



# Quarterly Financial Report

Q3 - 2024

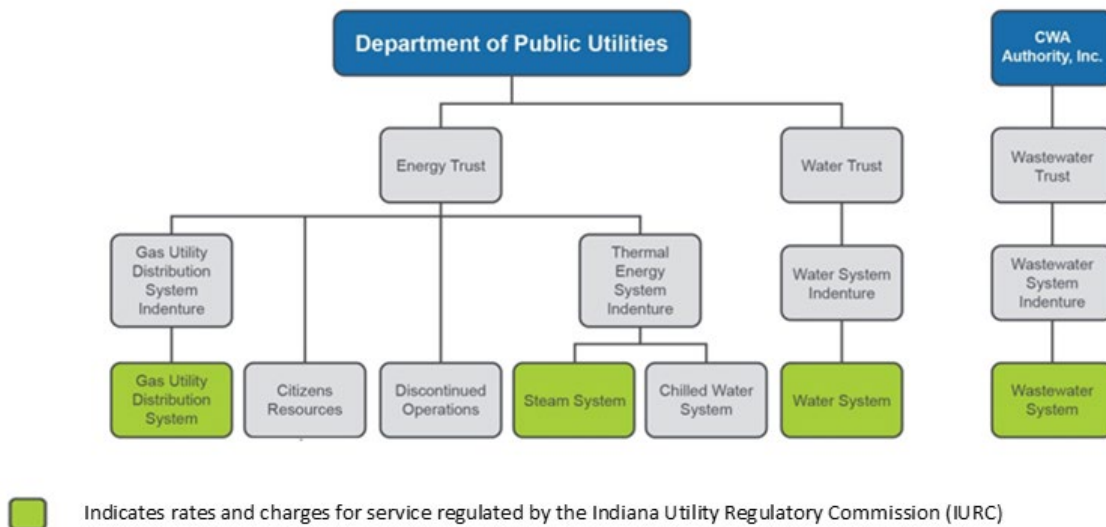
## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

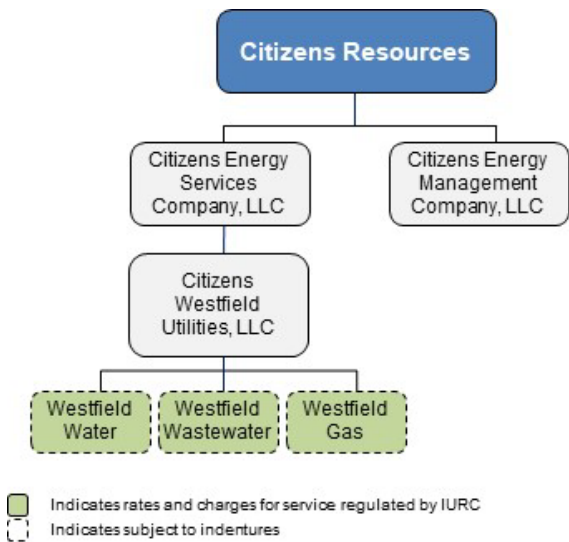
The Wastewater System is owned by CWA, a separate nonprofit corporation, which through an interlocal agreement entered into by and among Citizens, the City of Indianapolis, and the Sanitary District of the City (the “District”), acting by

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

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

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



## FINANCIAL RESULTS

The tables and discussion below summarize the financial results for each segment (in millions) and present an analysis of the results of our operations for the three months and nine months ended June 30, 2024, and 2023. Because of the seasonal nature of the various business units, results of operations for the period ended June 30, 2024, 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.

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2024	2023	Change	2024	2023	Change
Shared Services Expenses	\$ 27.2	\$ 25.7	\$ 1.5	\$ 82.8	\$ 79.7	\$ 3.1

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

### Three Months Ended June 30, 2024 as Compared with 2023

Shared services expenses were \$1.5 million higher, driven primarily by increased employee-related costs and information technology costs, partially offset by reduced non-service pension and post-employment benefit costs.

### Nine Months Ended June 30, 2024 as Compared with 2023

Shared services expenses were \$3.1 million higher, largely driven by increased employee-related costs, information technology costs, and fleet expenditures, partially offset by reduced non-service pension and post-employment benefit costs.

**GAS**

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2024	2023	Change	2024	2023	Change
Operating revenues	\$ 35.9	\$ 44.2	\$ (8.3)	\$ 224.1	\$ 274.9	\$ (50.8)
Cost of goods sold	8.3	16.1	(7.8)	94.3	144.4	(50.1)
Margin	27.6	28.1	(0.5)	129.8	130.5	(0.7)
Other operating expenses	23.5	22.7	0.8	74.3	71.1	3.2
Operating income (loss)	4.1	5.4	(1.3)	55.5	59.4	(3.9)
Other income (expense), net	1.8	0.5	1.3	4.0	3.4	0.6
Interest charges	0.9	1.4	(0.5)	3.0	4.5	(1.5)
Segment income (loss)	\$ 5.0	\$ 4.5	\$ 0.5	\$ 56.5	\$ 58.3	\$ (1.8)
Volume sales, million Dth						
Retail	2.7	3.6	(0.9)	24.4	25.9	(1.5)
Transportation	3.4	3.6	(0.2)	13.0	13.5	(0.5)
Customer specific contracts	14.4	13.4	1.0	40.0	29.9	10.1
Cost of gas sold, per Dth	\$ 2.79	\$ 4.06	\$ (1.27)	\$ 3.58	\$ 5.03	\$ (1.45)
Heating degree days	318	448	(130)	4,224	4,595	(371)

**Three Months Ended June 30, 2024 as Compared with 2023**

The increase in earnings of \$0.5 million was principally the result of:

- \$1.3 million increased other income, mostly due to lower non-service pension and other post-employment benefit costs;
- \$1.2 million decreased operating expenses primarily due to lower provision for credit losses; and
- \$0.5 million lower interest expense, driven by decreased debt outstanding and line of credit costs incurred in the prior year; **partially offset by**
- \$2.0 million higher operating costs, mostly due to higher shared services expense allocations, employee-related costs and outside service expenses; and
- \$0.5 million lower margin resulting from lower retail volume.

**Nine Months Ended June 30, 2024 as Compared with 2023**

The decrease in earnings of \$1.8 million was primarily the result of:

- \$5.3 million increased operating expenses, largely driven by increased shared services expense allocations, depreciation, and employee-related costs;
- \$2.5 million lower interest income; and
- \$2.3 million decreased retail and transportation margin attributed to lower volume sales; **partially offset by**
- \$3.0 million reduced non-service pension and other post-employment benefit costs;
- \$2.1 million lower operating expenses mostly due to lower provision for credit losses and decreased storage well maintenance costs;
- \$1.6 million higher margin related principally to customer-specific contracts; and
- \$1.5 million lower interest expense primarily resulting from a lower amount of long-term debt outstanding and line of credit costs incurred in the prior year.

**STEAM**

	<b>Quarter-to-Date vs. Prior Year</b>			<b>Year-to-Date vs. Prior Year</b>		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2024	2023	Change	2024	2023	Change
Operating revenues	\$ 14.9	\$ 15.4	\$ (0.5)	\$ 52.6	\$ 62.7	\$ (10.1)
Cost of goods sold	7.2	8.9	(1.7)	25.9	36.3	(10.4)
Margin	7.7	6.5	1.2	26.7	26.4	0.3
Other operating expenses	6.6	6.5	0.1	20.1	19.5	0.6
Operating income (loss)	1.1	-	1.1	6.6	6.9	(0.3)
Other income (expense), net	0.4	0.2	0.2	1.2	0.3	0.9
Interest charges	0.8	0.6	0.2	2.0	1.9	0.1
<b>Segment income (loss)</b>	<b>\$ 0.7</b>	<b>\$ (0.4)</b>	<b>\$ 1.1</b>	<b>\$ 5.8</b>	<b>\$ 5.3</b>	<b>\$ 0.5</b>
Volume sales, million therms	12.2	12.0	0.2	41.8	42.9	(1.1)
Heating degree days	318	448	(130)	4,224	4,595	(371)

**Three Months Ended June 30, 2024 as Compared with 2023**

The increase in earnings of \$1.1 million was largely the result of \$1.2 million additional 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).

**Nine Months Ended June 30, 2024 as Compared with 2023**

The increase in earnings of \$0.5 million is primarily driven by:

- \$0.9 million increased net margin from special contracts and higher rates per the November 8, 2023 rate order approved by the IURC; and
- \$0.9 million higher other income mostly due to lower non-service pension and post-employment benefit costs; **partially offset by**
- \$0.6 million lower margin largely due to fluctuations in commodity costs and miscellaneous revenues; and
- \$0.6 million higher operating expenses, largely from higher shared services expense allocations.

**CHILLED WATER**

	<b>Quarter-to-Date vs. Prior Year</b>			<b>Year-to-Date vs. Prior Year</b>		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2024	2023	Change	2024	2023	Change
Operating revenues	\$ 12.6	\$ 11.1	\$ 1.5	\$ 25.0	\$ 23.3	\$ 1.7
Cost of goods sold	3.6	3.4	0.2	7.1	7.4	(0.3)
Margin	9.0	7.7	1.3	17.9	15.9	2.0
Other operating expenses	5.0	5.0	-	12.9	12.9	-
Operating income (loss)	4.0	2.7	1.3	5.0	3.0	2.0
Other income (expense), net	0.3	0.4	(0.1)	1.0	0.9	0.1
Interest charges	0.1	0.1	-	0.2	0.3	(0.1)
<b>Segment income (loss)</b>	<b>\$ 4.2</b>	<b>\$ 3.0</b>	<b>\$ 1.2</b>	<b>\$ 5.8</b>	<b>\$ 3.6</b>	<b>\$ 2.2</b>
Volume sales, million ton hours	43.0	35.3	7.7	75.5	66.4	9.1
Cooling degree days	453	321	132	498	324	174

**Three Months Ended June 30, 2024 as Compared with 2023**

The increase in earnings of \$1.2 million is largely due to additional margin resulting from higher volume sales.

**Nine Months Ended June 30, 2024 as Compared with 2023**

The increase in earnings of \$2.2 million is driven by additional margin primarily attributed to higher volume sales.

