



Inspired



*Jeffrey Harrison
President & CEO
Citizens Energy Group*



Inspired by Indy

JEFFREY HARRISON
PRESIDENT & CEO

In 1887, a group of community leaders were inspired to create a company structured as a Trust through which dedicated employees would manage the local natural gas utility as a foundation of enhanced quality of life and economic development.

Now, 130 years later, the employees of Citizens Energy Group are more inspired than ever by the service-driven mission of the Trust. We are inspired by families who depend on our natural gas to keep them warm. We are inspired by the local craft beer maker who uses our water to make his product. We are inspired by the 60,000 Colts fans our thermal utility keeps comfortable on game day. We are inspired by the kayaker enjoying the White River being transformed by our DigIndy Project. We are inspired to hold down costs for senior citizens living on fixed incomes.

As we are inspired by our purpose, the Trust faces formidable challenges. While vital investments in our aging water and wastewater systems have required rate increases, poverty in Marion County has more than doubled since the year 2000 to more than 194,000, or 20 percent of the population. At the same time, wages for most Hoosiers have been flat or falling, primarily due to the decline of the manufacturing sector.

The stark realities of poverty and flat wages underscore the importance of controlling costs by improving the efficiency of our operations. In 2017, we launched a new quality program called Citizens Lean and Six Sigma (CLASS) as the framework for driving continuous improvement and efficiency across the company. Based on early results, we are optimistic CLASS will enhance efficiency while improving outcomes for our customers, the environment and the communities we serve.

FUTURE IS NOW FOR DIGINDY

This past December, we opened the first 10 miles of the DigIndy project, a 28-mile network of deep rock tunnels that will restore our waterways by nearly eliminating sewer overflows by the year 2025. At the same time, we are continuing to expand our sewer system to serve neighborhoods served by failing septic systems. More than \$1.4 billion of investments in our wastewater system over the past six years are already enhancing water quality in area rivers and streams. Over time, these investments will enhance recreational opportunities, help revitalize neighborhoods and drive economic development across Central Indiana.

As we complete DigIndy and keep Citizens in compliance with a Consent Decree with U.S. EPA and Department of Justice, we are holding down project costs and improving outcomes for the environment. Thanks to our value engineering process that leverages innovation, our Consent Decree projects are now more than \$400 million below the original budget. Using sustainable methods such as rain gardens and our initiative to plant 10,000 trees across the city over the next decade, we will increase the sewer overflow capture rate of our wastewater system from 97 to 99 percent.

WATER INVESTMENTS PAYING OFF

As other cities struggle to invest in aging water systems, Citizens is leading the way in implementing innovative solutions to update our system serving Central Indiana. More than \$280 million of investments in our water utility over the past six years are beginning to pay dividends. When we acquired the water utility, the system experienced about 700 main breaks per year. In 2017, for the first time in 30 years, water main breaks were below 500. While the number of breaks is still too high, we are headed in the right direction.

Our system improvements also ensure long-term water supply and enhance the flexibility of the system to enable us to move water more efficiently to areas of high demand. With the recent acquisition of a 230-foot deep quarry near Geist Reservoir, by 2020 we will develop the area's first new water supply reservoir in nearly 60 years.



Work on the DigIndy Tunnel System and associated projects is ahead of schedule and more than \$400 million below the original budget.

Rodney Copeland, Mechanic, and Mike Farris, Maintenance Specialist, discuss ongoing maintenance work at the West Street Chilled Water Plant.





ENERGY SYSTEMS ADDING VALUE

While other natural gas and thermal energy systems are engaged in expensive system upgrade programs, Citizens' natural gas, steam and chilled water systems are already among the safest and best maintained in the U.S., thanks to more than \$650 million of investments over the past 30 years.

Because of new production methods, the U.S. has become the leading producer of natural gas in the world, which has led to lower prices. Leveraging lower natural gas prices through long-term supply contracts has helped Citizens reduce the average residential customer's bill more than 40 percent over the past 10 years. Lower natural gas prices are also helping Central Indiana businesses compete in a global marketplace. In 2017, we executed two new gas supply contracts that are generating annual savings of \$7 million for our gas customers and \$1.4 million for our steam customers.

Our steam and chilled water systems are delivering highly efficient energy to about 300 buildings in the downtown area and allowing customers to focus on their respective missions, rather than on devoting building space and trained staff to energy production. Our steam and chilled water utilities are performing with enhanced efficiency and lower environmental impacts due to the recent conversion of our Perry K Steam Plant from coal to natural gas. Our efficiency efforts prompted us to complete a steam rate case in 2017 that resulted in 3 to 6 percent lower rates for our steam customers.

