citizens energy group™

Annual Financial Report 2020

Management Discussion & Analysis

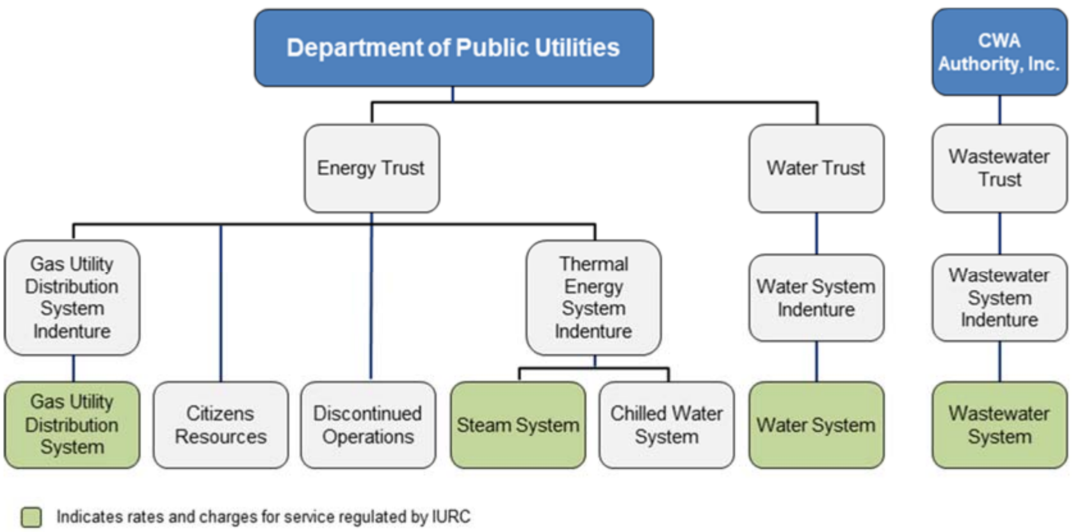
MANAGEMENT DISCUSSION AND ANALYSIS

Forward-looking Statements

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

Organization Structure

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



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

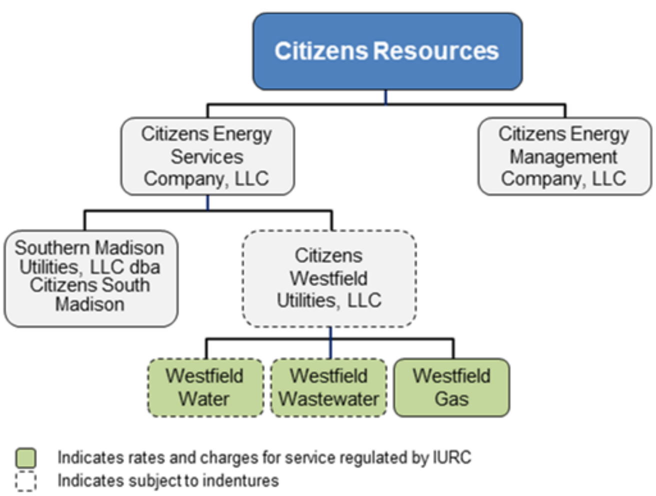
The Gas Utility Distribution System, the Thermal Energy System, Citizens Resources and certain other properties are subject to the Energy Trust. The Water System is subject to a separate public charitable trust (the Water Trust) that operates in substantially the same manner as the Energy Trust.

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

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

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

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



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

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

FINANCIAL RESULTS

The tables and discussion below summarize the financial results for each segment (in millions) and present an analysis of the results of our operations for the twelve months ended September 30, 2020 and 2019. For a more detailed understanding of these results, see the following notes to the combined financial statements:

- Note 1C – COVID-19
- Note 2K – Investment in Unconsolidated Affiliate
- Note 2Q – Change in Accounting Estimate
- Note 3 – Long-Term Debt
- Note 5 – Revenue Recognition
- Note 8 – Financial Segment Information
- Note 11 – Discontinued Operations and Related Asset Retirement Obligations
- Note 12 – Rate and Regulatory Matters
- Note 13 – Commitments and Contingencies

SHARED SERVICES

Shared services is 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.

	2020	2019	Change
Shared Services Expenses	$ 98.5	$ 96.3	$ 2.2

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

Fiscal Year 2020 as Compared with 2019

Shared services expenses increased $2.2 million primarily due to:

- $3.4 million increased labor and employee benefits costs; **offset by**
- $0.6 million lower depreciation expense due to lower depreciation rates enacted on January 1, 2019, as approved by the IURC; and
- $0.4 million lower software, hardware and IT support costs.

GAS

	2020	2019	Change
Operating revenues	$ 222.5	$ 258.2	$ (35.7)
Cost of goods sold	78.1	111.3	(33.2)
Margin	144.4	146.9	(2.5)
Other operating expenses	85.2	92.0	(6.8)
Operating income (loss)	59.2	54.9	4.3
Other income (expense), net	(1.4)	0.3	(1.7)
Interest charges	8.8	10.6	(1.8)
Segment income (loss)	$ 49.0	$ 44.6	$ 4.4
Volume sales, million Dth			
Retail	27.9	30.1	(2.2)
Transportation	17.9	19.2	(1.3)
Power generation and other	25.2	18.4	6.8
Cost of gas sold, per Dth	$ 2.80	$ 3.70	$ (0.90)
Heating degree days	5,049	5,352	(303)

Fiscal Year 2020 as Compared with 2019

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

- $5.7 million decreased remediation expenses for the Langsdale site as a result of the approved remediation work plan;
- $2.2 million lower contract fees and

- $1.8 million decreased interest expense driven by lower amount of outstanding debt; **offset by**
- $2.5 million lower margin resulting from temporary suspension of late payment and other fees along with lower retail margin net of Normal Temperature Adjustment due to warmer weather compared with the prior year;
- $1.0 million increased non-operating post-employment benefit costs;
- $0.8 million increased shared service expense allocations;
- $0.5 million increased distribution maintenance expenses; and
- $0.5 million lower interest income.

STEAM

	2020	2019	Change
Operating revenues	$ 63.7	$ 64.9	$ (1.2)
Cost of goods sold	32.4	31.3	1.1
Margin	31.3	33.6	(2.3)
Other operating expenses	26.0	26.8	(0.8)
Operating income (loss)	5.3	6.8	(1.5)
Other income (expense), net	(0.2)	(0.2)	-
Interest charges	2.7	2.9	(0.2)
Segment income (loss)	$ 2.4	$ 3.7	$ (1.3)
Volume sales, million therms	55.6	60.4	(4.8)
Heating degree days	5,049	5,352	(303)

Fiscal Year 2020 as Compared with 2019

The decrease in earnings of $1.3 million resulted from:

- $2.3 million lower margin due to lower demand attributable to warmer weather compared with the prior year; **offset by**
- $0.8 million lower employee benefit costs.

CHILLED WATER

	2020	2019	Change
Operating revenues	$ 33.0	$ 34.9	$ (1.9)
Cost of goods sold	10.6	10.9	(0.3)
Margin	22.4	24.0	(1.6)
Other operating expenses	15.1	15.7	(0.6)
Operating income (loss)	7.3	8.3	(1.0)
Other income (expense), net	-	0.3	(0.3)
Interest charges	0.8	1.0	(0.2)
Segment income (loss)	$ 6.5	$ 7.6	$ (1.1)
Volume sales, million ton hours	113.9	132.4	(18.5)
Cooling degree days	1,235	1,393	(158)

Fiscal Year 2020 as Compared with 2019

The decrease in earnings of $1.1 million resulted from:

- $1.6 million lower margin arising from decreased demand primarily due to pandemic-related impacts and lower demand attributable to cooler weather; **offset by**
- $0.5 million lower plant maintenance expenses and franchise taxes.