**WATER**

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2024	2023	Change	2024	2023	Change
Operating revenues	\$ 62.7	\$ 55.5	\$ 7.2	\$ 176.0	\$ 153.8	\$ 22.2
Other operating expenses	34.2	32.7	1.5	101.2	99.0	2.2
Operating income (loss)	28.5	22.8	5.7	74.8	54.8	20.0
Other income (expense), net	1.3	0.6	0.7	4.3	2.2	2.1
Interest charges	7.3	7.7	(0.4)	22.0	23.1	(1.1)
Segment income (loss)	\$ 22.5	\$ 15.7	\$ 6.8	\$ 57.1	\$ 33.9	\$ 23.2
Volume sales, billion gallons	9.8	10.0	(0.2)	27.5	27.4	0.1
Precipitation, inches	15.2	6.6	8.6	28.9	24.6	4.3

**Three Months Ended June 30, 2024 as Compared with 2023**

The increase in earnings of \$6.8 million was principally the result of:

- \$8.4 million of increased revenue, for which the primary components were:
  - \$7.9 million Distribution System Improvement Charges approved in November 2023;
  - \$0.4 million revenues related to the Lead Service Line Replacement Plan approved in May 2022;
- \$0.7 million higher other income driven by lower non-service pension and post-employment benefit costs; and
- \$0.4 million lower interest expense, mostly due to lower outstanding debt; **partially offset by**
- \$1.5 million higher operating expenses, for which the most significant drivers were contract services and shared services expense allocations; and
- \$1.2 million lower revenues resulting from a slight decrease in volume.

**Nine Months Ended June 30, 2024 as Compared with 2023**

The increase in earnings of \$23.2 million was largely driven by:

- \$22.2 million of increased revenues for which the primary components were:
  - \$19.4 million Distribution System Improvement Charges approved in November 2022 and 2023;
  - \$2.1 million revenues related to the Lead Service Line Replacement Program approved in May 2022; and
  - \$0.7 million resulting from increased volume and fees.
- \$2.1 million higher other income driven by lower non-service pension and post-employment benefit costs and higher interest income; and
- \$1.8 million reduced interest expense primarily due to a lower amount of long-term debt outstanding.

These improvements were **partially offset by**:

- \$2.2 million higher operating expenses, mainly shared services expense allocations combined with net increases in a variety of costs, none of which were individually significant; and
- \$0.7 million line of credit interest expense.

**WASTEWATER**

	<b>Quarter-to-Date vs. Prior Year</b>			<b>Year-to-Date vs. Prior Year</b>		
	<b>Three Months Ended Jun 30</b>			<b>Nine Months Ended Jun 30</b>		
	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>
Operating revenues	\$ 80.1	\$ 79.3	\$ 0.8	\$ 240.2	\$ 243.3	\$ (3.1)
Other operating expenses	45.6	46.5	(0.9)	137.8	141.3	(3.5)
Operating income (loss)	34.5	32.8	1.7	102.4	102.0	0.4
Other income (expense), net	2.7	3.0	(0.3)	8.5	7.4	1.1
Interest charges	11.9	12.4	(0.5)	33.4	37.1	(3.7)
<b>Segment income (loss)</b>	<b>\$ 25.3</b>	<b>\$ 23.4</b>	<b>\$ 1.9</b>	<b>\$ 77.5</b>	<b>\$ 72.3</b>	<b>\$ 5.2</b>
Treatment volume sales, billion gallons	8.5	8.4	0.1	23.5	24.0	(0.5)
Strength surcharge, million pounds	8.0	7.6	0.4	24.4	35.5	(11.1)

**Three Months Ended June 30, 2024 as Compared with 2023**

The increase in earnings of \$1.9 million is principally due to the following:

- \$0.9 million reduced operating expenses in a number of areas, none of which were individually significant;
- \$0.8 million higher revenues attributed to a slight increase in treatment volume; and
- \$0.5 million reduced interest expense resulting from a lower amount of long-term debt outstanding and bond refunding activities; **partially offset by**
- \$0.3 million lower other income for which the primary driver was interest income.

**Nine Months Ended June 30, 2024 as Compared with 2023**

The increase in earnings of \$5.2 million was primarily driven by:

- \$3.5 million lower operating expenses, largely driven by electricity expense, chemicals, and payments in lieu of taxes (PILOT);
- \$3.7 million lower interest expense for which primary causes include:
  - \$2.9 million reduced interest expense resulting from a lower amount of long-term debt outstanding and bond refunding activities; and
  - \$1.8 million increased capitalized interest; these decreases were **partially offset by**
  - \$0.9 million interest on the Series 2022B bonds issued in November 2022.
- \$1.1 million higher other income resulting from lower non-service pension and post-employment benefit plan costs.

These improvements were partially offset by \$3.1 million lower operating revenues, primarily due to decreased treatment volume and lower strength surcharges.



**RESOURCES**

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2024	2023	Change	2024	2023	Change
Operating revenues	\$ 11.0	\$ 7.5	\$ 3.5	\$ 35.1	\$ 31.8	\$ 3.3
Cost of goods sold	0.2	0.4	(0.2)	2.6	4.8	(2.2)
Margin	10.8	7.1	3.7	32.5	27.0	5.5
Other operating expenses	7.1	6.4	0.7	21.1	18.5	2.6
Operating income (loss)	3.7	0.7	3.0	11.4	8.5	2.9
Other income (expense), net	(0.2)	0.1	(0.3)	0.2	0.3	(0.1)
Interest charges	0.7	0.7	-	1.8	2.1	(0.3)
Segment income (loss)	\$ 2.8	\$ 0.1	\$ 2.7	\$ 9.8	\$ 6.7	\$ 3.1

**Three Months Ended June 30, 2024 as Compared with 2023**

The increase in earnings of \$2.7 million is primarily attributable to:

- \$3.7 million additional margin from the Westfield utilities, largely due to the prior year impact of a \$3.2 million voluntary customer credit at Westfield Wastewater; **partially offset by**
- \$0.7 million higher operating expenses at CEMCO and the Westfield utilities.

**Nine Months Ended June 30, 2024 as Compared with 2023**

The increase in earnings of \$3.1 million is largely driven by:

- \$5.5 million additional margin from the Westfield utilities, largely due to the prior year impact of a \$3.2 million voluntary customer credit at Westfield Wastewater; and
- \$0.3 million lower interest expense due to increased capitalized interest; **partially offset by**
- \$2.6 million higher operating expenses at CEMCO and the Westfield utilities.

**OTHER**

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2024	2023	Change	2024	2023	Change
Operating revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses	-	-	-	0.1	0.1	-
Operating income (loss)	-	-	-	(0.1)	(0.1)	-
Other income (expense), net	(0.9)	(0.5)	(0.4)	(2.5)	(1.7)	(0.8)
Interest charges	-	-	-	-	-	-
Income (loss) from discontinued operations	-	(0.1)	0.1	0.1	(0.3)	0.4
Segment income (loss)	\$ (0.9)	\$ (0.6)	\$ (0.3)	\$ (2.5)	\$ (2.1)	\$ (0.4)

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

**Three Months Ended June 30, 2024 as Compared with 2023**

The decrease in earnings is primarily due to additional community investments and advertising costs.

**Nine Months Ended June 30, 2024 as Compared with 2023**

The decrease in earnings is largely due to additional community investments and advertising costs, partially offset by lower non-service pension and post-employment benefit plan costs.

## 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 nine months ended June 30, 2024, capital expenditures, on an accrual basis and net of reimbursements received, increased by \$4.3 million to \$260.1 million from \$255.8 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
<b>June 30, 2024</b>	\$ 26.3	\$ 6.3	\$ 10.7	\$ 53.0	\$ 110.6	\$ 30.4	\$ 22.8	\$ 260.1
June 30, 2023	26.5	3.0	2.3	56.7	130.9	18.8	17.6	255.8
	\$ (0.2)	\$ 3.3	\$ 8.4	\$ (3.7)	\$ (20.3)	\$ 11.6	\$ 5.2	\$ 4.3

Citizens' and CWA's projected capital spending requirement of \$401.6 million for fiscal year 2024 is summarized as follows (in millions):

	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
<b>2024 Projection</b>	\$ 37.2	\$ 20.1	\$ 30.0	\$ 80.0	\$ 157.0	\$ 45.2	\$ 32.1	\$ 401.6

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 \$66.0 million at June 30, 2024. 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 June 30, 2024, cash and cash equivalents of Steam and Chilled Water amounted to \$11.2 million and \$21.9 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 \$12.0 million at June 30, 2024. 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 \$36.1 million at June 30, 2024. Wastewater expects to meet its capital spending requirements in 2024 through a combination of cash flows from operations and proceeds from the Series 2024A Bonds issued in July 2024.

Resources' capital spending projection for 2024 includes activities at Westfield Gas, Westfield Water, and Westfield Wastewater. Resources had cash and cash equivalents of \$53.2 million at June 30, 2024, including \$34.5 million in construction funds. Resources expects to meet its capital spending requirements in 2024 through a combination of cash flows from operations, proceeds from issuance of new long-term debt (see Note 3), and temporary seasonal borrowings.