ENHANCING CUSTOMER SERVICE

This year, we continued our efforts to enhance customer satisfaction by creating more self-service options that make it easier for customers to do business with us. Our focus on online engagement over the past year has resulted in the highest ever enrollment in electronic billing; increased enrollment in budget and paperless billing; and expanded digital alerts to customers for system outages, disconnect notices and the status of pending service orders.

In addition to new self-service options, we have made enhancements to our call routing and Interactive Voice Response system to ensure customers calling us get answers to their questions faster and with fewer transfers. All of our service initiatives are aimed at allowing customers to manage their accounts on their terms, rather than ours.

REVITALIZING OUR COMMUNITY

One of the most exciting achievements of 2017 has been the progress made toward redeveloping the site of our former manufactured gas and coke plant on Prospect Street, which we recently rebranded as Pleasant Run Crossing. Our team is working collaboratively with a coalition of community groups to produce a plan that will enhance quality of life and revive the economy in the area. We are also very excited to be collaborating with the City of Indianapolis as they plan development of a Community Justice Campus at Pleasant Run Crossing.

While Pleasant Run Crossing redevelopment is a centerpiece of our community enhancement efforts, our company and employees continue to support a wide range of organizations working to make this a better community. Throughout the Indianapolis area, you will find Citizens employees volunteering in a wide range of organizations working to enhance the quality of life in the communities we serve. In January, we celebrated our 10th Sharing the Dream Project when we came together to provide widespread improvements to the facilities at Brookside Park, which was our first project honoring the legacy of Dr. Martin Luther King, Jr.

INSPIRATION DRIVES RESULTS

As we begin our 131st year serving the people of Indianapolis, I am more optimistic than ever that our purpose as a Trust will continue inspiring our employees to produce positive results for the people of Central Indiana. Whether it is a utility service specialist working in inclement weather, a call center representative helping a customer in need or an engineer rethinking a project to reduce costs, our employees are inspired to continuously look for better ways to serve our customers and communities.

Sincerely,

Jeffrey A. Harrison

Citizens' Pleasant Run Crossing site on the southeast side of Indianapolis will be home to the city's new Community Justice Campus.



Kevin Hardie, Executive Director of Friends of the White River, and Joe Nagy, Engineer I for Citizens, enjoy the beauty of the White River in Broad Ripple.





Inspired by our Environment

Kevin Hardie and Joe Nagy are inspired by the beauty and tranquility of the White River. Hardie, Executive Director of the Friends of the White River, and Nagy, an engineer at Citizens Energy Group, know a new chapter in the river's beauty has begun with the recent opening of the first 10 miles of the DigIndy Tunnel.

"This opening of the first sections of DigIndy is a historic milestone for restoring the White River. This project will enhance water quality in the White River and other area streams to levels not seen in perhaps 100 years. This will be a tremendous accomplishment for our environment and our community," said Hardie.

As an engineer working on DigIndy and related projects, Nagy realizes the importance of the work he and his colleagues are doing. "You don't get many opportunities in your career to work on projects that can have such a big impact. I think everyone on our team appreciates that DigIndy will transform our waterways and revitalize our community for generations to come," Nagy said.

With the southern end of the tunnel system and pump station now functioning, nearly 1 billion gallons of raw sewage will be prevented from entering the White River and Eagle Creek each year. Instead, during moderate to heavy rain events, sewer overflow points south of downtown on the White River and points along Eagle Creek are being diverted to the tunnel. When the rain events pass, the combined sewage and storm water are being pumped from the tunnel to Citizens' Southport Advanced Wastewater Treatment Plant, which discharges clean water back to the White River.

The successful launch of DigIndy is the result of countless hours of work by dedicated employees, according to Jeffrey Harrison, President & CEO of Citizens Energy Group. "Citizens employees are finding ways to complete DigIndy at lower costs while ensuring maximum benefits for our waterways," said Harrison.



Inspired by our Customers

When District Supervisor Keith Legge investigated a complaint about a sinking sidewalk in front of Christi Sculthorp's home in Fishers, he was inspired to own the customer experience.

"After conducting an inspection, I determined the sinking sidewalk and lawn were not caused by Citizens Energy Group work. Although it wasn't a Citizens problem, I wanted to do all I could to help the customer find a solution. That's the Citizens approach to customer service," said Keith.

Keith was able to contact the company that had originally installed the sidewalk and graded the lot to explain the customer's problem. The company then promptly replaced the sidewalk and regraded the area at no charge to Mrs. Sculthorp.

