.31%	0.200%	20.0	20.0
Wastewater	45.0 million	July 15, 2026	80% of BSBY + 0.55%	0.325%	-	-
Wastewater	50.0 million	October 1, 2025	SOFR + 0.68%	0.240%	-	-

¹ Secured Overnight Financing Rate (SOFR)

* Line of credit matured prior to December 31, 2023.

² Bloomberg Short-Term Bank Yield Index (BSBY)

** Line of credit initiated after September 30, 2023.

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

Thermal closed on a \$30.0 million line of credit on February 2, 2024 with an interest rate of SOFR + 0.62% and a maturity date of February 2, 2027.

Resources

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

Entity	Credit Capacity	Maturity Date	Interest Rate	Commitment Fee	Amount Outstanding at (in millions)	
					December 31, 2023	September 30, 2023
Westfield Gas	7.0 million	March 30, 2025	BSBY + 1.65%	0.250%	\$ 3.0	\$ 3.0
Westfield Water	7.0 million	March 10, 2025	BSBY + 0.90%	0.100%	-	-
Westfield Wastewater	5.0 million	March 10, 2025	BSBY + 0.90%	0.100%	-	-

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

5. REVENUE RECOGNITION

Citizens recognizes revenue consistent with amounts billed under tariff offerings or at contractually agreed upon rates based on actual delivery of utility service, including estimated volumes delivered when billings have not yet occurred. The majority of the Company's revenues have fixed pricing based on the contractual terms of the published tariffs, with variability in expected cash flows attributable to the customer's volumetric demand during the billing period.

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

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

Revenues from Contracts with Customers

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

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

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

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

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

Alternative Revenue Programs

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

Disaggregated Revenues

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

Three Months Ended December 31, 2023

	Gas	Steam	Chilled Water	Water	Waste- Water	Resources	Intercompany Eliminations	Total
Residential	\$ 52,931	\$ -	\$ -	\$ 31,836	\$ 41,095	\$ 7,409	\$ -	\$ 133,271
Commercial	20,121	10,188	6,717	18,676	26,228	2,114	(1,499)	82,545
Industrial	6,282	7,000	95	2,325	6,991	21	(1,412)	21,302
Other	2,188	(53)	-	2,708	3,186	2,125	(545)	9,609
Revenues - Contracts w/Customers	81,522	17,135	6,812	55,545	77,500	11,669	(3,456)	246,727
Alternative Revenue Programs	-	-	-	-	-	35	-	35
Gross Operating Revenues	\$ 81,522	\$ 17,135	\$ 6,812	\$ 55,545	\$ 77,500	\$ 11,704	\$ (3,456)	\$ 246,762

Three Months Ended December 31, 2022

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

Accounts Receivable and Unbilled Revenue

Amounts due from customers are reflected on the Condensed Combined Statements of Financial Position in the line items labeled "Accounts receivable" for revenue billed to customers and "Accrued utility revenue" which represents unbilled customer revenues. Unbilled revenues relate to a portion of a customer's consumption of utility services from the date of the last cycle billing date through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage and customer rates. The Company had no contract assets or liabilities during the periods presented. Additionally, the Company has not incurred any significant costs to obtain or fulfill contracts. The opening and closing balances for customer accounts receivable and accrued utility revenue for the three months ended December 31, 2023, and 2022 are presented in the tables below.

Citizens and CWA offer flexible payment plans to customers experiencing hardship. At December 31, 2023, the Company's allowance for credit losses is \$6.7 million compared with \$5.8 million at September 30, 2023. The increase in the allowance at December 31, 2023 compared with September 30, 2023 is largely due to adoption of ASC 326 on October 1, 2023 (see note 2E for additional information). The adverse impact economic conditions may have on customers' ability to pay is unknown and difficult to predict; however, management is monitoring changing circumstances and will adjust, if necessary, the allowance for credit losses as additional information becomes available.