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

## Condensed Combined Statements of Financial Position

(In Thousands)

	At June 30, 2024	At September 30, 2023
<b>ASSETS</b>		
<b>Property, plant, and equipment, net</b>	\$ 5,112,977	\$ 4,897,128
<b>Intangible assets, net</b>	40,305	43,083
<b>Investments</b>		
Bond restricted funds	263,148	259,296
Other	20,488	18,998
<b>Total investments</b>	283,636	278,294
<b>Current assets</b>		
Cash and cash equivalents	209,117	248,566
Short-term investments	2,795	200
Accounts receivable, net of allowances of \$6,157 and \$5,821, respectively	96,996	91,345
Accrued utility revenue	26,499	24,930
Natural gas in storage	33,833	44,215
Materials and supplies	21,618	19,168
Other current assets	12,710	16,686
Current assets directly related to discontinued operations	2,461	1,176
<b>Total current assets</b>	406,029	446,286
<b>Deferred charges and other non-current assets</b>		
Deferred charges	26,624	30,527
Prepaid retirement benefit costs	77,779	70,412
Non-current assets directly related to discontinued operations	3,964	3,663
<b>Total deferred charges and other non-current assets</b>	108,367	104,602
<b>TOTAL ASSETS</b>	<b>\$ 5,951,314</b>	<b>\$ 5,769,393</b>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>Capitalization and non-current liabilities</b>		
Retained earnings	\$ 1,680,807	\$ 1,472,345
Accumulated other comprehensive income	33,696	34,783
Long-term debt (excluding current maturities)	3,164,944	3,219,671
Retirement benefits	41,226	41,611
Contributions in aid of construction	564,099	488,874
Other long-term liabilities	100,760	90,636
Non-current liabilities directly related to discontinued operations	13,556	13,661
<b>Total capitalization and non-current liabilities</b>	5,599,088	5,361,581
<b>Current liabilities</b>		
Current maturities of long-term debt	120,847	116,629
Short-term borrowings	26,000	20,000
Accounts payable and accrued expenses	132,856	178,137
Accrued taxes	57,436	71,218
Customer deposits	10,817	9,752
Other current liabilities	4,214	11,921
Current liabilities directly related to discontinued operations	56	155
<b>Total current liabilities</b>	352,226	407,812
<b>Commitments and contingencies (see note 11)</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>\$ 5,951,314</b>	<b>\$ 5,769,393</b>

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

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

## Condensed Combined Statements of Operations and Comprehensive Income

(In Thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Operating revenues	\$ 214,015	\$ 208,868	\$ 741,286	\$ 769,987
Operating expenses				
Cost of goods sold	16,829	25,440	120,153	175,428
Operations and maintenance	74,972	72,572	224,421	219,124
Depreciation and amortization	34,299	33,591	101,860	100,159
Taxes	12,090	12,948	39,336	40,866
Total operating expenses	138,190	144,551	485,770	535,577
Operating income	75,825	64,317	255,516	234,410
Other income (expense), net				
Interest income	4,546	4,989	13,351	14,975
Non-operating post-employment benefits, net	2,005	(146)	6,013	(454)
Other	(1,220)	(443)	(2,725)	(1,544)
Total other income (expense), net	5,331	4,400	16,639	12,977
Income before interest charges	81,156	68,717	272,155	247,387
Interest charges				
Interest on long-term debt	33,049	34,577	99,142	102,943
Other interest, including net premium amortization	(11,402)	(11,583)	(36,763)	(33,962)
Total interest charges	21,647	22,994	62,379	68,981
Income from continuing operations	59,509	45,723	209,776	178,406
Income (loss) from discontinued operations	22	(107)	65	(328)
<b>Net income</b>	<b>\$ 59,531</b>	<b>\$ 45,616</b>	<b>\$ 209,841</b>	<b>\$ 178,078</b>
Retirement benefit liability changes:				
Amortization of prior service credit	(501)	(541)	(1,501)	(1,622)
Amortization of (gain) loss	(123)	(107)	(371)	(320)
Total retirement benefit liability changes	(624)	(648)	(1,872)	(1,942)
Unrealized gain (loss) on available-for-sale investments	(6)	91	785	570
Total other comprehensive income (loss)	(630)	(557)	(1,087)	(1,372)
<b>Total comprehensive income</b>	<b>\$ 58,901</b>	<b>\$ 45,059</b>	<b>\$ 208,754</b>	<b>\$ 176,706</b>

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

**Condensed Combined Statements of Cash Flows**

(In Thousands)

	<b>Nine Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 209,841	\$ 178,078
Depreciation and amortization	78,888	77,597
Allowance for credit losses	4,684	5,813
Changes in operating assets and liabilities:		
Accounts receivable and accrued utility revenue	(13,283)	(4,804)
Natural gas in storage	10,382	16,281
Accounts payable and accrued expenses	(33,201)	(50,666)
Retirement benefits	(9,623)	(11,383)
Other operating activities	(3,896)	5,365
Change in net liabilities of discontinued operations	(1,791)	(849)
Net cash provided by operating activities	<u>242,001</u>	<u>215,432</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction expenditures	(282,596)	(276,091)
Other investing activities	(3,504)	473
Net cash used in investing activities	<u>(286,100)</u>	<u>(275,618)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings and bank lines of credit	21,000	63,500
Repayment of short-term borrowings and bank lines of credit	(8,000)	(41,500)
Principal payments of long-term debt and bond refunding	(137,590)	(83,405)
Proceeds from issuance of long-term debt and bond refunding	110,828	156,861
Bond issuance costs	(1,142)	(1,454)
Contributions in aid of construction and customer advances, net	23,043	131
Other financing activities	(138)	(185)
Net cash provided by financing activities	<u>8,001</u>	<u>93,948</u>
Net change in cash, cash equivalents, and restricted cash	(36,098)	33,762
Cash, cash equivalents, and restricted cash at beginning of period	501,257	493,202
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 465,159</u>	<u>\$ 526,964</u>
Supplemental Cash Flows Information - Interest paid net of amounts capitalized	<u>\$ 106,115</u>	<u>\$ 111,051</u>
<b>Non-cash Investing Activities</b>		
Construction work-in-progress accrued at end of period	<u>\$ 30,946</u>	<u>\$ 43,953</u>
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	\$ 209,117	\$ 285,602
Restricted cash included in Bond restricted funds	250,136	236,582
Restricted cash included in Other current assets	2,334	1,359
Restricted cash included in Investments, Other	3,572	3,421
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 465,159</u>	<u>\$ 526,964</u>

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
<b>Balance at September 30, 2022</b>	<b>\$ 1,247,178</b>	<b>\$ (15,698)</b>	<b>\$ 1,231,480</b>
Comprehensive income			
Net income	178,078	-	178,078
Unrealized gain (loss) on available-for-sale investments	-	570	570
Retirement benefit liability changes	-	(1,942)	(1,942)
Total comprehensive income	178,078	(1,372)	176,706
Customer benefit distributions	-	-	-
<b>Balance at June 30, 2023</b>	<b>\$ 1,425,256</b>	<b>\$ (17,070)</b>	<b>\$ 1,408,186</b>
<b>Balance at September 30, 2023</b>	<b>\$ 1,472,345</b>	<b>\$ 34,783</b>	<b>\$ 1,507,128</b>
Comprehensive income			
Net income	209,841	-	209,841
Unrealized gain (loss) on available-for-sale investments	-	785	785
Retirement benefit liability changes	-	(1,872)	(1,872)
Total comprehensive income	209,841	(1,087)	208,754
Customer benefit distributions	-	-	-
Adjustment for adoption of ASC 326 - See footnote 2E	(1,379)	-	(1,379)
<b>Balance at June 30, 2024</b>	<b>\$ 1,680,807</b>	<b>\$ 33,696</b>	<b>\$ 1,714,503</b>

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



## NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS

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

### 1. NATURE OF OPERATIONS AND PRESENTATION

#### A. Nature of Operations

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

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

#### B. Basis of Presentation

The accompanying condensed combined interim financial statements are unaudited and should be read in conjunction with the combined annual financial statements, and the notes thereto, included in the Citizens Energy Group Management Discussion and Financial Report for the year ended September 30, 2023. Because of the seasonal nature of the various business segments, the results of operations for the period ended June 30, 2024 are not necessarily indicative of the results of operations to be expected for the full fiscal year.

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

#### C. 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 June 30, 2024 and September 30, 2023, while the latter table provides a breakdown of the related impact on the results of operations for the three months and nine months ended June 30, 2024 and 2023. 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	June 30, 2024		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)	\$ 4,632	\$ (3,554)	\$ 4,968	\$ (3,563)

Commodity contracts represent exchange-traded options and futures. The margin payable, which is excluded from the table above, was \$0.3 million at June 30, 2024 and \$0.1 million at September 30, 2023. At June 30, 2024 and September 30, 2023, the Company had 18.9 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 June 30,		Nine Months Ended June 30,	
			2024	2023	2024	2023
Commodity Contracts	Not accounted for as a hedge	(Gain)/loss in cost of goods sold	\$ 5,836	\$ 7,039	\$ 12,293	\$ 6,226

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 nine months ended June 30, 2024 and 2023 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 June 30, 2024 and September 30, 2023 (in thousands). There were no financial liabilities at June 30, 2024 and September 30, 2023.

<u>Description</u>	<b>June 30, 2024 Fair Value Measurements Using</b>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			
Cash equivalents	\$ 19,820	\$ -	\$ -
Bond restricted funds	239,182	-	-
Grantor Trust investments	16,307	-	-
Derivative assets	1,078	-	-
Total financial assets measured at fair value	<u>\$ 276,387</u>	<u>\$ -</u>	<u>\$ -</u>
Financial Liabilities:			
Derivative liabilities	\$ -	\$ -	\$ -
<u>Description</u>	<b>September 30, 2023 Fair Value Measurements Using</b>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			
Cash equivalents	\$ 22,410	\$ -	\$ -
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>
Financial Liabilities:			
Derivative liabilities	\$ -	\$ -	\$ -

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 \$252.2 and \$259.3 million at June 30, 2024, 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 June 30, 2024, and September 30, 2023. Gross deposits to the bond restricted fund investments during the first nine months of fiscal years 2024 and 2023 were \$188.8 million and \$188.1 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 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 June 30, 2024, and \$3.0 billion at September 30, 2023, versus the carrying value of \$3.3 billion at June 30, 2024, and September 30, 2023. In the case of Resources debt, the carrying value approximates fair value.