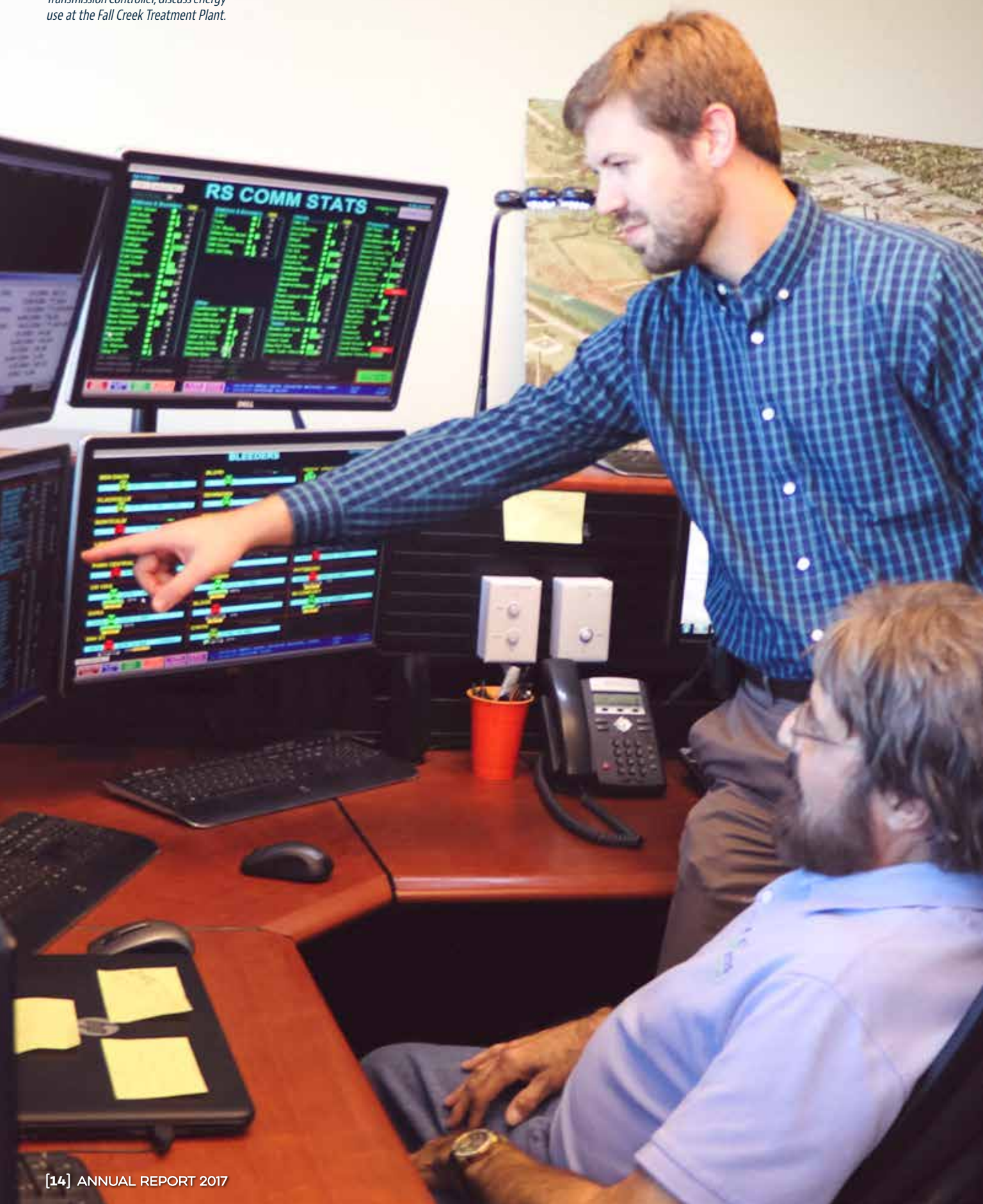
This example of great customer service resulted in Keith receiving an annual Customer Champion Award, an internal program recognizing employees who consistently demonstrate outstanding service to internal or external customers. "Every day across Citizens, employees such as Keith Legge own the customer experience to find solutions that enhance customer satisfaction," said Curtis Popp, Vice President, Customer Operations.

In addition to improving direct customer service, Citizens continues to focus on providing customers additional self-service options for bill payment and receiving information. "In a marketplace shaped by innovative entities such as Amazon, customers want more convenient options for managing their accounts. Our goal is to provide options that make it easier for customers to do business with Citizens while providing information that helps them manage their energy and water usage," said Popp.

Christi Sculthorp appreciates the great customer service she received from Keith Legge, District Supervisor, when he helped identify a contractor to correct a sunken sidewalk in front of her home.



Steve Berube, Manager, System Control and Planning, and John Kline, Transmission Controller, discuss energy use at the Fall Creek Treatment Plant.



Inspired to Hold Down Costs

Susan Harris sees a renewed sense of urgency among employees across Citizens Energy Group for improving processes to enhance efficiency and hold down costs.

"Our employees are keenly aware that utilities account for an increasing share of household income, and they realize customers expect more for their money. As a result, there is growing commitment to improve processes in order to enhance customer service while reducing costs," said Harris, Director of Quality Systems at Citizens, who is leading the Citizens Lean and Six Sigma (CLASS) program at the utility.