Accounts Receivable, net

<u>\$ Thousands</u>	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Total
Balance at December 31, 2023	\$ 30,993	\$ 7,832	\$ 3,400	\$ 24,538	\$ 28,633	\$ 4,632	\$ 100,028
Balance at September 30, 2023	16,735	5,170	6,373	28,771	30,072	4,224	91,345
Increase (Decrease)	\$ 14,258	\$ 2,662	\$ (2,973)	\$ (4,233)	\$ (1,439)	\$ 408	\$ 8,683
Balance at December 31, 2022	\$ 42,670	\$ 10,149	\$ 2,862	\$ 19,484	\$ 31,078	\$ 3,112	\$ 109,355
Balance at September 30, 2022	26,415	5,987	5,083	22,152	31,447	2,760	93,844
Increase (Decrease)	\$ 16,255	\$ 4,162	\$ (2,221)	\$ (2,668)	\$ (369)	\$ 352	\$ 15,511

Accrued Utility Revenue

<u>\$ Thousands</u>	<u>Gas</u>	<u>Steam</u>	<u>Chilled Water</u>	<u>Water</u>	<u>Wastewater</u>	<u>Resources</u>	<u>Total</u>
Balance at December 31, 2023	\$ 13,465	\$ -	\$ -	\$ 8,666	\$ 11,843	\$ 687	\$ 34,661
Balance at September 30, 2023	3,568	-	-	8,882	11,839	641	24,930
Increase (Decrease)	\$ 9,897	\$ -	\$ -	\$ (216)	\$ 4	\$ 46	\$ 9,731
Balance at December 31, 2022	\$ 19,429	\$ -	\$ -	\$ 8,081	\$ 12,626	\$ 918	\$ 41,054
Balance at September 30, 2022	4,044	-	-	9,192	12,565	659	26,460
Increase (Decrease)	\$ 15,385	\$ -	\$ -	\$ (1,111)	\$ 61	\$ 259	\$ 14,594

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

6. FINANCIAL SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Operating revenues and operating expenses are set forth in the Condensed Combined Statements of Operations. Operating income represents operating revenues less operating expenses directly attributable to the segments and an allocation of certain operating expenses benefiting each. Segment Statements of Financial Position at December 31, 2023 and September 30, 2023, Statements of Operations for the three months ended December 31, 2023 and 2022, and Statements of Cash Flows for the three months ended December 31, 2023 and 2022 are summarized as follows:

Segment Footnote - Condensed Combined Statement of Financial Position*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**At December 31, 2023*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Assets									
Property, plant, and equipment	\$ 403,415	\$ 82,523	\$ 68,316	\$ 1,379,989	\$ 2,659,220	\$ 360,320	\$ 20,047	\$ -	\$ 4,973,830
Intangibles	-	11,006	31,151	-	-	-	-	-	42,157
Investments	18,126	6,641	8,795	75,922	141,446	762	331	(15,000)	237,023
Cash and cash equivalents	19,199	10,164	23,468	14,410	72,481	21,231	10,601	-	171,554
Other current assets	92,205	13,965	4,806	42,375	48,969	7,002	(343)	(100)	208,879
Deferred charges and other non-current assets	22,128	5,978	6,066	18,485	5,094	1,156	46,263	-	105,170
Total assets	\$ 555,073	\$ 130,277	\$ 142,602	\$ 1,531,181	\$ 2,927,210	\$ 390,471	\$ 76,899	\$ (15,100)	\$ 5,738,613
Capitalization and Liabilities									
Equity	\$ 385,071	\$ 46,987	\$ 122,376	\$ 364,767	\$ 465,920	\$ 152,614	\$ 33,021	\$ -	\$ 1,570,756
Long-term debt	108,260	35,806	7,763	789,634	2,150,433	63,553	-	-	3,155,449
Retirement benefit and Other long-term liabilities	6,110	24,588	605	281,640	174,874	163,474	24,158	(15,000)	660,449
Current mat. of long-term debt	16,965	7,650	5,660	32,935	56,455	-	-	-	119,665
Short-term borrowings	-	-	-	20,000	-	-	-	-	20,000
Other current liabilities	38,667	15,246	6,198	42,205	79,528	10,830	19,720	(100)	212,294
Total capitalization and liabilities	\$ 555,073	\$ 130,277	\$ 142,602	\$ 1,531,181	\$ 2,927,210	\$ 390,471	\$ 76,899	\$ (15,100)	\$ 5,738,613