WATER

	2020	2019	Change
Operating revenues	$ 207.6	$ 203.4	$ 4.2
Other operating expenses	121.4	123.6	(2.2)
Operating income (loss)	86.2	79.8	6.4
Other income (expense), net	1.9	2.1	(0.2)
Interest charges	36.1	37.9	(1.8)
Segment income (loss)	$ 52.0	$ 44.0	$ 8.0
Volume sales, billion gallons	38.8	37.9	0.9
Precipitation, inches	44.4	46.8	(2.4)

Fiscal Year 2020 as Compared with 2019

The increase in earnings of $8.0 million was primarily driven by:

- $4.2 million increased revenue due to higher consumption and customer growth;
- $4.1 million decreased depreciation expense due to reduced rates as approved by the IURC; and
- $1.8 million decreased interest expense driven by lower amount of outstanding debt; **offset by**
- $1.1 million increased bad debt expense due to economic conditions; and
- $0.8 million increased contract services expense.

WASTEWATER

	2020	2019	Change
Operating revenues	$ 297.0	$ 274.8	$ 22.2
Other operating expenses	165.6	170.3	(4.7)
Operating income (loss)	131.4	104.5	26.9
Other income (expense), net	1.6	3.6	(2.0)
Interest charges	67.3	69.2	(1.9)
Segment income (loss)	$ 65.7	$ 38.9	$ 26.8
Treatment volume sales, billion gallons	32.7	35.1	(2.4)
Strength surcharge, million pounds	47.9	65.8	(17.9)

Fiscal Year 2020 as Compared with 2019

The increase in earnings of $26.8 million was primarily due to:

- $22.2 million increased revenues largely stemming from the implementation of a step 1 rate increase effective August 1, 2019;
- $6.0 million decreased depreciation expense resulting from lower depreciation rates enacted on January 1, 2019, as approved by the IURC;
- $5.9 million decreased interest expense due to higher capitalized interest; and
- $1.4 million decreased contract services expense; **offset by**
- $4.0 million higher interest expense on long term debt, principally due to the issuance of 2019 series bonds;
- $2.0 million decreased other income primarily due to lower interest income;
- $1.0 million increased labor and benefits costs;
- $1.0 million increased property taxes driven by the payments in lieu of taxes (PILOT) schedule; and
- $0.7 million increased shared services expense allocations.

RESOURCES

	2020	2019	Change
Operating revenues	$ 35.5	$ 34.5	$ 1.0
Cost of goods sold	1.4	1.9	(0.5)
Margin	34.1	32.6	1.5
Other operating expenses	21.8	23.0	(1.2)
Operating income (loss)	12.3	9.6	2.7
Other income (expense), net	0.2	0.4	(0.2)
Equity in earnings (loss) of affiliates	2.3	(0.2)	2.5
Interest charges	2.2	2.2	-
Segment income (loss)	$ 12.6	$ 7.6	$ 5.0

Fiscal Year 2020 as Compared with 2019

The increase in earnings of $5.0 million was primarily due to a $2.5 million gain on the ProLiance investment resulting from an asset sale in March 2020 along with $1.6 million in increased margin from the Westfield Utilities and reduced operating expenses at Citizens Resources Production.

OTHER

	2020	2019	Change
Operating revenues	$ -	$ -	$ -
Operating expenses	0.1	-	0.1
Operating income (loss)	(0.1)	-	(0.1)
Other income (expense), net	(2.2)	(1.9)	(0.3)
Interest charges	0.2	-	0.2
Income (loss) from discontinued operations	(0.8)	(0.7)	(0.1)
Segment income (loss)	$ (3.3)	$ (2.6)	$ (0.7)

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.

Fiscal Year 2020 as Compared with 2019

The decrease in earnings of $0.7 million is primarily driven by increased community investments.

LIQUIDITY AND CAPITAL RESOURCES

Debt and Liquidity

Please see Notes 3 and 4 to the combined financial statements for information regarding changes to Citizens' and CWA's outstanding long-term debt and short-term borrowings, respectively.

Management believes that existing sources of liquidity are sufficient to meet its cash requirements for the foreseeable future. However, as the impacts of the COVID-19 pandemic on the economy, the financial markets, and Citizens' and CWA's operations evolve, Management will continue to assess liquidity needs and monitor capital markets and other financing sources. 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 twelve months ended September 30, 2020, capital expenditures, on an accrual basis, increased by $14.7 million to $336.0 million from $321.3 million during the same period last year. This increase is summarized in the table below (in millions). Certain accrued expenditures, including all capitalized interest, have been included in Other for segment presentation of Capital Expenditures, while the capitalized interest amounts on the segmented statements of financial position are reflected as Property, Plant, and Equipment in their respective segments.

	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
2020	**$ 32.8**	**$ 2.5**	**$ 4.2**	**$ 69.0**	**$ 178.2**	**$ 13.9**	**$ 35.4**	**$ 336.0**
2019	31.6	2.9	2.5	44.8	193.7	20.1	25.7	321.3
	$ 1.2	$ (0.4)	$ 1.7	$ 24.2	$ (15.5)	$ (6.2)	$ 9.7	$ 14.7

Citizens' and CWA's projected capital spending requirement of $341.5 million for 2021 is summarized as follows (in millions):

	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
2021 Projection	**$ 31.2**	**$ 4.9**	**$ 3.8**	**$ 55.6**	**$ 194.8**	**$ 13.9**	**$ 37.3**	**$ 341.5**

Gas continues to invest in mains and services to maintain its commitment to modernization of its underground gas distribution system. Gas had cash and cash equivalents of $46.3 million at September 30, 2020. Gas expects to meet its capital spending requirements in 2021 through cash flows from operations.

Citizens Thermal's Steam business segment continues to invest in distribution assets and production equipment. Chilled Water capital spending plans similarly include investments in distribution assets and production equipment. At September 30, 2020, cash and cash equivalents of Steam and Chilled Water amounted to $2.6 million and $23.7 million, respectively. Steam expects to meet its capital spending requirements in 2021 through cash flows from operations and temporary seasonal use of its credit line while Chilled Water expects to meet its 2021 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 $53.6 million at September 30, 2020. Water expects to meet its capital spending requirements in 2021 through cash flows from operations.

The Wastewater business segment has a capital improvement plan to meet guidelines of the Combined Sewer Overflow Long-Term Control Plan and the overall needs of the Wastewater System. See Note 13 to the 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 $108.8 million at September 30, 2020. Wastewater expects to meet its capital spending requirements in 2021 through a combination of cash flows from operations and available funds from issuances of the Series 2020A and 2020B bonds. See Note 12 – Wastewater, to the combined financial statements, for a discussion of regulatory matters affecting the liquidity and capital resources of the Wastewater business segment.

Resources' capital spending projection for 2021 includes activities at Citizens South Madison, Westfield Gas, Westfield Water, and Westfield Wastewater. Resources expects to meet its capital spending requirements in 2021 through a combination of cash flows from operations, its lines of credit, and available funds from the Series 2019A bond issuance for Westfield Wastewater.