Customers' advances for construction have a carrying value at June 30, 2024, for Water, Wastewater, and Resources of \$23.6 million, \$9.9 million, and \$21.3 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 nine months ended June 30, 2024 (in thousands):

	Pension Plan	Other Postemployment Benefits	Other	Total
Accumulated other comprehensive income at September 30, 2023	\$ 15,376	\$ 20,568	\$ (1,161)	\$ 34,783
Net current-period other comprehensive income (loss)	<u>71</u>	<u>(1,943)</u>	<u>785</u>	<u>(1,087)</u>
Accumulated other comprehensive income at June 30, 2024	<u>\$ 15,447</u>	<u>\$ 18,625</u>	<u>\$ (376)</u>	<u>\$ 33,696</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)					
	June 30, 2024			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)
<b>Gas</b>						
Gas Utility Distribution System Series 2013A, Second Lien Revenue Refunding Bonds, 4.125% to 5.250%, due 2027 to 2030	\$ -	\$ -	\$ -	\$ 54,465	\$ -	\$ 720
Gas Utility Distribution System Series 2017A, Second Lien Revenue Refunding Bonds 5.00%, due 2025 to 2027	49,825	-	2,293	49,825	-	3,076
Gas Utility Distribution System Series 2020A Second Lien Revenue Refunding Bonds 5.00%, due 2024	-	16,965	93	-	16,964	651
Gas Utility Distribution System Series 2024A Second Lien Revenue Refunding Bonds 5.0%, due 2028 to 2035	47,555	-	6,783	-	-	-
<b>Subtotal Gas</b>	<b>97,380</b>	<b>16,965</b>	<b>9,169</b>	<b>104,290</b>	<b>16,964</b>	<b>4,447</b>
<b>Thermal</b>						
Thermal Energy System Series 2013A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2024 to 2033	4,795	425	5	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	1,311	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	749	25,520	10,665	1,277
<b>Subtotal Thermal</b>	<b>41,035</b>	<b>13,310</b>	<b>2,065</b>	<b>54,345</b>	<b>12,655</b>	<b>2,768</b>
<b>Water</b>						
Water Utility Series 2011D (ILPIBB 2007B) *, First Lien Net Revenue Bonds, 5.25%, due 2024 to 2025	-	24,365	(47)	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	384	8,080	625	433
Water Utility Series 2016A, First Lien Revenue Bonds, 5.00%, due 2024 to 2046	45,070	1,460	7,000	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	18,089	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	27,597	303,045	1,350	29,958

	(In Thousands)					
	June 30, 2024			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 2021A First Lien Revenue Bonds 3.00% to 5.00%, due 2024 to 2051	73,225	1,895	13,922	75,120	1,805	14,701
Water Utility Series 2023A First Lien Revenue Refunding Bonds 4.00% to 5.00%, due 2025 to 2044	89,620	-	11,539	89,620	-	12,271
Water Utility Series 2023B First Lien Revenue Bonds (SRF) 0.00%, due 2024 to 2043	4,750	250	(84)	-	-	-
Water Utility Series 2023C First Lien Revenue Bond Anticipation Note 0.00%, due 2027	6,000	-	-	-	-	-
<b>Subtotal Water</b>	<b>694,930</b>	<b>33,920</b>	<b>78,400</b>	<b>705,825</b>	<b>32,960</b>	<b>84,398</b>
<b>Wastewater</b>						
CWA Wastewater Utility Series 2012A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2038 to 2042	53,925	-	3,591	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	8,153	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	10,565	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	24,062	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	1,159	37,425	965	1,301
CWA Wastewater Series 2016C, First Lien Revenue Bonds (SRF), 2.00%, due 2024 to 2036	8,165	595	(42)	8,165	595	(47)
CWA Wastewater Series 2017A, First Lien Revenue Bonds (SRF), 3.53%, due 2024 to 2047	138,838	3,874	(53)	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	6,827	38,830	730	7,097
CWA Wastewater Series 2019B, First Lien Revenue Bonds (SRF), 2.99%, due 2025 to 2050	160,466	4,279	(58)	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	10,953	54,170	1,015	11,368
CWA Wastewater Series 2020B First Lien Revenue Bonds (SRF) 2.56%, due 2025 to 2051	63,867	1,715	(61)	65,582	1,673	(64)



	(In Thousands)					
	June 30, 2024			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 2021-1 First Lien Revenue Refunding Bonds 3.00% to 5.00%, due 2024 to 2041	410,920	15,385	81,212	426,305	14,650	87,867
CWA Wastewater Series 2021-2 Second Lien Revenue Refunding Bonds 3.00% to 5.00%, due 2024 to 2041	163,935	6,120	35,294	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	7,341	43,030	765	7,678
CWA Wastewater Series 2021B First Lien Revenue Bonds (SRF) 2.38%, due 2025 to 2052	48,808	1,279	(46)	50,087	1,249	(49)
CWA Wastewater Series 2022A First Lien Revenue Refunding Bonds 5.00%, due 2024 to 2037	82,105	4,415	6,027	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	5,431	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	-	15,102	122,025	-	15,977
<b>Subtotal Wastewater</b>	<b>1,918,294</b>	<b>56,652</b>	<b>215,457</b>	<b>1,970,477</b>	<b>54,050</b>	<b>229,568</b>
<b>Resources</b>						
Citizens Westfield Water Series 2019A, Revenue Bonds, 4.00%, due 2048	20,000	-	(61)	20,000	-	(65)
Citizens Westfield Wastewater Series 2019A, Revenue Bonds, 5.00%, due 2048	22,660	-	2,213	22,660	-	2,250
Citizens Westfield Water Series 2022A, Revenue Bonds, 4.00%, due 2052	16,000	-	(1,150)	16,000	-	(1,170)
Citizens Westfield Gas Series 2022A Revenue Bonds 4.05%, due 2029	4,000	-	(107)	4,000	-	(122)
Citizens Westfield Water Series 2024A Revenue Bonds 5.25%, Due 2044	20,000	-	2,329	-	-	-
Citizens Westfield Wastewater Series 2024A Revenue Bonds 5.25%, Due 2044	20,000	-	2,330	-	-	-
<b>Subtotal Resources</b>	<b>102,660</b>	<b>-</b>	<b>5,554</b>	<b>62,660</b>	<b>-</b>	<b>893</b>
<b>Total</b>	<b>\$ 2,854,299</b>	<b>\$ 120,847</b>	<b>\$ 310,645</b>	<b>\$ 2,897,597</b>	<b>\$ 116,629</b>	<b>\$ 322,074</b>

\* 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 were issued at a premium of \$9.2 million and have principal maturities between 2027 and 2045 with coupons of 5.0%. The 2024A bonds were 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.

On April 18, 2024, Gas issued \$47.6 million of Gas Utility Distribution System Second Lien Revenue Refunding Bonds, Series 2024A. The bonds were issued at a premium of \$7.2 million and have principal maturities between 2028 and 2035 with coupons of 5.0%. Proceeds will be used to fully refund the Series 2013A Gas Utility Distribution System Second Lien Revenue Refunding Bonds.

On May 23, 2024, Westfield Water issued \$20.0 million of Revenue Bonds, Series 2024A. The 2024A bonds were issued at a premium of \$2.5 million, have a coupon rate of 5.25%, and mature in 2044. The bonds were issued to fund planning, design, and construction costs for specified Westfield Water growth projects.

On May 23, 2024, Westfield Wastewater issued \$20.0 million of Revenue Bonds, Series 2024A. The 2024A bonds were issued at a premium of \$2.5 million, have a coupon rate of 5.25%, and mature in 2044. The bonds were issued to fund planning, design, and construction costs for specified Westfield Wastewater growth projects.

On July 18, 2024, Westfield Gas issued a \$10.0 million Utility Revenue Bond, Series 2024A. The bond, maturing on July 1, 2029, was issued at par, carries a fixed interest rate of 4.76%, and has semi-annual interest payments due beginning January 1, 2025. A portion of the bond proceeds were used to pay the outstanding balance on the line of credit and the remainder will fund planning, design, and construction costs for specified Westfield Gas growth projects.

#### 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)	
					June 30, 2024	September 30, 2023
Gas	50.0 million	September 29, 2024	SOFR <sup>1</sup> + 0.62%	0.250%	\$ -	\$ -
Gas	25.0 million	August 1, 2025	SOFR + 0.90%	0.200%	-	-
Thermal	20.0 million	July 25, 2025	BSBY <sup>2</sup> + 1.125%	0.125%	-	-
Thermal	30.0 million	February 2, 2027	SOFR + 0.62%	0.250%	10.0	**
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%	23.0	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%	-	-

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

\* Line of credit matured prior to June 30, 2024.

<sup>2</sup> 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)	
					June 30, 2024	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 June 30, 2024								
	Gas	Steam	Chilled Water	Water	Waste- Water	Intercompany Resources	Eliminations	Total
Residential	\$ 20,813	\$ -	\$ -	\$ 37,927	\$ 39,873	\$ 6,961	\$ -	\$ 105,574
Commercial	8,420	8,607	12,465	19,363	25,499	1,876	(2,136)	74,094
Industrial	4,793	6,182	98	2,372	8,518	11	(727)	21,247
Other	1,823	94	-	3,017	6,180	2,165	(210)	13,069
Revenues - Contracts w /Customers	35,849	14,883	12,563	62,679	80,070	11,013	(3,073)	213,984
Alternative Revenue Programs	-	-	-	-	-	31	-	31
Gross Operating Revenues	\$ 35,849	\$ 14,883	\$ 12,563	\$ 62,679	\$ 80,070	\$ 11,044	\$ (3,073)	\$ 214,015

Three Months Ended June 30, 2023								
	Gas	Steam	Chilled Water	Water	Waste- Water	Intercompany Resources	Eliminations	Total
Residential	\$ 26,178	\$ -	\$ -	\$ 32,548	\$ 39,262	\$ 4,143	\$ -	\$ 102,131
Commercial	12,076	9,251	11,008	18,208	26,490	1,027	(3,887)	74,173
Industrial	3,897	6,105	93	2,572	7,942	164	(200)	20,573
Other	2,026	50	-	2,121	5,611	2,156	-	11,964
Revenues - Contracts w/Customers	44,177	15,406	11,101	55,449	79,305	7,490	(4,087)	208,841
Alternative Revenue Programs	-	-	-	-	-	27	-	27
Gross Operating Revenues	\$ 44,177	\$ 15,406	\$ 11,101	\$ 55,449	\$ 79,305	\$ 7,517	\$ (4,087)	\$ 208,868

Nine Months Ended June 30, 2024								
	Gas	Steam	Chilled Water	Water	Waste- Water	Intercompany Resources	Eliminations	Total
Residential	\$ 142,327	\$ -	\$ -	\$ 104,301	\$ 124,228	\$ 22,183	\$ -	\$ 393,039
Commercial	56,392	31,233	24,714	57,016	77,632	6,308	(4,905)	248,390
Industrial	18,640	21,265	290	6,751	23,433	77	(5,175)	65,281
Other	6,710	103	-	7,923	14,902	6,350	(1,570)	34,418
Revenues - Contracts w /Customers	224,069	52,601	25,004	175,991	240,195	34,918	(11,650)	741,128
Alternative Revenue Programs	-	-	-	-	-	158	-	158
Gross Operating Revenues	\$ 224,069	\$ 52,601	\$ 25,004	\$ 175,991	\$ 240,195	\$ 35,076	\$ (11,650)	\$ 741,286

## Nine Months Ended June 30, 2023

	Gas	Steam	Chilled Water	Water	Waste- Water	Resources	Intercompany Eliminations	Total
Residential	\$ 174,252	\$ -	\$ -	\$ 88,418	\$ 123,478	\$ 19,509	\$ -	\$ 405,657
Commercial	76,113	36,309	23,029	52,399	78,396	5,417	(18,786)	252,877
Industrial	11,056	26,085	280	7,595	27,107	595	(1,021)	71,697
Other	13,478	263	-	5,350	14,348	6,231	-	39,670
Revenues - Contracts w/Customers	274,899	62,657	23,309	153,762	243,329	31,752	(19,807)	769,901
Alternative Revenue Programs	-	-	-	-	-	86	-	86
Gross Operating Revenues	\$ 274,899	\$ 62,657	\$ 23,309	\$ 153,762	\$ 243,329	\$ 31,838	\$ (19,807)	\$ 769,987

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 nine months ended June 30, 2024, and 2023 are presented in the tables below.