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

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

Segment Footnote - Condensed Combined Statement of Operations*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Three Months Ended December 31, 2023*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 79,092	\$ 16,606	\$ 6,812	\$ 55,374	\$ 77,174	\$ 11,704	\$ -	\$ -	\$ 246,762
Intercompany revenues	2,430	529	-	171	326	-	-	(3,456)	-
Gross operating revenues	81,522	17,135	6,812	55,545	77,500	11,704	-	(3,456)	246,762
Operating expenses:									
Cost of goods sold	38,509	8,504	2,114	-	-	1,000	-	(2,855)	47,272
Operations and maintenance	18,894	4,960	1,966	21,585	20,930	4,855	21	(601)	72,610
Depreciation and amortization	5,059	1,442	1,384	7,236	17,073	1,560	-	-	33,754
Taxes	1,652	200	527	3,587	6,975	716	-	-	13,657
Total operating expenses	64,114	15,106	5,991	32,408	44,978	8,131	21	(3,456)	167,293
Operating income (loss)	17,408	2,029	821	23,137	32,522	3,573	(21)	-	79,469
Other income (expense), net:									
Interest income	417	199	342	1,067	2,644	71	163	(152)	4,751
Non-operating post-employment benefits, net	832	176	54	532	337	73	-	-	2,004
Other	(394)	-	-	221	83	61	(766)	152	(643)
Total other income (expense), net	855	375	396	1,820	3,064	205	(603)	-	6,112
Income (loss) before interest charges	18,263	2,404	1,217	24,957	35,586	3,778	(624)	-	85,581
Interest charges:									
Interest on long-term debt	1,527	659	161	8,848	21,267	684	-	-	33,146
Other interest, including net (premium) discount amortization	(452)	(64)	(91)	(1,404)	(10,363)	(212)	-	-	(12,586)
Total interest charges	1,075	595	70	7,444	10,904	472	-	-	20,560
Income (loss) from continuing operations	17,188	1,809	1,147	17,513	24,682	3,306	(624)	-	65,021
Loss from discontinued operations	-	-	-	-	-	-	20	-	20
Net income (loss)	\$ 17,188	\$ 1,809	\$ 1,147	\$ 17,513	\$ 24,682	\$ 3,306	\$ (604)	\$ -	\$ 65,041

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

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

Segment Footnote - Condensed Combined Statement of Cash Flows*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**For the Three Months Ended December 31, 2023 (In Thousands)*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Total
Net cash provided by (used in) operating activities	\$ 6,741	\$ (930)	\$ 2,835	\$ 9,343	\$ 14,398	\$ 3,056	\$ 1,963	\$ 37,406
Investing Activities:								
Construction expenditures	(16,273)	(3,757)	(3,417)	(14,882)	(61,927)	(10,023)	(3,195)	(113,474)
Other investing activities	-	-	(1)	(294)	55	-	(855)	(1,095)
Net cash provided by (used in) investing activities	(16,273)	(3,757)	(3,418)	(15,176)	(61,872)	(10,023)	(4,050)	(114,569)
Financing Activities:								
Proceeds from bank line of credit	-	5,000	-	-	-	-	-	5,000
Principal payments of long-term debt and bond refunding	-	(7,278)	(5,377)	(9,580)	(42,505)	-	-	(64,740)
Proceeds from issuance of long-term debt and bond refunding	-	-	-	11,000	-	-	-	11,000
Bond issuance costs	-	-	-	(238)	(178)	-	-	(416)
Contributions in aid of construction and customer advances, net	-	-	-	2,531	3,953	(65)	-	6,419
Other financing activities	214	-	-	-	-	-	-	214
Net cash provided by (used in) financing activities	214	(2,278)	(5,377)	3,713	(38,730)	(65)	-	(42,523)
Net change in cash, cash equivalents, and restricted cash	(9,318)	(6,965)	(5,960)	(2,120)	(86,204)	(7,032)	(2,087)	(119,686)
Cash, cash equivalents & restricted cash - beginning of period	40,696	23,770	31,223	65,075	298,788	29,017	12,688	501,257
Cash, cash equivalents & restricted cash - end of period	\$ 31,378	\$ 16,805	\$ 25,263	\$ 62,955	\$ 212,584	\$ 21,985	\$ 10,601	\$ 381,571
Reconciliation:								
Cash and cash equivalents	\$ 19,199	\$ 10,164	\$ 23,468	\$ 14,410	\$ 72,481	\$ 21,231	\$ 10,601	\$ 171,554
Restricted cash included in Bond restricted funds	10,126	6,641	1,795	46,477	138,497	754	-	204,290
Restricted cash included in Other current assets	2,053	-	-	-	-	-	-	2,053
Restricted cash included in Investments, Other	-	-	-	2,068	1,606	-	-	3,674
Cash, cash equivalents & restricted cash - end of period	\$ 31,378	\$ 16,805	\$ 25,263	\$ 62,955	\$ 212,584	\$ 21,985	\$ 10,601	\$ 381,571