Citizens Energy Group and Subsidiary and CWA Authority Inc.

Combined Statements of Financial Position
(In Thousands)

	At September 30, 2020	At September 30, 2019
ASSETS		
Property, plant, and equipment, net	$ 4,086,342	$ 3,833,502
Intangible assets, net	54,192	57,895
Investments		
Bond restricted funds	302,395	277,308
Other	26,185	22,858
Total investments	328,580	300,166
Current assets		
Cash and cash equivalents	274,921	209,153
Short-term investments	-	26,465
Accounts receivable, less allowance for doubtful accounts of $5,602 and $2,443, respectively	85,120	76,795
Accrued utility revenue	24,234	22,425
Natural gas in storage	30,459	29,345
Materials and supplies	12,108	11,818
Other current assets	4,070	3,511
Current assets directly related to discontinued operations	1,076	942
Total current assets	431,988	380,454
Deferred charges and other non-current assets	32,394	35,633
TOTAL ASSETS	**$ 4,933,496**	**$ 4,607,650**
CAPITALIZATION AND LIABILITIES		
Capitalization and non-current liabilities		
Retained earnings	$ 810,393	$ 625,845
Accumulated other comprehensive loss	(171,848)	(144,502)
Long-term debt (excluding current maturities)	3,339,747	3,156,174
Retirement benefits	204,254	182,135
Contributions in aid of construction	312,029	272,294
Other long-term liabilities	35,464	112,162
Non-current liabilities directly related to discontinued operations	23,339	24,177
Total capitalization and non-current liabilities	4,553,378	4,228,285
Current liabilities		
Current maturities of long-term debt	100,028	89,341
Short-term borrowings	1,000	-
Accounts payable and accrued expenses	182,414	191,371
Accrued taxes	69,301	66,672
Customer deposits	17,560	26,058
Other current liabilities	9,575	5,596
Current liabilities directly related to discontinued operations	240	327
Total current liabilities	380,118	379,365
Commitments and contingencies (see note 13)		
TOTAL CAPITALIZATION AND LIABILITIES	**$ 4,933,496**	**$ 4,607,650**

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

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Combined Statements of Operations and Comprehensive Income

(In Thousands)

	Fiscal Year Ended September 30, 2020	2019
Operating revenues	$ 850,650	$ 861,362
Operating expenses		
Cost of goods sold	116,164	148,096
Operations and maintenance	254,555	259,418
Depreciation and amortization	118,577	128,834
Loss on divestiture	-	1,009
Taxes	59,879	60,148
Total operating expenses	549,175	597,505
Operating income	301,475	263,857
Other income (expense), net		
Interest income	4,044	7,074
Non-operating post-employment benefits, net	(1,925)	(1,093)
Other	(2,215)	(1,542)
Total other (expense) income, net	(96)	4,439
Income before equity in earnings of affiliates and interest charges	301,379	268,296
Equity in earnings (losses) of affiliates	2,333	(169)
Interest charges		
Interest on long-term debt	150,131	146,654
Other interest, including net premium amortization	(32,099)	(22,861)
Total interest charges	118,032	123,793
Income from continuing operations	185,680	144,334
Loss from discontinued operations	(722)	(608)
Net income	**$ 184,958**	**$ 143,726**
Retirement benefit liability changes:		
Net loss arising during period	(36,302)	(75,212)
Amortization of prior service credit	(2,995)	(2,183)
Amortization of loss	11,506	4,128
Total retirement benefit liability changes	(27,791)	(73,267)
Unrealized gain on available-for-sale investments	445	113
Total other comprehensive income (loss)	(27,346)	(73,154)
Total comprehensive income	**$ 157,612**	**$ 70,572**

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

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Combined Statements of Cash Flows
(In Thousands)

	Fiscal Year Ended September 30, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 184,958	$ 143,726
Depreciation and amortization	105,236	116,779
Loss on divestiture or sale/impairment of assets	-	707
Equity in (earnings) losses of affiliates, net of distributions	(2,333)	169
Allowance for doubtful accounts	6,451	4,635
Changes in operating assets and liabilities:		
Accounts receivable and accrued utility revenue	(16,585)	(5,431)
Natural gas in storage	(1,114)	9,113
Accounts payable and accrued expenses	5,860	6,193
Retirement benefits	(5,672)	(12,495)
Other operating activities	(6,770)	15,405
Change in net liabilities of discontinued operations	(1,059)	1,473
Net cash provided by operating activities	268,972	280,274
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction expenditures	(348,218)	(301,712)
Divestiture proceeds, net of expenses	-	378
Other investing activities	25,961	(26,812)
Net cash used in investing activities	(322,257)	(328,146)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank line of credit	1,000	60,000
Repayment of short-term borrowings and bank line of credit	(80,000)	(57,200)
Principal payments of long-term debt and bond refunding	(149,017)	(547,080)
Proceeds from issuance of long-term debt and bond refunding	361,373	468,525
Bond issuance costs	(1,446)	(2,670)
Contributions in aid of construction	12,217	13,731
Other financing activities	57	24
Net cash provided by (used in) financing activities	144,184	(64,670)
Net change in cash, cash equivalents, and restricted cash	90,899	(112,542)
Cash, cash equivalents, and restricted cash at beginning of fiscal year	477,839	590,381
Cash, cash equivalents, and restricted cash at end of fiscal year	$ 568,738	$ 477,839
Supplemental Cash Flows Information - Interest paid	$ 131,641	$ 133,687
Non-cash Investing and Operating Activities		
Construction work-in-progress accrued at end of fiscal year	$ 49,501	$ 73,042

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

	2020	2019
Cash and cash equivalents	$ 274,921	$ 209,153
Restricted cash included in Bond restricted funds	289,383	264,296
Restricted cash included in Investments, Other	4,434	4,390
Cash, cash equivalents, and restricted cash at end of fiscal year	$ 568,738	$ 477,839

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

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Combined Statements of Equity
(In Thousands)

	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at September 30, 2018	**$ 482,529**	**$ (71,348)**	**$ 411,181**
Comprehensive income			
Net income	143,726	-	143,726
Unrealized gain (loss) on available-for-sale investments	-	113	113
Retirement benefit liability changes	-	(73,267)	(73,267)
Total comprehensive income	143,726	(73,154)	70,572
Customer benefit distributions	(410)	-	(410)
Balance at September 30, 2019	**$ 625,845**	**$ (144,502)**	**$ 481,343**
Comprehensive income			
Net income	184,958	-	184,958
Unrealized gain (loss) on available-for-sale investments	-	445	445
Retirement benefit liability changes	-	(27,791)	(27,791)
Total comprehensive income	184,958	(27,346)	157,612
Customer benefit distributions	(410)	-	(410)
Balance at September 30, 2020	**$ 810,393**	**$ (171,848)**	**$ 638,545**

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

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

C. COVID-19

The outbreak of COVID-19 has been declared a pandemic by the World Health Organization, a national emergency by the President of the United States and continues to spread in the United States. Effects from the COVID-19 pandemic began at the end of the second quarter and were not material to the full fiscal year 2020 results.