Citizens and CWA offer flexible payment plans to customers experiencing hardship. At June 30, 2024, the Company's allowance for credit losses is \$6.2 million compared with \$5.8 million at September 30, 2023. The increase in the allowance at June 30, 2024 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

\$ Thousands	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Total
Balance at June 30, 2024	\$ 17,877	\$ 6,337	\$ 7,171	\$ 30,207	\$ 31,356	\$ 4,048	\$ 96,996
Balance at September 30, 2023	16,735	5,170	6,373	28,771	30,072	4,224	91,345
Increase (Decrease)	\$ 1,142	\$ 1,167	\$ 798	\$ 1,436	\$ 1,284	\$ (176)	\$ 5,651
Balance at June 30, 2023	\$ 24,341	\$ 6,071	\$ 5,249	\$ 20,463	\$ 29,123	\$ 5,371	\$ 90,618
Balance at September 30, 2022	26,415	5,987	5,083	22,152	31,447	2,760	93,844
Increase (Decrease)	\$ (2,074)	\$ 84	\$ 166	\$ (1,689)	\$ (2,324)	\$ 2,611	\$ (3,226)

## Accrued Utility Revenue

\$ Thousands	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Total
Balance at June 30, 2024	\$ 2,476	\$ -	\$ -	\$ 10,482	\$ 12,901	\$ 640	\$ 26,499
Balance at September 30, 2023	3,568	-	-	8,882	11,839	641	24,930
Increase (Decrease)	\$ (1,092)	\$ -	\$ -	\$ 1,600	\$ 1,062	\$ (1)	\$ 1,569
Balance at June 30, 2023	\$ 2,038	\$ -	\$ -	\$ 10,488	\$ 13,604	\$ 662	\$ 26,792
Balance at September 30, 2022	4,044	-	-	9,192	12,565	659	26,460
Increase (Decrease)	\$ (2,006)	\$ -	\$ -	\$ 1,296	\$ 1,039	\$ 3	\$ 332

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 June 30, 2024 and September 30, 2023, Statements of Operations for the three months and nine months ended June 30, 2024 and 2023, and Statements of Cash Flows for the nine months ended June 30, 2024 and 2023 are summarized as follows:



**Segment Footnote - Condensed Combined Statement of Financial Position***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**At June 30, 2024*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
<b>Assets</b>									
Property, plant, and equipment	\$ 408,697	\$ 83,120	\$ 73,589	\$ 1,427,085	\$ 2,707,387	\$ 392,525	\$ 20,574	\$ -	\$ 5,112,977
Intangibles	-	10,514	29,791	-	-	-	-	-	40,305
Investments	26,063	10,681	11,494	82,087	166,197	1,057	613	(14,556)	283,636
Cash and cash equivalents	65,971	11,184	21,918	11,978	36,132	53,250	8,684	-	209,117
Other current assets	63,433	12,874	9,149	50,930	52,806	6,442	1,822	(544)	196,912
Deferred charges and other non-current assets	23,028	6,429	1,122	19,121	6,056	1,543	51,068	-	108,367
<b>Total assets</b>	<b>\$ 587,192</b>	<b>\$ 134,802</b>	<b>\$ 147,063</b>	<b>\$ 1,591,201</b>	<b>\$ 2,968,578</b>	<b>\$ 454,817</b>	<b>\$ 82,761</b>	<b>\$ (15,100)</b>	<b>\$ 5,951,314</b>
<b>Capitalization and Liabilities</b>									
Equity	\$ 422,634	\$ 50,925	\$ 127,027	\$ 403,846	\$ 518,686	\$ 159,073	\$ 32,312	\$ -	\$ 1,714,503
Long-term debt	106,549	35,515	7,585	773,330	2,133,751	108,214	-	-	3,164,944
Retirement benefit and Other long-term liabilities	6,370	29,080	636	315,236	184,510	173,845	24,520	(14,556)	719,641
Current mat. of long-term debt	16,965	7,650	5,660	33,920	56,652	-	-	-	120,847
Short-term borrowings	-	-	-	23,000	-	3,000	-	-	26,000
Other current liabilities	34,674	11,632	6,155	41,869	74,979	10,685	25,929	(544)	205,379
<b>Total capitalization and liabilities</b>	<b>\$ 587,192</b>	<b>\$ 134,802</b>	<b>\$ 147,063</b>	<b>\$ 1,591,201</b>	<b>\$ 2,968,578</b>	<b>\$ 454,817</b>	<b>\$ 82,761</b>	<b>\$ (15,100)</b>	<b>\$ 5,951,314</b>

**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
<b>Assets</b>									
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
<b>Total assets</b>	<b>\$ 540,753</b>	<b>\$ 132,460</b>	<b>\$ 151,936</b>	<b>\$ 1,518,472</b>	<b>\$ 2,977,302</b>	<b>\$ 385,031</b>	<b>\$ 78,926</b>	<b>\$ (15,487)</b>	<b>\$ 5,769,393</b>
<b>Capitalization and Liabilities</b>									
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
<b>Total capitalization and liabilities</b>	<b>\$ 540,753</b>	<b>\$ 132,460</b>	<b>\$ 151,936</b>	<b>\$ 1,518,472</b>	<b>\$ 2,977,302</b>	<b>\$ 385,031</b>	<b>\$ 78,926</b>	<b>\$ (15,487)</b>	<b>\$ 5,769,393</b>

**Segment Footnote - Condensed Combined Statement of Operations***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Three Months Ended June 30, 2024*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
<b>Operating revenues</b>									
Customer revenues	\$ 34,590	\$ 13,637	\$ 12,563	\$ 62,433	\$ 79,748	\$ 11,044	\$ -	\$ -	<b>\$ 214,015</b>
Intercompany revenues	1,259	1,246	-	246	322	-	-	(3,073)	-
Gross operating revenues	35,849	14,883	12,563	62,679	80,070	11,044	-	(3,073)	<b>214,015</b>
<b>Operating expenses:</b>									
Cost of goods sold	8,294	7,236	3,636	-	-	223	-	(2,560)	<b>16,829</b>
Operations and maintenance	17,057	5,052	2,773	24,248	21,662	4,658	34	(512)	<b>74,972</b>
Depreciation and amortization	5,210	1,442	1,374	7,279	17,335	1,659	-	-	<b>34,299</b>
Taxes	1,213	156	760	2,644	6,548	769	-	-	<b>12,090</b>
Total operating expenses	31,774	13,886	8,543	34,171	45,545	7,309	34	(3,072)	<b>138,190</b>
Operating income (loss)	4,075	997	4,020	28,508	34,525	3,735	(34)	(1)	<b>75,825</b>
<b>Other income (expense), net:</b>									
Interest income	931	234	244	668	2,326	127	168	(152)	<b>4,546</b>
Non-operating post-employment benefits, net	832	176	54	533	337	73	-	-	<b>2,005</b>
Other	-	-	-	135	-	(407)	(1,100)	152	<b>(1,220)</b>
Total other income (expense), net	1,763	410	298	1,336	2,663	(207)	(932)	-	<b>5,331</b>
Income (loss) before interest charges	5,838	1,407	4,318	29,844	37,188	3,528	(966)	(1)	<b>81,156</b>
<b>Interest charges:</b>									
Interest on long-term debt	1,352	659	161	8,699	21,217	961	-	-	<b>33,049</b>
Other interest, including net (premium) discount amortization	(480)	97	(91)	(1,408)	(9,297)	(223)	-	-	<b>(11,402)</b>
Total interest charges	872	756	70	7,291	11,920	738	-	-	<b>21,647</b>
Income (loss) from continuing operations	4,966	651	4,248	22,553	25,268	2,790	(966)	(1)	<b>59,509</b>
Income from discontinued operations	-	-	-	-	-	-	21	1	<b>22</b>
Net income (loss)	\$ 4,966	\$ 651	\$ 4,248	\$ 22,553	\$ 25,268	\$ 2,790	\$ (945)	\$ -	<b>\$ 59,531</b>