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

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Total
Net cash provided by (used in) operating activities	(39,031)	5,344	3,714	5,829	10,265	6,270	9,904	\$ 2,295
Investing Activities:								
Construction expenditures	(9,985)	(1,267)	(336)	(16,408)	(73,650)	(3,666)	(1,933)	(107,245)
Other investing activities	9,941	-	(5,000)	(240)	31	-	(4,982)	(250)
Net cash provided by (used in) investing activities	(44)	(1,267)	(5,336)	(16,648)	(73,619)	(3,666)	(6,915)	(107,495)
Financing Activities:								
Proceeds from bank line of credit	25,000	-	-	-	-	2,000	-	27,000
Principal payments of long-term debt and bond refunding	-	(6,922)	(5,118)	(9,850)	(39,210)	-	-	(61,100)
Proceeds from issuance of long-term debt and bond refunding	-	-	-	-	156,861	-	-	156,861
Bond issuance costs	-	-	-	-	(1,350)	(9)	-	(1,359)
Contributions in aid of construction	-	-	-	112	734	(3,265)	-	(2,419)
Other financing activities	243	-	-	-	-	-	-	243
Net cash provided by (used in) financing activities	25,243	(6,922)	(5,118)	(9,738)	117,035	(1,274)	-	119,226
Net change in cash, cash equivalents, and restricted cash	(13,832)	(2,845)	(6,740)	(20,557)	53,681	1,330	2,989	14,026
Cash, cash equivalents & restricted cash - beginning of period	47,507	20,102	28,711	79,988	271,231	33,480	12,183	493,202
Cash, cash equivalents & restricted cash - end of period	\$ 33,675	\$ 17,257	\$ 21,971	\$ 59,431	\$ 324,912	\$ 34,810	\$ 15,172	\$ 507,228
Reconciliation:								
Cash and cash equivalents	\$ 22,087	\$ 11,030	\$ 20,337	\$ 21,004	\$ 186,450	\$ 34,095	\$ 15,172	\$ 310,175
Restricted cash included in Bond restricted funds	9,596	6,227	1,634	36,474	136,877	715	-	191,523
Restricted cash included in Other current assets	1,992	-	-	-	-	-	-	1,992
Restricted cash included in Investments, Other	-	-	-	1,953	1,585	-	-	3,538
Cash, cash equivalents & restricted cash - end of period	\$ 33,675	\$ 17,257	\$ 21,971	\$ 59,431	\$ 324,912	\$ 34,810	\$ 15,172	\$ 507,228

7. ADDITIONAL FINANCIAL INFORMATION – CITIZENS WESTFIELD UTILITIES

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

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

Condensed Consolidated Statement of Financial Position

Citizens Westfield Utilities, LLC

(In Thousands)