On March 6, 2020, Indiana Governor Eric Holcomb issued Executive Order 20-02 declaring a public health disaster emergency in Indiana attributable to COVID-19. To address the social and economic impacts of COVID-19, Governor Holcomb has issued several other executive orders, including Executive Orders 20-05 and 20-33 on March 19, 2020 and June 30, 2020, respectively. Executive Order 20-05 provided that providers of gas and electric utilities, broadband, telecommunication, water and wastewater services were prohibited from discontinuing service to any customer in the State, because these services are essential to Indiana residents and businesses, particularly during this state of public health emergency. Executive Order 20-33 extended the prohibition on utility disconnections until August 14, 2020 pursuant to an order issued by the IURC. On August 12, 2020, the IURC issued an order directing that the disconnect moratorium prohibiting disconnections would not be extended beyond August 14.

The full extent of COVID-19's impact on our operations and financial performance depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic, its impact on capital and financial markets, the financial losses incurred by our customers and business partners, and any new information which may emerge concerning the severity of the virus, its spread, as well as the actions taken to contain it, among others. While the Company has not been materially impacted by COVID-19 to date, the extent of the outbreak and its future impact on the Company's financial position, results of operations and cash flows is uncertain and cannot be reasonably estimated at this time. See Note 5, Revenue Recognition, and Note 12, Rate and Regulatory Matters, for information on COVID-19.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Use of Estimates

The preparation of the combined financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the amounts reported in the 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 combined financial position and results of operations, actual results could differ materially from those estimates.

B. Property, Plant, and Equipment, Depreciation, and Maintenance

Property, plant, and equipment consist primarily of utility plant. The cost of additions includes contracted cost, direct labor and fringe benefits, materials, overheads, and for additions meeting certain criteria, capitalized interest. Maintenance and repairs of property units are charged to expense as incurred.

Depreciation on plant for regulated utilities is computed on a straight-line basis using rates approved by the IURC. Depreciation on Chilled Water plant is computed on a straight-line basis over the estimated remaining useful lives of the various classes of depreciable plant in service. Periodic depreciation rate studies include a review of depreciable plant remaining useful lives.

Citizens and CWA utilize the composite method of depreciation. Accordingly, the original cost of depreciable property and equipment retired or replaced and the cost of removal, less salvage, are charged to accumulated depreciation.

Property, plant, and equipment, net at September 30 is as follows (in thousands):

	2020	2019	Useful Lives
Distribution	**$ 2,249,907**	$ 2,182,109	15 - 125 years
Collection	**1,992,513**	1,959,588	30 - 60 years
Treatment	**1,746,202**	1,728,144	36 - 65 years
Pumping	**350,200**	341,394	40 - 55 years
Source of supply	**233,283**	226,596	30 - 75 years
General plant	**174,521**	145,054	5 - 50 years
Production	**126,283**	123,056	35 - 60 years
Transmission	**98,806**	93,080	25 - 60 years
Gas Storage	**34,472**	34,472	25 - 60 years
Utility plant in service	**7,006,187**	6,833,493	
Construction work-in-progress	**654,119**	481,543	
Total property, plant, and equipment at cost	**7,660,306**	7,315,036	
Accumulated depreciation	**(3,577,571)**	(3,481,534)	
Leased right-of-use assets (see Note 10)	**3,607**	-	
Total property, plant, and equipment, net	**$ 4,086,342**	$ 3,833,502	

Depreciation expense was $114.3 million and $124.5 million for the twelve months ended September 30, 2020 and 2019, respectively.

Interest capitalized represents the cost of borrowed funds used for construction purposes and is charged to major construction projects during the construction period with a corresponding credit to Other Interest Charges. The total amount of interest capitalized was $18.9 million and $12.5 million for the twelve months ended September 30, 2020 and 2019, respectively.

C. Cash, Cash Equivalents and Restricted Cash

For purposes of the Combined Statements of Financial Position and Cash Flows, Citizens and CWA consider investments purchased with a maturity of three months or less to be cash equivalents. The carrying value equals fair value for these financial instruments. Included in cash and cash equivalents on the Combined Statements of Financial Position are money market funds, certificates of deposit and US Treasury Bills of $53.6 million and $38.7 million at September 30, 2020 and 2019, respectively.

Restricted cash primarily relates to bond and debt service reserve funds which Citizens and CWA are required to maintain as security for the bonds per the terms of the bond indentures. Also included are special deposits for interest and principal which are designated as restricted because Citizens and CWA are required to make monthly payments into these deposit accounts to accumulate cash for debt service payments to the bondholders, along with the balance of available funds from State Revolving Fund bonds. These funds are comprised of cash and cash equivalents, are held in the custody of the bond trustees, and are not available for another use.

Restricted cash also includes construction-related insurance collateral deposits and funds held in a trust covering certain medical benefit obligations (see Note 7).

See the supplemental cash flows information for a reconciliation of cash, cash equivalents and restricted cash.

D. Short-term Investments

Short-term investments consist of certificates of deposit and investments in US Treasury Bills with original maturities in excess of three months with remaining maturities of less than one year. The Company has both the intent and ability to hold these investments to maturity. As such, short-term investments are carried at cost which approximates fair value.

E. Bond Issuance Costs

Bond premiums, discounts and debt issuance costs are recorded as an offset to the related debt liability and are amortized over the lives of the respective issues through the effective interest method. For regulated business segments, the unamortized portions of bond issuance costs of the refunded bonds are recorded as deferred charges and are amortized over the life of the refunding bond issue.

F. Inventory

Material and supplies, maintained at average cost, are recorded as inventory when received and subsequently charged to expense or capitalized to plant when installed. Natural gas in storage is recoverable through gas cost adjustments (see note 2G) and maintained at the weighted-average cost of gas. There were no net realizable value adjustments in 2020 and 2019.

G. Recoverable (Refundable) Gas and Fuel Costs

The difference between actual gas costs, including unrealized gains and losses and settled amounts associated with Hedging Transaction Costs, and the amounts of gas costs recovered by Gas and Westfield Gas through rates is deferred and recovered (or refunded) through gas cost adjustments (GCA) permitted by the IURC. Gas is authorized to change its GCA factors quarterly as a result of changes in market prices. Gas is authorized to utilize a flex mechanism in its quarterly filings to change its GCA factors within a fixed, known, and measurable range, on a monthly basis, through a Monthly Price Update as a result of changes in market prices. Westfield Gas is authorized to change its GCA factors quarterly as a result of changes in market prices. The difference between actual fuel costs and the amounts of fuel costs recovered by Steam through rates is deferred and recovered (or refunded) through the fuel adjustment clause (FAC) permitted by the IURC. Steam is authorized to change its FAC factors each quarter as a result of changes in market prices.

H. Intangible Assets

Intangible assets at September 30, 2020 and September 30, 2019 consist of $54.2 million and $57.9 million, respectively, of Thermal customer contracts. The customer contracts intangible assets are finite lived and amortized on a straight-line basis over their expected useful lives which range from 20 to 30 years. Gross carrying values of intangible customer contracts were $104.5 million as of September 30, 2020 and 2019, respectively. Accumulated amortization for all intangible customer contracts was $50.3 million and $46.6 million at September 30, 2020 and 2019, respectively. Amortization expense of such assets was $3.7 million in each of the years ended September 30, 2020 and 2019. Estimated aggregate amortization expenses for each of the five succeeding fiscal years are as follows (in thousands):

2021	$	3,703
2022		3,703
2023		3,703
2024		3,703
2025		3,703

I. Asset Impairment

Long-lived assets and certain amortizing intangible assets held and used by Citizens and CWA are reviewed for impairment using undiscounted cash flows, whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. No asset impairments were recorded in fiscal years 2019 or 2020.