**Segment Footnote - Condensed Combined Statement of Operations***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Three Months Ended June 30, 2023*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
<b>Operating revenues</b>									
Customer revenues	\$ 41,907	\$ 14,149	\$ 11,101	\$ 55,168	\$ 79,037	\$ 7,506	\$ -	\$ -	\$ 208,868
Intercompany revenues	2,270	1,257	-	281	268	11	-	(4,087)	-
Gross operating revenues	44,177	15,406	11,101	55,449	79,305	7,517	-	(4,087)	208,868
<b>Operating expenses:</b>									
Cost of goods sold	16,112	8,851	3,414	-	-	426	-	(3,363)	25,440
Operations and maintenance	16,168	4,952	2,864	22,485	22,404	4,389	31	(721)	72,572
Depreciation and amortization	4,980	1,434	1,390	7,089	17,159	1,539	-	-	33,591
Taxes	1,518	192	715	3,102	6,976	445	-	-	12,948
Total operating expenses	38,778	15,429	8,383	32,676	46,539	6,799	31	(4,084)	144,551
Operating income (loss)	5,399	(23)	2,718	22,773	32,766	718	(31)	(3)	64,317
<b>Other income (expense), net:</b>									
Interest income	679	244	377	583	3,032	59	166	(151)	4,989
Non-operating post-employment benefits, net	(160)	(28)	1	37	3	1	-	-	(146)
Other	-	-	-	(17)	1	62	(640)	151	(443)
Total other income (expense), net	519	216	378	603	3,036	122	(474)	-	4,400
Income (loss) before interest charges	5,918	193	3,096	23,376	35,802	840	(505)	(3)	68,717
<b>Interest charges:</b>									
Interest on long-term debt	1,729	599	228	9,221	22,061	739	-	-	34,577
Other interest, including net (premium) discount amortization	(306)	36	(125)	(1,525)	(9,632)	(31)	-	-	(11,583)
Total interest charges	1,423	635	103	7,696	12,429	708	-	-	22,994
Income (loss) from continuing operations	4,495	(442)	2,993	15,680	23,373	132	(505)	(3)	45,723
Loss from discontinued operations	-	-	-	-	-	-	(110)	3	(107)
Net income (loss)	\$ 4,495	\$ (442)	\$ 2,993	\$ 15,680	\$ 23,373	\$ 132	\$ (615)	\$ -	\$ 45,616

**Segment Footnote - Condensed Combined Statement of Operations***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Nine Months Ended June 30, 2024*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
<b>Operating revenues</b>									
Customer revenues	\$ 215,889	\$ 50,574	\$ 25,004	\$ 175,442	\$ 239,302	\$ 35,075	\$ -	\$ -	\$ 741,286
Intercompany revenues	8,180	2,027	-	549	893	1	-	(11,650)	-
Gross operating revenues	224,069	52,601	25,004	175,991	240,195	35,076	-	(11,650)	741,286
<b>Operating expenses:</b>									
Cost of goods sold	94,322	25,878	7,106	-	-	2,609	-	(9,762)	120,153
Operations and maintenance	54,291	15,185	7,031	69,400	66,404	13,906	89	(1,885)	224,421
Depreciation and amortization	15,421	4,318	4,114	21,855	51,296	4,856	-	-	101,860
Taxes	4,572	567	1,760	10,015	20,075	2,347	-	-	39,336
Total operating expenses	168,606	45,948	20,011	101,270	137,775	23,718	89	(11,647)	485,770
Operating income (loss)	55,463	6,653	4,993	74,721	102,420	11,358	(89)	(3)	255,516
<b>Other income (expense), net:</b>									
Interest income	1,908	612	879	2,337	7,311	248	512	(456)	13,351
Non-operating post-employment benefits, net	2,495	528	164	1,598	1,010	218	-	-	6,013
Other	(395)	-	-	397	84	(297)	(2,970)	456	(2,725)
Total other income (expense), net	4,008	1,140	1,043	4,332	8,405	169	(2,458)	-	16,639
Income (loss) before interest charges	59,471	7,793	6,036	79,053	110,825	11,527	(2,547)	(3)	272,155
<b>Interest charges:</b>									
Interest on long-term debt	4,406	1,978	483	26,246	63,701	2,328	-	-	99,142
Other interest, including net (premium) discount amortization	(1,390)	39	(270)	(4,250)	(30,326)	(566)	-	-	(36,763)
Total interest charges	3,016	2,017	213	21,996	33,375	1,762	-	-	62,379
Income (loss) from continuing operations	56,455	5,776	5,823	57,057	77,450	9,765	(2,547)	(3)	209,776
Income from discontinued operations	-	-	-	-	-	-	62	3	65
Net income (loss)	\$ 56,455	\$ 5,776	\$ 5,823	\$ 57,057	\$ 77,450	\$ 9,765	\$ (2,485)	\$ -	\$ 209,841

**Segment Footnote - Condensed Combined Statement of Operations***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Nine Months Ended June 30, 2023*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
<b>Operating revenues</b>									
Customer revenues	\$ 259,587	\$ 60,058	\$ 23,309	\$ 153,139	\$ 242,560	\$ 31,334	\$ -	\$ -	<b>\$ 769,987</b>
Intercompany revenues	15,312	2,599	-	623	769	504	-	(19,807)	-
Gross operating revenues	274,899	62,657	23,309	153,762	243,329	31,838	-	(19,807)	<b>769,987</b>
<b>Operating expenses:</b>									
Cost of goods sold	144,384	36,267	7,378	-	-	4,806	-	(17,407)	<b>175,428</b>
Operations and maintenance	51,518	14,612	7,059	67,440	68,715	12,069	104	(2,393)	<b>219,124</b>
Depreciation and amortization	14,661	4,236	4,155	21,210	51,311	4,586	-	-	<b>100,159</b>
Taxes	4,937	613	1,702	10,383	21,348	1,883	-	-	<b>40,866</b>
Total operating expenses	215,500	55,728	20,294	99,033	141,374	23,344	104	(19,800)	<b>535,577</b>
Operating income (loss)	59,399	6,929	3,015	54,729	101,955	8,494	(104)	(7)	<b>234,410</b>
<b>Other income (expense), net:</b>									
Interest income	4,364	397	884	1,823	7,319	153	468	(433)	<b>14,975</b>
Non-operating post-employment benefits, net	(531)	(91)	(1)	205	(31)	(5)	-	-	<b>(454)</b>
Other	(395)	-	-	220	120	188	(2,110)	433	<b>(1,544)</b>
Total other income (expense), net	3,438	306	883	2,248	7,408	336	(1,642)	-	<b>12,977</b>
Income (loss) before interest charges	62,837	7,235	3,898	56,977	109,363	8,830	(1,746)	(7)	<b>247,387</b>
<b>Interest charges:</b>									
Interest on long-term debt	5,187	1,796	684	27,798	65,236	2,242	-	-	<b>102,943</b>
Other interest, including net (premium) discount amortization	(665)	86	(375)	(4,746)	(28,157)	(105)	-	-	<b>(33,962)</b>
Total interest charges	4,522	1,882	309	23,052	37,079	2,137	-	-	<b>68,981</b>
Income (loss) from continuing operations	58,315	5,353	3,589	33,925	72,284	6,693	(1,746)	(7)	<b>178,406</b>
Loss from discontinued operations	-	-	-	-	-	-	(335)	7	<b>(328)</b>
Net income (loss)	\$ 58,315	\$ 5,353	\$ 3,589	\$ 33,925	\$ 72,284	\$ 6,693	\$ (2,081)	\$ -	<b>\$ 178,078</b>

**Segment Footnote - Condensed Combined Statement of Cash Flows***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**For the Nine Months Ended June 30, 2024 (In Thousands)*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Total
Net cash provided by (used in) operating activities	79,965	1,554	12,365	48,471	84,560	12,574	2,512	<b>\$ 242,001</b>
Investing Activities:								
Construction expenditures	(30,498)	(6,181)	(11,799)	(54,050)	(140,731)	(32,396)	(6,941)	<b>(282,596)</b>
Other investing activities	(1,763)	-	207	(516)	(126)	(4)	(1,302)	<b>(3,504)</b>
Net cash provided by (used in) investing activities	<b>(32,261)</b>	<b>(6,181)</b>	<b>(11,592)</b>	<b>(54,566)</b>	<b>(140,857)</b>	<b>(32,400)</b>	<b>(8,243)</b>	<b>(286,100)</b>
Financing Activities:								
Proceeds from bank line of credit	-	15,000	-	6,000	-	-	-	<b>21,000</b>
Repayment of bank line of credit	-	(5,000)	-	(3,000)	-	-	-	<b>(8,000)</b>
Principal payments of long-term debt and bond refunding	(54,419)	(7,278)	(5,377)	(20,935)	(49,581)	-	-	<b>(137,590)</b>
Proceeds from issuance of long-term debt and bond refunding	54,794	-	-	11,000	-	45,034	-	<b>110,828</b>
Bond issuance costs	(305)	-	-	(296)	(178)	(363)	-	<b>(1,142)</b>
Contributions in aid of construction	-	-	-	14,523	8,087	433	-	<b>23,043</b>
Other financing activities	(1,865)	-	-	-	-	-	1,727	<b>(138)</b>
Net cash provided by (used in) financing activities	<b>(1,795)</b>	<b>2,722</b>	<b>(5,377)</b>	<b>7,292</b>	<b>(41,672)</b>	<b>45,104</b>	<b>1,727</b>	<b>8,001</b>
Net change in cash, cash equivalents, and restricted cash	45,909	(1,905)	(4,604)	1,197	(97,969)	25,278	(4,004)	<b>(36,098)</b>
Cash, cash equivalents & restricted cash - beginning of period	40,696	23,770	31,223	65,075	298,788	29,017	12,688	<b>501,257</b>
Cash, cash equivalents & restricted cash - end of period	<b>\$ 86,605</b>	<b>\$ 21,865</b>	<b>\$ 26,619</b>	<b>\$ 66,272</b>	<b>\$ 200,819</b>	<b>\$ 54,295</b>	<b>\$ 8,684</b>	<b>\$ 465,159</b>
Reconciliation:								
Cash and cash equivalents	\$ 65,971	\$ 11,184	\$ 21,918	\$ 11,978	\$ 36,132	\$ 53,250	\$ 8,684	<b>\$ 209,117</b>
Restricted cash included in Bond restricted funds	18,300	10,681	4,701	52,349	163,060	1,045	-	<b>250,136</b>
Restricted cash included in Other current assets	2,334	-	-	-	-	-	-	<b>2,334</b>
Restricted cash included in Investments, Other	-	-	-	1,945	1,627	-	-	<b>3,572</b>
Cash, cash equivalents & restricted cash - end of period	<b>\$ 86,605</b>	<b>\$ 21,865</b>	<b>\$ 26,619</b>	<b>\$ 66,272</b>	<b>\$ 200,819</b>	<b>\$ 54,295</b>	<b>\$ 8,684</b>	<b>\$ 465,159</b>