At December 31, 2023

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Assets						
Property, plant, and equipment	\$ -	\$ 19,098	\$ 161,481	\$ 179,286	\$ -	\$ 359,865
Investments	150,018	83	375	296	(150,018)	754
Cash and cash equivalents	108	2,345	9,723	6,500	-	18,676
Other current assets	133	3,098	1,786	2,743	-	7,760
Other non-current assets		635	522	-	-	1,157
Total assets	\$ 150,259	\$ 25,259	\$ 173,887	\$ 188,825	\$ (150,018)	\$ 388,212
Capitalization and Liabilities						
Member's equity	\$ 149,626	\$ 16,501	\$ 60,505	\$ 73,011	\$ (150,018)	\$ 149,625
Long-term debt	-	3,883	34,773	24,898	-	63,554
Other long-term borrowings	-	-	-	-	-	-
Other long-term liabilities	-	3,234	74,640	85,600	-	163,474
Current maturities of long-term debt	-	-	-	-	-	-
Short-term borrowings	-	-	-	-	-	-
Other current liabilities	633	1,641	3,969	5,316	-	11,559
Total capitalization and liabilities	\$ 150,259	\$ 25,259	\$ 173,887	\$ 188,825	\$ (150,018)	\$ 388,212

Condensed Consolidated Statement of Financial Position

Citizens Westfield Utilities, LLC

(In Thousands)

At September 30, 2023

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

Condensed Consolidated Statement of Operations
Citizens Westfield Utilities, LLC
For the Three Months Ended December 31, 2023
(In Thousands)

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 2,368	\$ 3,051	\$ 4,427	\$ -	\$ 9,846
Operating expenses						
Cost of goods sold	-	1,000	-	-	-	1,000
Other operating expenses	5	532	1,528	1,384	-	3,449
Depreciation and amortization	-	180	572	802	-	1,554
Taxes	-	44	366	306	-	716
Total operating expenses	5	1,756	2,466	2,492	-	6,719
Total operating (loss) income	(5)	612	585	1,935	-	3,127
Other income (expense)	-	29	118	49	-	196
Equity in earnings of subsidiaries	2,855	-	-	-	(2,855)	-
Interest charges						
Interest on long-term debt		41	360	283	-	684
Other interest		60	7	(278)	-	(211)
Total interest charges	-	101	367	5	-	473
Net income (loss)	\$ 2,850	\$ 540	\$ 336	\$ 1,979	\$ (2,855)	\$ 2,850

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

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 3,150	\$ 2,923	\$ 4,046	\$ -	\$ 10,119
Operating expenses						
Cost of goods sold	-	2,084	-	-	-	2,084
Other operating expenses	8	461	1,356	1,261	-	3,086
Depreciation and amortization	-	225	502	757	-	1,484
Taxes	-	42	344	270	-	656
Total operating expenses	8	2,812	2,202	2,288	-	7,310
Total operating (loss) income	(8)	338	721	1,758	-	2,809
Other income (expense)	-	1	68	24	-	93
Equity in earnings of subsidiaries	2,324	-	-	-	(2,324)	-
Interest charges						
Interest on long-term debt	65	40	361	283	-	749
Other interest	10	34	(59)	(73)	-	(88)
Total interest charges	75	74	302	210	-	661
Net income (loss)	\$ 2,241	\$ 265	\$ 487	\$ 1,572	\$ (2,324)	\$ 2,241

Condensed Consolidated Statement of Cash Flows**Citizens Westfield Utilities, LLC****(In Thousands)****For the Three Months Ended December 31, 2023**