J. Credit Quality and Allowance for Credit Losses of Notes Receivable

Citizens and CWA monitor credit quality and associated risks of notes receivable on an individual basis based on criteria such as financial stability of the party, strength of Citizens' and CWA's contractual position, value and existence of collateral, and collection experience in conjunction with general economic and market conditions. The ProLiance note was repaid in fiscal year 2020. Interest earned on the ProLiance note was $0.0 million and $0.1 million in 2020 and 2019, respectively. The non-interest-bearing note receivable from LNG Indy was issued pursuant to the divestiture of LNG Indy and is due December 2021. The following tables present Citizens' notes receivable, which are recorded in "Investments, Other" on the Combined Statements of Financial Position, whose carrying value approximates fair value, as of September 30, 2020 and 2019 (in thousands):

Description	Notes Receivable at September 30, 2020 Balance	Related Allowance	Receivable Net of Allowance
Note Receivable from LNG Indy	$ 4,000	$ -	$ 4,000

Description	Notes Receivable at September 30, 2019 Balance	Related Allowance	Receivable Net of Allowance
Note Receivable from ProLiance	$ 2,806	$ 2,806	$ -
Note Receivable from LNG Indy	4,000	-	4,000
	$ 6,806	$ 2,806	$ 4,000

K. Investment in Unconsolidated Affiliate

Unconsolidated affiliates at September 30, 2020 and September 30, 2019 include ProLiance Holdings, LLC (ProLiance), a jointly-owned affiliate of Resources (39%) and Vectren Energy Marketing & Services, Inc., (61%), which is accounted for under the equity method. Investment in unconsolidated affiliates is presented as part of “Investments, Other” in the Combined Statements of Financial Position at September 30, 2020 and September 30, 2019.

On March 30, 2020, ProLiance Holdings, LLC (ProLiance), a jointly-owned affiliate of Resources (39%) and Vectren Energy Marketing and Services, Inc. (61%), sold substantially all of its remaining assets to an independent third party for $7.0 million in cash. ProLiance used the proceeds from this asset sale to repay certain intercompany notes outstanding to Resources and Vectren Energy Marketing and Services in April 2020. In 2018, Resources deemed the balance of its outstanding note receivable from ProLiance as uncollectible and recorded an allowance equal to the outstanding balance. Accordingly, in March 2020 Resources recognized income of $2.5 million representing the value of cash proceeds received in April 2020 from ProLiance net of equity-method accounting losses recorded through March 31, 2020. The Company’s investment in ProLiance is $0.0 million at September 30, 2020. After settlement of any outstanding liabilities, it is estimated ProLiance will be dissolved by the end of calendar year 2020. Resources expects any gain or loss on dissolution of ProLiance to be immaterial.

Activity for fiscal years 2020 and 2019 for the investment in affiliate is as follows (in thousands):

	ProLiance
Investment in affiliate as of September 30, 2018	$ 435
Fiscal year 2019 activity	(169)
Investment in affiliate as of September 30, 2019	$ 266
Fiscal year 2020 activity	(266)
Investment in affiliate as of September 30, 2020	$ -

L. Customers’ Advances and Contributions in Aid of Construction (CIAC)

The Company may receive advances and contributions from customers, home builders, and real estate developers to fund construction necessary to extend service to new areas. Water, Wastewater, and Resources advances for construction are refundable for up to ten years as new customers begin to receive service or other contractual obligations are fulfilled. Advances not refunded within 10 years are transferred to CIAC. The balances of advances for construction are reported in the Statement of Financial Position in Other long-term liabilities.

Contributions in aid of construction are permanent collections of plant assets or cash for a particular construction project. The IURC requires the water and wastewater utilities of Citizens and Resources to record CIAC as a deferred credit. Utility plant funded by contributions is depreciated and contribution balances are amortized as a reduction to depreciation expense. The values of CIAC, net of amortization, recorded at September 30, 2020 for Water, Wastewater, and Resources are $151.1 million, $91.7 million, and $69.2 million, respectively, versus the values at September 30, 2019 for Water, Wastewater, and Resources of $128.8 million, $84.2 million, and $59.2 million, respectively.

M. Taxes

Citizens and CWA are generally subject to payroll, utility receipts (in the case of Citizens), and other miscellaneous taxes. Additionally, Citizens is subject to property taxes, and CWA makes payments in lieu of taxes (PILOT). In general, Citizens and CWA are exempt from federal, state and local income taxes as either political subdivisions of the State of Indiana or pursuant to Internal Revenue Code section 115 as applicable. Utility receipts taxes are included in rates charged to customers in all rate regulated business units except Wastewater, which is exempt from utility receipts taxes pursuant to Indiana law.

N. Derivatives and Hedging

In fiscal years 2020 and 2019, Citizens entered into certain derivative and economic hedging transactions with the objective of decreasing the volatility associated with fluctuating natural gas prices. Through a combination of fixed-price purchases, caps, collars and storage, Citizens Gas mitigates the risk of price volatility on approximately 80 percent of its anticipated system supply gas purchases. Citizens' Hedging Transaction Cost Policy sets guidelines for using selected financial derivative products to support prudent risk management strategies within designated parameters. These instruments, in conjunction with physical gas supply contracts, are designated to cover estimated gas customer requirements. Such energy contracts, to the extent they are not considered "normal" as defined by Financial Accounting Standards Board (FASB) guidance, are recognized at fair value as derivative assets or liabilities on the Combined Statements of Financial Position. Gains/losses and fees associated with these derivatives, when realized, are recoverable through the Gas Cost Adjustment tracker. Accordingly, the offset to the change in fair value of these derivatives is recorded as a regulatory asset or liability. The impact of commodity contracts was not material to the combined financial statements in any of the periods presented.

O. Fair Value Measurements

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

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

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

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

The following table presents the financial assets measured at fair value on a recurring basis, based on the hierarchy, as of September 30, 2020 and September 30, 2019 (in thousands). There were no financial liabilities at September 30, 2020 and September 30, 2019.

Description	September 30, 2020 Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			
Cash equivalents	**$ 53,633**	**$ -**	**$ -**
Short-term investments	**-**	**-**	**-**
Bond restricted funds	**289,383**	**-**	**-**
Grantor Trust investments	**16,503**	**-**	**-**
Derivative assets	**822**	**-**	**-**
Total financial assets measured at fair value	**$ 360,341**	**$ -**	**$ -**

Description	September 30, 2019 Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			
Cash equivalents	$ 38,696	$ -	$ -
Short-term investments	26,465	-	-
Bond restricted funds	264,292	-	-
Grantor Trust investments	15,758	-	-
Derivative assets	247	-	-
Total financial assets measured at fair value	$ 345,458	$ -	$ -

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 $302.4 and $277.3 million at September 30, 2020 and September 30, 2019, 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 September 30, 2020 and September 30, 2019.

Included in bond restricted funds are the following proceeds which are held by the Indiana Finance Authority (IFA) until certain conditions for disbursement are met (in thousands):

	September 30, 2020	September 30 2019
CWA First Lien State Revolving Fund Bonds, Series 2017A	$ -	$ 3
CWA First Lien State Revolving Fund Bonds, Series 2019 B	14,384	-

Such funds are invested in money market funds together with additional amounts committed to other participants in the IFA's Wastewater Revolving Loan Program due to the rapid disbursement of such proceeds by the IFA to such participants. Gross deposits to the bond restricted fund investments during 2020 and 2019 were $435.7 million and $232.8 million, respectively.