**Segment Footnote - Condensed Combined Statement of Cash Flows***Citizens Energy Group and Subsidiary and CWA Authority, Inc.**For the Nine Months Ended June 30, 2023 (In Thousands)*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Total
Net cash provided by (used in) operating activities	43,463	16,405	10,110	35,938	87,692	14,934	6,890	<b>\$ 215,432</b>
Investing Activities:								
Construction expenditures	(26,923)	(3,707)	(2,570)	(56,681)	(160,993)	(18,884)	(6,333)	<b>(276,091)</b>
Other investing activities	9,941	-	(4,597)	42	274	-	(5,187)	<b>473</b>
Net cash provided by (used in) investing activities	<b>(16,982)</b>	<b>(3,707)</b>	<b>(7,167)</b>	<b>(56,639)</b>	<b>(160,719)</b>	<b>(18,884)</b>	<b>(11,520)</b>	<b>(275,618)</b>
Financing Activities:								
Proceeds from bank line of credit	41,500	-	-	20,000	-	2,000	-	<b>63,500</b>
Repayment of bank line of credit	(41,500)	-	-	-	-	-	-	<b>(41,500)</b>
Principal payments of long-term debt and bond refunding	-	(6,922)	(5,118)	(20,270)	(46,095)	(5,000)	-	<b>(83,405)</b>
Proceeds from issuance of long-term debt and bond refunding	-	-	-	-	156,861	-	-	<b>156,861</b>
Bond issuance costs	-	-	-	(9)	(1,432)	(13)	-	<b>(1,454)</b>
Contributions in aid of construction	-	-	-	1,616	1,295	(2,780)	-	<b>131</b>
Other financing activities	(1,360)	-	-	-	-	(8)	1,183	<b>(185)</b>
Net cash provided by (used in) financing activities	<b>(1,360)</b>	<b>(6,922)</b>	<b>(5,118)</b>	<b>1,337</b>	<b>110,629</b>	<b>(5,801)</b>	<b>1,183</b>	<b>93,948</b>
Net change in cash, cash equivalents, and restricted cash	25,121	5,776	(2,175)	(19,364)	37,602	(9,751)	(3,447)	<b>33,762</b>
Cash, cash equivalents & restricted cash - beginning of period	47,507	20,102	28,711	79,988	271,231	33,480	12,183	<b>493,202</b>
Cash, cash equivalents & restricted cash - end of period	<b>\$ 72,628</b>	<b>\$ 25,878</b>	<b>\$ 26,536</b>	<b>\$ 60,624</b>	<b>\$ 308,833</b>	<b>\$ 23,729</b>	<b>\$ 8,736</b>	<b>\$ 526,964</b>
Reconciliation:								
Cash and cash equivalents	\$ 53,332	\$ 15,840	\$ 22,152	\$ 16,219	\$ 146,334	\$ 22,989	\$ 8,736	<b>\$ 285,602</b>
Restricted cash included in Bond restricted funds	17,937	10,038	4,384	42,576	160,907	740	-	<b>236,582</b>
Restricted cash included in Other current assets	1,359	-	-	-	-	-	-	<b>1,359</b>
Restricted cash included in Investments, Other	-	-	-	1,829	1,592	-	-	<b>3,421</b>
Cash, cash equivalents & restricted cash - end of period	<b>\$ 72,628</b>	<b>\$ 25,878</b>	<b>\$ 26,536</b>	<b>\$ 60,624</b>	<b>\$ 308,833</b>	<b>\$ 23,729</b>	<b>\$ 8,736</b>	<b>\$ 526,964</b>

## 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 June 30, 2024

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
<b>Assets</b>						
Property, plant, and equipment	\$ -	\$ 21,568	\$ 178,480	\$ 192,020	\$ -	\$ 392,068
Investments	155,162	84	521	440	(155,162)	1,045
Cash and cash equivalents	829	1,980	23,222	23,761	-	49,792
Other current assets	-	2,150	2,190	2,080	-	6,420
Other non-current assets	-	627	916	-	-	1,543
Total assets	\$ 155,991	\$ 26,409	\$ 205,329	\$ 218,301	\$ (155,162)	\$ 450,868
<b>Capitalization and Liabilities</b>						
Member's equity	\$ 154,773	\$ 17,708	\$ 61,016	\$ 76,437	\$ (155,162)	\$ 154,772
Long-term debt	-	3,893	57,118	47,203	-	108,214
Other long-term borrowings	-	-	-	-	-	-
Other long-term liabilities	-	417	82,061	91,367	-	173,845
Current maturities of long-term debt	-	-	-	-	-	-
Short-term borrowings	-	3,000	-	-	-	3,000
Other current liabilities	1,218	1,391	5,134	3,294	-	11,037
Total capitalization and liabilities	\$ 155,991	\$ 26,409	\$ 205,329	\$ 218,301	\$ (155,162)	\$ 450,868

### 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
<b>Assets</b>						
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
<b>Capitalization and Liabilities</b>						
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 June 30, 2024**  
(In Thousands)

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 1,052	\$ 3,623	\$ 4,522	\$ -	\$ 9,197
Operating expenses						
Cost of goods sold	-	223	-	-	-	223
Other operating expenses	-	547	1,346	1,421	-	3,314
Depreciation and amortization	-	191	598	864	-	1,653
Taxes	-	52	431	285	-	768
Total operating expenses	-	1,013	2,375	2,570	-	5,958
Total operating (loss) income	-	39	1,248	1,952	-	3,239
Other income (expense)	-	142	(362)	24	-	(196)
Equity in earnings of subsidiaries	2,306	-	-	-	(2,306)	-
Interest charges						
Interest on long-term debt	-	41	498	422	-	961
Other interest	-	58	(18)	(264)	-	(224)
Total interest charges	-	99	480	158	-	737
Net income (loss)	\$ 2,306	\$ 82	\$ 406	\$ 1,818	\$ (2,306)	\$ 2,306

**Condensed Consolidated Statement of Operations**  
**Citizens Westfield Utilities, LLC**  
**For the Three Months Ended June 30, 2023**  
(In Thousands)

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 1,164	\$ 3,983	\$ 870	\$ -	\$ 6,017
Operating expenses						
Cost of goods sold	-	425	-	-	-	425
Other operating expenses	1	574	1,628	1,470	-	3,673
Depreciation and amortization	-	174	612	795	-	1,581
Taxes	-	24	261	187	-	472
Total operating expenses	1	1,197	2,501	2,452	-	6,151
Total operating (loss) income	(1)	(33)	1,482	(1,582)	-	(134)
Other income (expense)	-	7	72	40	-	119
Equity in earnings of subsidiaries	(852)	-	-	-	852	-
Interest charges						
Interest on long-term debt	56	41	360	283	-	740
Other interest	11	56	7	(104)	-	(30)
Total interest charges	67	97	367	179	-	710
Net income (loss)	\$ (920)	\$ (123)	\$ 1,187	\$ (1,721)	\$ 852	\$ (725)



**Condensed Consolidated Statement of Operations****Citizens Westfield Utilities, LLC****For the Nine Months Ended June 30, 2024****(In Thousands)**

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 6,787	\$ 9,423	\$ 13,317	\$ -	\$ 29,527
<b>Operating expenses</b>						
Cost of goods sold	-	2,609	-	-	-	2,609
Other operating expenses	6	1,629	4,239	4,268	-	10,142
Depreciation and amortization	-	554	1,747	2,535	-	4,836
Taxes	-	146	1,235	965	-	2,346
Total operating expenses	6	4,938	7,221	7,768	-	19,933
Total operating (loss) income	(6)	1,849	2,202	5,549	-	9,594
Other income (expense)	-	197	(144)	111	-	164
Equity in earnings of subsidiaries	8,003	-	-	-	(8,003)	-
<b>Interest charges</b>						
Interest on long-term debt	-	122	1,218	988	-	2,328
Other interest	-	177	(7)	(737)	-	(567)
Total interest charges	-	299	1,211	251	-	1,761
Net income (loss)	\$ 7,997	\$ 1,747	\$ 847	\$ 5,409	\$ (8,003)	\$ 7,997

**Condensed Consolidated Statement of Operations****Citizens Westfield Utilities, LLC****For the Nine Months Ended June 30, 2023****(In Thousands)**

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 8,161	\$ 9,198	\$ 8,960	\$ -	\$ 26,319
<b>Operating expenses</b>						
Cost of goods sold	-	4,806	-	-	-	4,806
Other operating expenses	19	1,487	4,066	4,059	-	9,631
Depreciation and amortization	-	623	1,613	2,316	-	4,552
Taxes	-	118	967	798	-	1,883
Total operating expenses	19	7,034	6,646	7,173	-	20,872
Total operating (loss) income	(19)	1,127	2,552	1,787	-	5,447
Other income (expense)	-	8	215	101	-	324
Equity in earnings of subsidiaries	3,679	-	-	-	(3,679)	-
<b>Interest charges</b>						
Interest on long-term debt	191	122	1,080	850	-	2,243
Other interest	32	150	(70)	(216)	-	(104)
Total interest charges	223	272	1,010	634	-	2,139
Net income (loss)	\$ 3,437	\$ 863	\$ 1,757	\$ 1,254	\$ (3,679)	\$ 3,632

**Condensed Consolidated Statement of Cash Flows**

Citizens Westfield Utilities, LLC

(In Thousands)

For the Nine Months Ended June 30, 2024

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	\$ 619	\$ 2,238	\$ 1,458	\$ 6,767	\$ 11,082
Investing Activities:					
Construction expenditures	-	(3,207)	(11,457)	(17,732)	(32,396)
Net cash provided by (used in) investing activities	-	(3,207)	(11,457)	(17,732)	(32,396)
Financing Activities:					
Proceeds from issuance of long-term debt	-	-	22,517	22,517	45,034
Bond issuance costs	-	(3)	(180)	(180)	(363)
Additional paid-in capital and dividends	4	-	-	(4)	-
Contributions in aid of construction and customer advances, net	-	-	(672)	1,105	433
Net cash provided by (used in) financing activities	4	(3)	21,665	23,438	45,104
Net change in cash, cash equivalents, and restricted cash	623	(972)	11,666	12,473	23,790
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	\$ 829	\$ 2,064	\$ 23,743	\$ 24,201	\$ 50,837
Reconciliation:					
Cash and cash equivalents	\$ 829	\$ 1,980	\$ 23,222	\$ 23,761	\$ 49,792
Restricted cash included in Bond restricted funds	-	84	521	440	1,045
Cash, cash equivalents & restricted cash - end of period	\$ 829	\$ 2,064	\$ 23,743	\$ 24,201	\$ 50,837