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	\$ (98)	\$ (20)	\$ 498	\$ 2,091	\$ 2,471
Investing Activities:					
Construction expenditures	-	(588)	(2,108)	(7,327)	(10,023)
Net cash provided by (used in) investing activities	-	(588)	(2,108)	(7,327)	(10,023)
Financing Activities:					
Contributions in aid of construction and customer advances, net	-	-	(369)	304	(65)
Net cash provided by (used in) financing activities	-	-	(369)	304	(65)
Net change in cash, cash equivalents, and restricted cash	(98)	(608)	(1,979)	(4,932)	(7,617)
Cash, cash equivalents & restricted cash - beginning of period	206	3,036	12,077	11,728	27,047
Cash, cash equivalents & restricted cash - end of period	\$ 108	\$ 2,428	\$ 10,098	\$ 6,796	\$ 19,430
Reconciliation:					
Cash and cash equivalents	\$ 108	\$ 2,345	\$ 9,723	\$ 6,500	\$ 18,676
Restricted cash included in Other non-current assets	-	83	375	296	754
Cash, cash equivalents & restricted cash - end of period	\$ 108	\$ 2,428	\$ 10,098	\$ 6,796	\$ 19,430

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

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	\$ 840	\$ (367)	\$ 989	\$ 3,879	\$ 5,341
Investing Activities:					
Construction expenditures	-	(432)	(2,229)	(1,005)	(3,666)
Net cash provided by (used in) investing activities	-	(432)	(2,229)	(1,005)	(3,666)
Financing Activities:					
Proceeds from bank line of credit	-	2,000	-	-	2,000
Bond issuance costs	-	(9)	-	-	(9)
Additional paid-in capital and dividends	50	-	-	(50)	-
Contributions in aid of construction and customer advances, net	-	-	(550)	(2,715)	(3,265)
Net cash provided by (used in) financing activities	50	1,991	(550)	(2,765)	(1,274)
Net change in cash, cash equivalents, and restricted cash	890	1,192	(1,790)	109	401
Cash, cash equivalents & restricted cash - beginning of period	528	1,165	8,912	18,072	28,677
Cash, cash equivalents & restricted cash - end of period	\$ 1,418	\$ 2,357	\$ 7,122	\$ 18,181	\$ 29,078
Reconciliation:					
Cash and cash equivalents	\$ 1,418	\$ 2,288	\$ 6,761	\$ 17,896	\$ 28,363
Restricted cash included in Other non-current assets	-	69	361	285	715
Cash, cash equivalents & restricted cash - end of period	\$ 1,418	\$ 2,357	\$ 7,122	\$ 18,181	\$ 29,078

8. LEASES

The Company has operating leases for certain Thermal Steam property, plant, and equipment. The Company does not have any finance leases. Leases with an initial term of 12 months or less are not recorded on the balance sheet but are expensed on a straight-line basis over the lease term. The Company's leases do not contain any material residual value guarantees, restrictive covenants, or subleases. There were no lease transactions with related parties for the three months ended December 31, 2023, and 2022.

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

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

	Condensed Combined Statement of Financial Position Classification	At December 31, 2023	At September 30, 2023
Assets			
Right-of-use assets - operating leases	Property, plant, and equipment, net	\$ 2,751	\$ 2,822
Liabilities			
Operating lease liabilities - current	Other current liabilities	\$ 291	\$ 288
Operating lease liabilities - non-current	Other long-term liabilities	\$ 2,460	\$ 2,534

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

	Three Months Ended December 31,	
	2023	2022
Operating lease expense	\$ 105	\$ 105
Short-term lease expense	259	284
Variable lease expense	36	64
Total lease expense	<u>\$ 400</u>	<u>\$ 453</u>

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

	At December 31, 2023
2024	\$ 315
2025	420
2026	420
2027	420
2028	420
Thereafter	1,330
Total operating lease payments	3,325
Less: imputed interest	574
Total operating lease liabilities	<u>\$ 2,751</u>

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

	At December 31, 2023
Weighted-average remaining lease term	95
Weighted-average discount rate	4.9%
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -

Operating cash outflows from operating leases included in the measurement of lease liabilities were \$105 thousand for each of the three months ended December 31, 2023, and 2022, respectively.