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

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

Management has estimated the fair value of the outstanding debt securities based on the coupons of the outstanding bonds and the current market yields. These are Level 2 fair value measurements. Management established the corresponding price to the call date as well as the price to maturity. The fair value was determined based on the lower of these two prices. Using this method, the estimated fair value of debt is $3.5 billion and $3.4 billion at September 30, 2020 and September 30, 2019, respectively, versus the carrying value of $3.4 billion at September 30, 2020 and $3.2 billion at September 30, 2019. In the case of Resources debt, the carrying value approximates fair value.

Customers' advances for construction have a carrying value at September 30, 2020 for Water, Wastewater, and Resources of $12.1 million, $4.9 million, and $9.5 million, respectively, versus the carrying values at September 30, 2019 for Water, Wastewater, and Resources of $13.8 million, $3.7 million, and $7.2 million, respectively. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables, including new customer connections, customer consumption levels, and future rate increases. Portions of these non-interest-bearing instruments are payable annually through 2030 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.

P. 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 Combined Statements of Comprehensive Income. Citizens' components of accumulated other comprehensive (loss) income (AOCI) include the impact of pension and other post-employment benefits and mark to market valuation adjustments for available-for-sale investments. The following table presents changes in accumulated other comprehensive (loss) income by component for the twelve months ended September 30, 2020 (in thousands):

	Pension Plan	Other Postemployment Benefits	Other	Total
Accumulated other comprehensive (loss) income at September 30, 2018	$ (78,191)	$ 7,056	$ (213)	$ (71,348)
Other comprehensive (loss) income before reclassifications	(78,941)	3,127	113	(75,701)
Amounts reclassified from accumulated other comprehensive income (loss)	4,368	(1,821)	-	2,547
Net current-period other comprehensive (loss) income	(74,573)	1,306	113	(73,154)
Accumulated other comprehensive (loss) income at September 30, 2019	$ (152,764)	$ 8,362	$ (100)	$ (144,502)
Other comprehensive (loss) income before reclassifications	(34,337)	(2,810)	445	(36,702)
Amounts reclassified from accumulated other comprehensive income (loss)	11,374	(2,018)	-	9,356
Net current-period other comprehensive (loss) income	(22,963)	(4,828)	445	(27,346)
Accumulated other comprehensive (loss) income at September 30, 2020	$ (175,727)	$ 3,534	$ 345	$ (171,848)

Q. Change in Accounting Estimate

Pursuant to the joint depreciation case settlement approved by the IURC (see Note 12), the Company changed depreciation rates for Gas, Citizens Thermal Steam, Water, and Wastewater. The change in depreciation rates is considered a change in accounting estimate and has been applied prospectively effective January 1, 2019. For the twelve months ended September 30, 2020, the effect of the change was a decrease in depreciation and amortization expense of $12.2 million. The impact of the change on each business unit's results (in millions) is depicted below:

Gas	$ 2.0
Steam	0.1
Water	4.3
Wastewater	5.8
Total	$ 12.2

R. Recently Adopted Accounting Guidance

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) which replaced existing accounting guidance for leases. The new standard requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than twelve months.

The Company applied various practical expedients including the package of practical expedients which allows lessees to carry forward the historical lease classification. Additionally, the Company elected the practical expedient related to land easements which allows the carry forward of the accounting treatment for land easements on existing arrangements. Lastly, the Company elected the practical expedient for lessees which allows businesses to not separate lease and non-lease components.

The Company adopted ASC 842 and all related amendments on October 1, 2019 using the modified retrospective transition method, electing not to recast comparative periods in the year of adoption as permitted by the standard. There was no adjustment to retained earnings as a result of transition. As a result, disclosures for periods prior to adoption will be presented in accordance with accounting standards in effect for those periods. The cumulative effect of the adoption of ASC 842 on the Company's October 1, 2019 Combined Statement of Financial Position was as follows (in thousands):

	September 30, 2019	Due to ASC 842	October 1, 2019
Assets			
Property, plant, and equipment, net	$ 3,833,502	$ 3,844	$ 3,837,346
Liabilities			
Other current liabilities	5,596	237	5,833
Other long-term liabilities	112,162	3,607	115,769

3. LONG-TERM DEBT

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

(In Thousands)

	September 30, 2020			September 30, 2019		
	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)
Gas						
Gas Utility Distribution System Series 2008C, Second Lien Revenue Refunding Bonds, 5.25%, due 2021	**$ -**	**$ 11,550**	**$ 77**	$ 11,550	$ 15,535	$ 294
Gas Utility Distribution System Series 2010A, Second Lien Revenue Refunding Bonds, 4.00% to 5.00%, due 2020 to 2024	**-**	**-**	**-**	58,795	700	1,097
Gas Utility Distribution System Series 2013A, Second Lien Revenue Refunding Bonds, 4.125% to 5.250%, due 2027 to 2030	**54,465**	**-**	**1,046**	54,465	-	1,144
Gas Utility Distribution System Series 2017A, Second Lien Revenue Refunding Bonds 5.00%, due 2025 to 2027	**49,825**	**-**	**6,056**	49,825	-	6,999
Gas Utility Distribution System Series 2020A Second Lien Revenue Refunding Bonds 5.00%, due 2021 to 2024	**48,530**	**3,890**	**6,223**	-	-	-
Subtotal Gas Long-Term Debt	**152,820**	**15,440**	**13,402**	174,635	16,235	9,534
Thermal						
Thermal Energy System Series 2010A, First Lien Revenue Refunding Bonds, 4.00%, due 2020	**-**	**530**	**-**	530	510	2
Thermal Energy System Series 2010B, First Lien Revenue Refunding Bonds, 5.00%, due 2020 to 2021	**5,500**	**8,810**	**114**	14,310	8,390	407
Thermal Energy System Series 2013A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2020 to 2033	**6,380**	**355**	**36**	6,735	340	48

	(In Thousands)					
	September 30, 2020			September 30, 2019		
	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)
Thermal Energy System Series 2014A, First Lien Revenue Refunding Bonds, 4.00% to 5.00%, due 2020 to 2034	**28,130**	**1,365**	**2,233**	29,495	1,300	2,501
Thermal Energy System Series 2016A, First Lien Revenue Refunding Bonds, 5.00%, due 2021 to 2029	**50,410**	**-**	**4,859**	50,410	-	6,172
Subtotal Thermal Long-Term Debt	**90,420**	**11,060**	**7,242**	101,480	10,540	9,130
Water						
Water Utility Series 2011C (ILPIBB 2006A) *, First Lien Net Revenue Bonds, 5.50%, due 2021 to 2022	**7,795**	**16,585**	**(15)**	24,380	12,710	(27)
Water Utility Series 2011D (ILPIBB 2007B) *, First Lien Net Revenue Bonds, 5.25%, due 2022 to 2025	**70,410**	**-**	**(43)**	70,410	-	(51)
Water Utility Series 2011G (ILPIBB 2011E) *, First Lien Net Revenue Bonds, 4.50% to 5.125%, due 2021 to 2041	**47,550**	**1,380**	**(30)**	48,930	1,315	(36)
Water Utility Series 2014A, First Lien Net Revenue Bonds, 4.00% to 5.00%, due 2020 to 2044	**24,145**	**555**	**1,391**	24,700	530	1,438
Water Utility Series 2014B, Second Lien Revenue Refunding Bonds, 2.95%, due 2022	**43,595**	**-**	**(84)**	43,595	-	(125)
Water Utility Series 2016A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2020 to 2046	**64,380**	**1,225**	**11,205**	65,605	1,180	11,745
Water Utility Series 2016B, First Lien Revenue Refunding Bonds, 4.00% to 5.00%, due 2020 to 2038	**204,955**	**6,090**	**29,489**	211,045	5,850	31,923
Water Utility Series 2018A, First Lien Refunding Revenue Bonds, 3.50% to 5.00%, due 2020 to 2038	**356,760**	**2,410**	**44,683**	359,170	1,975	47,806
Subtotal Water Long-Term Debt	**819,590**	**28,245**	**86,596**	847,835	23,560	92,673
Wastewater						
CWA Wastewater Utility Series 2011A, First Lien Revenue Bonds, 5.00% to 5.25%, due 2020 to 2041	**571,735**	**14,865**	**24,169**	586,600	14,160	25,724