**Condensed Consolidated Statement of Cash Flows**

Citizens Westfield Utilities, LLC

(In Thousands)

For the Nine Months Ended June 30, 2023

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	\$ (92)	\$ 2,352	\$ 3,057	\$ 7,867	\$ 13,184
Investing Activities:					
Construction expenditures	-	(1,655)	(6,753)	(10,477)	(18,885)
Net cash provided by (used in) investing activities	-	(1,655)	(6,753)	(10,477)	(18,885)
Financing Activities:					
Proceeds from bank line of credit	-	2,000	-	-	2,000
Principal payments of long-term debt	(5,000)	-	-	-	(5,000)
Bond issuance costs	-	(13)	-	-	(13)
Additional paid-in capital and dividends	4,690	-	-	(1,690)	3,000
Contributions in aid of construction and customer advances, net	-	-	(1,630)	(1,150)	(2,780)
Net cash provided by (used in) financing activities	(310)	1,987	(1,630)	(2,840)	(2,793)
Net change in cash, cash equivalents, and restricted cash	(402)	2,684	(5,326)	(5,450)	(8,494)
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	\$ 126	\$ 3,849	\$ 3,586	\$ 12,622	\$ 20,183
Reconciliation:					
Cash and cash equivalents	\$ 126	\$ 3,767	\$ 3,218	\$ 12,332	\$ 19,443
Restricted cash included in Other non-current assets	-	82	368	290	740
Cash, cash equivalents & restricted cash - end of period	\$ 126	\$ 3,849	\$ 3,586	\$ 12,622	\$ 20,183

## 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 nine months ended June 30, 2024, and 2023.

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

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

	<b>Condensed Combined Statement of Financial Position Classification</b>	<b>At June 30, 2024</b>	<b>At September 30, 2023</b>
<b>Assets</b>			
Right-of-use assets - operating leases	Property, plant, and equipment, net	\$ 2,607	\$ 2,822
<b>Liabilities</b>			
Operating lease liabilities - current	Other current liabilities	\$ 299	\$ 288
Operating lease liabilities - non-current	Other long-term liabilities	\$ 2,308	\$ 2,534

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Operating lease expense	\$ 105	\$ 105	\$ 315	\$ 315
Short-term lease expense	259	322	721	911
Variable lease expense	51	80	185	290
Total lease expense	<u>\$ 415</u>	<u>\$ 507</u>	<u>\$ 1,221</u>	<u>\$ 1,516</u>

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

	<b>At June 30, 2024</b>
2024	\$ 105
2025	420
2026	420
2027	420
2028	420
Thereafter	1,330
Total operating lease payments	<u>3,115</u>
Less: imputed interest	508
Total operating lease liabilities	<u>\$ 2,607</u>

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

	<b>At June 30, 2024</b>
Weighted-average remaining lease term	89
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 \$315 thousand for each of the nine months ended June 30, 2024, and 2023, 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 nine months ended June 30, 2024, for the asset retirement obligation liability is as follows (in thousands):

Asset retirement obligation at September 30, 2023	\$ 12,453
Accretion expense	263
Remediation liabilities settled	(215)
Asset retirement obligation at June 30, 2024	<u>\$ 12,501</u>

The major classes of assets and liabilities of the Manufacturing segment (reported as Discontinued Operations in Other) at June 30, 2024, and September 30, 2023, are as follows (in thousands):

	June 30, 2024	September 30, 2023
Current assets	\$ 2,461	\$ 1,176
Non-current assets	3,964	3,663
Total assets	<u>\$ 6,425</u>	<u>\$ 4,839</u>
Equity (deficiency)	\$ (7,187)	\$ (8,977)
Retirement benefit and other long-term liabilities	13,556	13,661
Current liabilities	56	155
Total capitalization and liabilities	<u>\$ 6,425</u>	<u>\$ 4,839</u>

For the nine months ended June 30, 2024, and 2023, Discontinued Operations operating expenses were \$0.1 million and \$0.3 million, respectively. Approximately \$1.2 million of cash was provided by Gas to Discontinued Operations during fiscal year 2023, and an additional \$1.7 million during the nine months ended June 30, 2024, 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

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 August 19, 2021, Citizens Water filed a petition and testimony seeking approval of a Lead Service Line Replacement ("LSLR") Plan pursuant to which it would replace customer-owned lead service lines in its service territory. The LSLR Plan contemplated Citizens Water spending approximately \$2.5 to \$5.0 million each year on lead service line replacements during the first five years of the plan. On March 2, 2022, the IURC approved Citizens Water's proposed LSLR Plan, finding it to be reasonable and in the public interest.

On March 14, 2022, Citizens Water filed a petition and testimony seeking approval of a rate schedules establishing amounts to provide for recovery of costs to replace customer-owned lead service lines pursuant to the LSLR Plan the IURC approved in August 2021. Citizens Water sought approval of two sets of fixed charges. The first set of fixed charges would be in effect during year 1 of the LSLR Plan and designed to recover expected costs of \$2,528,000, and the second set of fixed charges would be in effect during years 2 – 5 of the LSLR Plan and designed to recover expected costs of \$5,061,000. On May 11, 2022, the IURC approved the proposed rate schedules and directed Citizens Water to make a compliance filing at the end of each 12-month period reconciling the difference between the billed charges and the actual costs incurred for the 12-month period. Citizens Water has made compliance filings reconciling the differences between charges billed and actual costs incurred for the first two years of the LSLR Plan. Revised rate schedules based on both compliance filings were approved by the IURC.

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.

On July 16, 2024, Citizens Water filed a petition and testimony seeking approval of revised rate schedules to provide for recovery of increased LSLR costs ranging from \$10.0 - \$25.0 million per year. The petition additionally seeks approval to recover approximately \$3.5 million of unrecovered costs incurred during year 2 of the LSLR Plan, which were incurred as a result of accelerating certain LSLR projects to take advantage of overall savings achieved by coordinating with public improvement projects being completed by the City of Indianapolis. In accordance with the statute applicable to the petition, the OUCC may file a report within 30 days of the petition confirming the petition's compliance with the governing statute. The IURC must hold a hearing and issue its order within 60 days of the filing of the petition.

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 requested 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 resolved 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. On February 29, 2024, the IURC issued an order approving the request.

#### Resources – Westfield Water

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

On October 25, 2023, Westfield Water filed a petition with the IURC seeking approval to issue \$20.0 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.

On March 6, 2024, Westfield Water filed a petition and supporting testimony with the IURC seeking approval, among other things, to increase its base rate charges. The petition requests approval of a base rate increase designed to increase the utility's revenues by \$3.8 million to be implemented in two steps. The proposed step 1 is an increase of \$3.1 million in authorized revenues, which would be implemented upon issuance of an IURC order approving the increase. The proposed step 2 is an increase of \$704,151 in authorized revenues, which would be implemented later upon submission of a compliance filing subject to the IURC's review. On June 21, 2024, the OUCC filed its testimony, which was revised with corrected testimony on July 8, 2024. In its revised testimony, the OUCC proposed a rate decrease of 4.8%, which would reduce Westfield Water's authorized revenues by \$681,042. On July 22, 2024, Westfield Water filed its rebuttal testimony arguing the OUCC's recommended rate decrease should be rejected and making certain adjustments to the increase proposed in Westfield Water's initial filing. On August 14, 2024, Westfield Water and the OUCC filed a signed settlement agreement which would resolve all issues in the case. The settlement contemplates an overall revenue increase of \$2.7 million to be implemented in two steps. The step 1 increase of \$1.3 million in authorized revenues would take effect after issuance of a final order in the case, and the step 2 increase of \$1.4 million in authorized revenues would take effect the later of January 1, 2026 or 12 months after the implementation of the step 1 increase. On August 14, 2024, Westfield Water and the OUCC also filed testimony in support of the settlement agreement. An evidentiary hearing is scheduled for August 26, 2024.

#### 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 \$20.0 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, which are wholly-owned indirect subsidiaries of Resources. Citizens proposed depreciation rates were developed using the equal life group ("ELG") methodology, which is the methodology Citizens used and the IURC approved in Citizens most recent depreciation case. 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. On April 12, 2024, the OUCC filed testimony recommending adjustments to Citizens' proposed depreciation rates. The OUCC's proposed depreciation rates, which were developed using the average life group ("ALG") methodology for certain asset types, would result in an approximate \$5.0 million reduction to the annual depreciation expense generated by Citizens' proposed depreciation rates. Citizens' rebuttal testimony was filed on May 3, 2024. On June 21, 2024, an evidentiary hearing was held. The case is now awaiting an order from the IURC.

## 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 were 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 Pogue Run tunnels, which comprise approximately 7.4 miles of the DigIndy tunnel system, are operational and in use as of June 3, 2022. Tunnel boring to mine the 3.8-mile Fall Creek Tunnel has been completed. Mining began on the tunnel system's final segment, the 7.8-mile Pleasant Run Tunnel, in April 2021. As of August 25, 2022, all tunnel segments have been completely mined and are expected to be online in 2025. CWA estimates the projected cost of the Consent Decree, including capital and operation and maintenance costs, is approximately \$2.4 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 alleges improper past activities including the disposal of materials on a property owned by CWA. Since IDEM made contact, Citizens has fully cooperated with state and federal 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. IDEM issued 3 Violation Letters to Citizens and its contractor. These Violation Letters assess violations to various environmental rules against the contractor and require both Citizens (as property owner) and the contractor to provide a plan to investigate the entire site – the plan was timely submitted to IDEM for review. At this time, management cannot predict the final outcome of the investigation. Citizens intends to seek full reimbursement of costs it incurs arising from the activities from the contractor.

#### **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 August 21, 2024, the date at which these condensed combined financial statements were issued.