9. DISCONTINUED OPERATIONS AND RELATED ASSET RETIREMENT OBLIGATIONS

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

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

Activity for the three months ended December 31, 2023, for the asset retirement obligation liability is as follows (in thousands):

Asset retirement obligation at September 30, 2023	\$	12,453
Accretion expense		88
Remediation liabilities settled		(41)
Asset retirement obligation at December 31, 2023	\$	<u>12,500</u>

The major classes of assets and liabilities of the Manufacturing segment (reported as Discontinued Operations in Other) at December 31, 2023, and September 30, 2023, are as follows (in thousands):

	December 31, 2023	September 30, 2023
Current assets	\$ 951	\$ 1,176
Non-current assets	3,777	3,663
Total assets	<u>\$ 4,728</u>	<u>\$ 4,839</u>
Equity (deficiency)	\$ (8,958)	\$ (8,977)
Retirement benefit and other long-term liabilities	13,657	13,661
Current liabilities	29	155
Total capitalization and liabilities	<u>\$ 4,728</u>	<u>\$ 4,839</u>

For the three months ended December 31, 2023, and 2022, Discontinued Operations operating expenses were \$0.0 million and \$0.1 million, respectively. Approximately \$1.2 million of cash was provided by Gas to Discontinued Operations during fiscal year 2023 to settle a portion of the liabilities. Additional cash funding from Gas to settle liabilities may be provided to Discontinued Operations in future periods.

10. RATE AND REGULATORY MATTERS

A. Regulatory Developments

Gas

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

Citizens Thermal Steam

Prior to the 2023 Steam Order described below, the steam utility's most recent general rate case order was issued by the IURC in November 2016.

On March 1, 2023, the steam utility filed a petition and supporting testimony with the IURC seeking approval, among other things, to increase its base rates charges. On August 2, 2023, Citizens Thermal filed a settlement agreement entered into by Citizens Thermal, the Office of Utility Consumer Counselor (OUCC), and all other parties to the case. Under the settlement agreement, the parties recommend, among other things, the IURC approve an increase of \$2.5 million, approximately \$3.4 million less than what Citizens Thermal requested in its case-in-chief. A hearing was held on August 23, 2023. On November 8, 2023, the IURC issued an order approving the settlement agreement without modification, including an increase in revenues of \$2.5 million.

Water

The water utility's most recent general rate case order was issued by the IURC in April 2016. In accordance with a statute enacted by the Indiana General Assembly authorizing the recovery of costs related to replacement of customer-owned lead service lines, certain rate adjustment mechanisms have also been approved by the IURC which facilitate Citizens Water's recovery of such costs.

On November 23, 2022, the IURC issued an order approving recovery of \$15.0 million of infrastructure improvement costs over a four-year period via a Distribution System Improvement Charge ("DSIC"), which is designed to recover "infrastructure improvement costs" associated with "eligible infrastructure improvements" as those terms are defined in a statute enacted by the Indiana General Assembly.

On September 19, 2023, Citizens Water filed a petition and supporting testimony seeking approval to implement a second DSIC designed to generate total revenues of \$31.3 million over a one-year period. On November 22, 2023, the IURC issued an order approving recovery of \$31.3 million of infrastructure improvement costs over a one-year period.

Wastewater

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

Resources - Westfield Gas

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

On October 25, 2023, Westfield Gas filed a petition with the IURC seeking approval to issue \$10 million of long-term debt. On December 1, 2023, the OUCC filed testimony indicating it does not object to the requested financing authority. A hearing was held on January 8, 2024. The case is presently awaiting an order from the IURC.

Resources - Westfield Water

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

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

On October 25, 2023, Westfield Water filed a petition with the IURC seeking approval to issue \$20 million of long-term debt. On December 13, 2023, the OUCC filed testimony, which was generally supportive of the request for financing

authority. A hearing was held on January 23, 2024. On February 21, 2024, the IURC issued an order approving the request.