(In Thousands)

	September 30, 2020			September 30, 2019		
	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)
CWA Wastewater Utility Series 2011B, Second Lien Revenue Bonds, 5.00% to 5.25%, due 2020 to 2041	**231,185**	**6,060**	**3,649**	237,245	5,775	3,929
CWA Wastewater Utility Series 2012A, First Lien Revenue Bonds, 2.75% to 5.00%, due 2020 to 2042	**166,260**	**4,225**	**12,681**	170,485	4,025	13,614
CWA Wastewater Utility Series 2014A, First Lien Revenue Bonds, 4.25% to 5.00%, due 2020 to 2044	**212,565**	**4,555**	**16,887**	217,120	4,340	17,875
CWA Wastewater Utility Series 2015A, First Lien Revenue Bonds, 3.25% to 5.00%, due 2020 to 2045	**145,280**	**2,960**	**18,793**	148,240	2,815	19,772
CWA Wastewater Utility Series 2016A, First Lien Revenue Bonds 4.00% to 5.00%, due 2020 to 2046	**180,925**	**3,255**	**33,565**	184,180	3,130	35,153
CWA Wastewater Utility Series 2016B, Second Lien Revenue Refunding Bonds, 3.00% to 5.00%, due 2020 to 2046	**40,225**	**875**	**1,873**	41,100	840	2,058
CWA Wastewater Series 2016C, First Lien Revenue Bonds (SRF), 2.00%, due 2021 to 2036	**9,920**	**565**	**(69)**	10,485	550	(77)
CWA Wastewater Series 2017A, First Lien Revenue Bonds (SRF), 3.53%, due 2021 to 2047	**150,066**	**3,490**	**(69)**	153,556	3,371	(73)
CWA Wastewater Series 2019A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2020 to 2049	**40,920**	**630**	**8,176**	-	-	-
CWA Wastewater Series 2019B, First Lien Revenue Bonds (SRF), 2.99%, due 2021 to 2050	**176,851**	**3,803**	**(73)**	-	-	-
CWA Wastewater Series 2020A First Lien Revenue Bonds 3.00% to 5.00% due 2021 to 2050	**57,085**	**-**	**13,240**	-	-	-
Subtotal Wastewater Long-Term Debt	**1,983,017**	**45,283**	**132,822**	1,749,011	39,006	117,975
<u>Resources</u>						
Citizens Westfield Utilities Series 2018A, Refunding Revenue Bonds, 80% of 3-month LIBOR plus 1.90%, due 2023	**9,000**	**-**	**(130)**	9,000	-	(104)

(In Thousands)

	September 30, 2020			September 30, 2019		
	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)
Citizens Westfield Water Series 2019A, Revenue Bonds, 4.00%, due 2048	**20,000**	**-**	**(76)**	20,000	-	(80)
Citizens Westfield Wastewater Series 2019A, Revenue Bonds, 5.00%, due 2048	**22,660**	**-**	**2,384**	22,660	-	2,425
Subtotal Resources Long-Term Debt	**51,660**	**-**	**2,178**	51,660	-	2,241
Total Long-Term Debt	**$ 3,097,507**	**$ 100,028**	**$ 242,240**	$ 2,924,621	$ 89,341	$ 231,553

* Indianapolis Local Public Improvement Bond Bank (ILPIBB)

Principal maturities of long-term debt for the next five fiscal years and thereafter are as follows (in thousands):

2021	$ 100,028
2022	105,910
2023	153,350
2024	124,168
2025	106,524
Thereafter	2,607,555
Total principal maturities	$ 3,197,535

Recent Debt Transaction Activity

On October 10, 2019, CWA issued $41.6 million of First Lien Wastewater Utility Revenue Bonds, Series 2019A. The 2019A bonds were issued at a premium of $9.0 million and have principal maturities from 2020 through 2049 with coupons ranging from 4.00% to 5.00%. The bonds were issued to fund capital improvements to the Wastewater system including repaying $20.0 million of the Wastewater line of credit.

On October 15, 2019, CWA issued $180.7 million of First Lien State Revolving Fund Bonds, Series 2019B. The Series 2019B bonds were issued at par and have principal maturities between 2021 and 2050. The bonds were issued to fund specified consent decree capital projects for the Wastewater system (see Note 13A) including repaying $60.0 million of the Wastewater line of credit.

On July 15, 2020, Citizens Gas issued $52.4 million of Second Lien Refunding Revenue Bonds, Series 2020A. The bonds refunded all but the current portion of the Series 2010A bonds. The 2020A bonds were issued at a premium of $7.1 million and have principal maturities due from 2021 through 2024 with 5.00% coupons.

On September 24, 2020, CWA issued $57.1 million of First Lien Wastewater Utility Revenue Bonds, Series 2020A. The 2020A bonds were issued at a premium of $13.6 million and have principal maturities from 2021 to 2050 with coupons ranging from 3.00% to 5.00%. The bonds were issued to fund capital improvements for the Wastewater system.

On October 5, 2020, CWA issued $70.5 million of First Lien State Revolving Fund Bonds, Series 2020B. The 2020B bonds were issued at par and have principal maturities between 2022 and 2051 with coupons of 2.56%. The bonds were issued to fund specified consent decree capital projects for the Wastewater system (see Note 13A).

Covenants

Citizens and CWA are obligated to satisfy certain covenants, including meeting certain minimum debt service coverage requirements for each bond issue, which are generally calculated as earnings before interest, taxes, depreciation, and amortization, including certain adjustments, divided by the relevant debt service.

Citizens and CWA have rate covenants specifying in the event that debt service covenants cannot be met, Citizens and CWA shall take any appropriate action under the law and within its power, to generate income and revenues of the GUDS, Water System, Wastewater System and Thermal Energy System, respectively, in the amounts required to satisfy the covenants for subsequent fiscal years. These actions include, but are not limited to, the filing of a proceeding seeking additional revenues or other relief before the IURC.