While Citizens has had a quality program for more than 30 years, CLASS is providing employees a new framework for driving continuous improvement. "Through CLASS, we are providing our employees a common language and set of tools for process improvement and enhanced efficiency across the Trust," Harris said.



Susan Harris

Improving the energy efficiency of utility operations is one example of an initiative that will lower costs ultimately borne by our customers. Citizens is already one of Indianapolis Power & Light's largest customers, primarily due to the many pumps needed to move water and wastewater. Electric usage is expected to grow significantly as the DigIndy Tunnel system comes on line over the next eight years. As a result, Citizens has a cross-functional team exploring a variety of options to hold down electricity costs such as the use of variable speed pumps.

As operating departments leverage technology and new processes to deliver immediate cost reductions, the CLASS program is also focused on enhancing knowledge management across the company. "Citizens has a large number of experienced employees who have become highly efficient at their jobs. With nearly 30 percent of our workforce eligible to retire in the next five years, it is vital we ensure every department documents critical processes to ensure knowledge is transferred to the next generation of employees and leaders," said Harris.

Inspired by our Community



Shannon Stahley

Shannon Stahley knows that redeveloping Citizens' Pleasant Run Crossing site along Prospect Street is the foundation for realizing the dreams of nearby residents for a better community.

"It is exciting and rewarding to be collaborating with the Twin Aire Neighborhood Coalition on redevelopment planning for Citizens' former manufactured gas and coke plant site," said Stahley, Manager, Special Projects and External Affairs. "Our team knows that finding productive uses for the 140-acre Pleasant Run Crossing site will be the catalyst for realizing the larger vision of a revitalized Twin Aire neighborhood."

Leveraging a \$350,000 grant from the U.S. Economic Development Administration (EDA) with matching funds from Citizens, the team has produced a comprehensive Assess, Reuse and Implementation Strategy for Pleasant Run Crossing. The strategy includes several redevelopment scenarios that could enhance quality of life, drive job creation and improve community connectivity.

The EDA planning process is being coordinated with planning for the Twin Aire Great Places initiative and the City's proposed development of a Community Justice Campus on the core parcels of Pleasant Run Crossing. Citizens and the Twin Aire Neighborhood Coalition strongly support the City's Community Justice Campus development as an attractive campus that will provide a significant number of good-paying jobs, while serving as a catalyst for further development in the area.

"The Twin Aire area developed more than 100 years ago after Citizens' manufactured gas and coke plant opened and began providing good-paying jobs to hundreds of local residents. It is gratifying for Citizens to again be playing a central role in the vitality of this historic area of the southeast side," said Jeffrey Harrison, President & CEO of Citizens Energy Group.

*Residents of the Twin Aire community
check out redevelopment plans for the
Pleasant Run Crossing site.*





BOARD OF TRUSTEES

(Left to Right:) **John Krauss**, Director of the Indiana University Public Policy Institute; **Jackie Nytes**, Chief Executive Officer, Indianapolis Public Library; **Brian Williams**, Program Director, Lilly Endowment; **Daniel Evans**, Retired President and CEO, Indiana University Health Partners, Inc.; **Dennis Bland**, President, Center for Leadership Development.

BOARD OF DIRECTORS

(Left to Right:) **J.A. Lacy**, President & CEO of LDI, Ltd.; **Anne Nobles**, Retired Senior Vice President of Enterprise Risk Management and Chief Ethics and Compliance Officer, Eli Lilly and Co.; **Phillip Terry**, CEO, Monarch Beverage; **Maira Carlsted**, President, Indianapolis Neighborhood Housing Partnership; **Jeffrey Good**, Managing Director for mAccounting; **Christia Hicks**, Vice President of Human Resources at Eskenazi Health Services; **Joe Whitsett**, Member at The Whitsett Group, LLC; **Dan Appel**, President, Gregory Appel Insurance; and **Anita Harden**, Retired President, Community Hospital East.

OFFICERS

(Left to Right:) **Jennett Hill**, Senior Vice President & General Counsel; **Chris Braun**, Vice President, Energy Operations; **John Brehm**, Senior Vice President, Chief Financial Officer; **LaTona Prentice**, Vice President, Regulatory & External Affairs; **Jeff Willman**, Vice President, Water Operations; **Jeffrey Harrison**, President & Chief Executive Officer; **Curtis Popp**, Vice President, Customer Operations; **Sabine Karner**, Vice President, Controller; **Michael Strohl**, Senior Vice President, Chief Customer Officer; **Jodi Whitney**, Vice President, Human Resources & Chief Diversity Officer; **John Lucas**, Vice President, Information Technology; **Mark Jacob**, Vice President, Capital Programs & Engineering.



2020 North Meridian Street
Indianapolis, Indiana 46202
CitizensEnergyGroup.com