Resources – Westfield Wastewater

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

In February 2023, the IURC notified Westfield Wastewater that based on a periodic review of Westfield Water's rates and charges conducted pursuant to Indiana Code Section 8-1-2-42.5, the IURC determined that Westfield Wastewater's rates and charges have produced revenues in years 2018 through 2022 which exceed the earnings authorized by the IURC in the general rate case order issued in May 2017. After various discussions with IURC staff, Westfield Wastewater voluntarily committed to temporarily reduce its base charge for all customers for a period of two years. On November 13, 2023, Westfield Wastewater requested IURC approval of the temporary adjustment using the IURC's 30-day filing procedure. The temporary adjustment is expected to result in a total credit to customers of approximately \$3.2 million. Upon expiration of the two-year period, the base charge would return to its current authorized levels. On December 20, 2023, the IURC approved the temporary adjustment requested in Westfield Wastewater's 30-day filing.

On October 25, 2023, Westfield Wastewater filed a petition with the IURC seeking approval to issue \$20 million of long-term debt. On December 14, 2023, the OUCC filed testimony, which was generally supportive of the request for financing authority. A hearing was held on January 23, 2024. On February 21, 2024, the IURC issued an order approving the request.

Joint Depreciation Case

On December 1, 2023, Citizens filed a depreciation case requesting approval to implement changes in depreciation rates for Gas, Citizens Thermal Steam, Water, Wastewater, and the Westfield utilities owned by Resources. Compared to the current depreciation rates, the requested new depreciation rates would produce decreases in depreciation expense for Gas, Citizens Thermal Steam, Wastewater, and Westfield Wastewater, and increases for Water, Westfield Gas, and Westfield Water. A hearing is scheduled for June 6, 2024.

11. COMMITMENTS AND CONTINGENCIES

A. Environmental Commitments and Contingencies

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

Water System

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

In 1991, the EPA issued federal regulations which establish acceptable concentrations of lead and copper in public water supplies, as measured at the customer's tap (the "EPA Lead and Copper Rule"). Samples of the Water System have never exceeded the action levels established in the existing EPA Lead and Copper Rule. In January 2021, the EPA finalized revisions to the Lead and Copper Rule which include several new requirements, including revised sampling procedures and a trigger level, obligations to create an inventory of lead service lines served by the Water System, as well as development of a lead service line replacement program which would be triggered if certain regulatory triggers are exceeded. The Water System is currently developing plans to ensure material compliance with these regulations no later than the compliance date in October 2024.

In December 2021, the EPA announced its intent to undertake additional rulemaking related to the Lead and Copper Rule. This effort culminated in EPA's December 5, 2023, publication of additional proposed improvements to the Lead and Copper Rule beyond the requirements of the 2021 Lead and Copper Rule Revisions. The proposed improvements are open for public comment. EPA has indicated its intent to finalize the improvements to the rule prior to October 2024. A key element of the proposed improvements is a mandate to eliminate all lead service lines within ten years of the rule implementation date, thus requiring elimination of these lines by 2037. In addition to these federal regulatory actions, the

Indiana General Assembly has enacted statutes which authorize the IURC to approve a water utility's plan for the replacement of the customer-owned portion of the lead service lines within or connected to the water utility's system. See Note 10, Rate and Regulatory Matters, Water for additional information. While management cannot predict with certainty the final revisions the EPA will make to the EPA Lead and Copper Rule, the Water System is taking proactive steps to align itself with the policies and regulations of the federal government and the State of Indiana, including the Indiana General Assembly, regarding customer-owned lead service lines and compliance with the EPA Lead and Copper Rule.

Wastewater System

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

Combined Sewer Overflow Long-Term Control Plan Consent Decree

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

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

IDEM Investigation

In the final week of 2023, the Indiana Department of Environmental Management alerted Citizens to a claim against one of its contractors; the claim describes improper past activities including the disposal of materials on a property owned by CWA. Since IDEM made contact, Citizens has fully collaborated with state investigators to uncover evidence of any improper disposal activities at or near this location. The investigation is ongoing with final conclusions yet to be delivered. At this time, management cannot predict the outcome of the investigation due to the early stages of this process.

B. Legal Contingencies

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

12. SUBSEQUENT EVENTS

Management has considered the impact of subsequent events through February 29, 2024, the date at which these condensed combined financial statements were issued.