Citizens' and CWA's rate covenant debt service coverage ratios, as defined by each indenture, are summarized as follows for 2020:

	Minimum Coverage Requirement	2020 Actual
GUDS Revenue Refunding Bonds Series 2008C, Series 2010A, Series 2013A, Series 2017A, and Series 2020A Second Lien Multi-Mode Revenue and Revenue Refunding Bonds	1.0	3.05
Thermal Energy System Revenue Bonds Series 2010A and 2010B, Series 2013A, Series 2014A, and Series 2016A	1.0	1.43
Water Utility Net Revenue Bonds Series 2011C, Series 2011D, Series 2011G, Series 2014A, Series 2016A, Series 2016B, and Series 2018A	1.2	1.79
Water Utility Net Revenue Second Lien Bonds Series 2014B	1.1	1.76
CWA Wastewater Utility Revenue Bonds Series 2011A, Series 2012A, Series 2014A, Series 2015A, Series 2016A, Series 2016C, Series 2017A, Series 2019A, Series 2019B, and Series 2020A	1.2	1.95
CWA Wastewater Utility Revenue Second Lien Bonds Series 2011B and 2016B	1.1	1.66
Citizens Westfield Water Revenue Bonds Series 2019A	1.2	7.20
Citizens Westfield Wastewater Revenue Bonds Series 2019A	1.2	6.99

As of September 30, 2020, the Water System maintains $6.9 million in the Rate Stabilization Fund, which is recorded as cash and cash equivalents on the Combined Statement of Financial Position. For purposes of calculating and satisfying its rate covenant per the Water System indenture, Citizens may transfer funds from the Rate Stabilization Fund to revenues in any fiscal year, so long as the funds were not transferred to the Rate Stabilization Fund during such fiscal year. These funds were transferred to the Rate Stabilization Fund in fiscal 2012 and continue to be available to support net revenues of the Water System in future years.

In addition, in order to issue additional bonds CWA is required by the terms of the SRF Financial Assistance Agreement to demonstrate its ability to pay first and second lien debt service and make payments in lieu of property taxes, summarized as follows:

	Minimum Coverage Requirement	2020 Actual
CWA Wastewater Utility First Lien Debt, Second Lien Debt, Other Payments	1.0	1.37

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:

					Amount Outstanding at (in millions)	
Entity	Credit Capacity	Maturity Date	Interest Rate	Commitment Fee	September 30, 2020	September 30, 2019
Gas - Letter of Credit	$50.0 million	May 30, 2022	Base + 1.00%	0.450%	$ -	$ -
Gas	25.0 million	August 5, 2022	LIBOR + 0.90%	0.100%	-	-
Gas	25.0 million	August 13, 2021	LIBOR + 1.25%	0.300%	-	-
Thermal	20.0 million	July 25, 2022	LIBOR + 1.125%	0.125%	-	-
Water	50.0 million	November 2, 2020	83% of LIBOR + 0.70%	0.150%	-	-
Wastewater	45.0 million	July 15, 2022	80% of LIBOR + 0.75%	0.275%	-	-
Wastewater	100.0 million	October 14, 2020	87.8% of LIBOR + 0.84%	0.220%	-	80.0

Outstanding balances for the Citizens Wastewater line of credit were repaid in October 2019 using proceeds from the Series 2019A and 2019B bonds (see Note 3). Balances at September 30, 2019 were accordingly classified as non-current liabilities in the Combined Statements of Financial Position in the line item labeled, “Other long-term liabilities”.

On October 1, 2020, Wastewater closed on a reduction of the capital expenditure line of credit from $100.0 million to $50.0 million and extended the maturity date from October 14, 2020 to October 14, 2022. The line of credit is at an interest rate of 80% of LIBOR plus 0.68 percent and a commitment fee of 0.22 percent.

On November 18, 2020, Water closed on a $25.0 million line of credit with a maturity date of November 18, 2022. The line of credit is at an interest rate of 82% of LIBOR plus 1.31 percent and a commitment fee of 0.20 percent.

On November 18, 2020, Water closed on a second, separate $25.0 million line of credit with a maturity date of November 2, 2023. The line of credit is at an interest rate of 83% of LIBOR plus 0.95 percent and a commitment fee of 0.25 percent.

Resources

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

					Amount Outstanding at (in millions)	
Entity	Credit Capacity	Maturity Date	Interest Rate	Commitment Fee	September 30, 2020	September 30, 2019
Westfield Gas	$4.0 million	March 30, 2021	LIBOR + 1.65%	0.150%	$ 1.0	$ 1.0
Westfield Water	5.0 million	March 14, 2022	LIBOR + 0.90%	0.100%	1.0	-
Westfield Wastewater	5.0 million	March 14, 2022	LIBOR + 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 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 Combined Statements of Financial Position in the line item labeled, “Other long-term liabilities”.

5. REVENUE RECOGNITION

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

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

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

Revenues from Contracts with Customers

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

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

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

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

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

Alternative Revenue Programs

Alternative Revenue Programs, such as the System Integrity Adjustment described in Note 12 – Wastewater, represent regulator-approved programs which allow for the adjustment of billings and revenue for certain broad, external factors such as normalization programs that adjust revenues for the effects of weather or programs designed to compensate for fluctuations in consumer demand. Such programs typically enable the Company to adjust rates in the future, usually as a surcharge applied to future billings, in response to past activities or completed events. Alternative Revenue Programs represent a contract between the utility and its regulators, not customers, and are therefore not within the scope of the accounting guidance for recognizing revenue from contracts with customers. When the criteria to recognize revenues from Alternative Revenue Programs have been met in accordance with ASC 980-605-25, a regulatory asset is established and the revenue is presented as a component of operating revenues. When amounts previously recognized under Alternative Revenue Programs accounting guidance are billed, the regulatory asset is reduced and a customer account receivable is recorded.

Disaggregated Revenues

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

Twelve Months Ended September 30, 2020	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Intercompany Eliminations	Total
Residential	$ 151,965	$ -	$ -	$ 121,006	$ 150,468	$ 21,639	$ -	$ 445,079
Commercial	56,317	37,070	32,666	68,756	96,478	5,774	(7,274)	289,788
Industrial	12,437	26,233	337	10,407	39,139	745	(1,312)	87,986
Other	1,768	402	-	7,424	10,905	7,296	-	27,795
Revenues - Contracts w/Customers	222,487	63,705	33,003	207,593	296,991	35,455	(8,586)	850,648
Alternative Revenue Programs	-	-	-	-	(13)	15	-	2
Gross Operating Revenues	$ 222,487	$ 63,705	$33,003	$ 207,593	$ 296,978	$ 35,470	$ (8,586)	$ 850,650

Twelve Months Ended September 30, 2019	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Intercompany Eliminations	Total
Residential	$ 175,999	$ -	$ -	$ 113,892	$ 132,921	$ 20,074	$ -	$ 442,886
Commercial	67,128	38,587	34,439	71,033	89,594	6,881	(7,398)	300,264
Industrial	12,160	25,892	490	10,264	44,638	253	(1,925)	91,772
Other	2,964	387	-	8,170	12,461	7,321		31,303
Revenues - Contracts w/Customers	258,251	64,866	34,929	203,359	279,614	34,529	(9,323)	866,225
Alternative Revenue Programs	-	-	-	-	(4,810)	(53)	-	(4,863)
Gross Operating Revenues	$ 258,251	$ 64,866	$34,929	$ 203,359	$ 274,804	$ 34,476	$ (9,323)	$ 861,362

Accounts Receivable and Unbilled Revenue

Amounts due from customers are reflected on the Combined Statements of Financial Position in the line items labeled “Accounts receivable” for revenue billed to customers and “Accrued utility revenue” which represent unbilled customer revenues. Unbilled revenues relate to a portion of a customer’s consumption of utility services from the date of the last cycle billing date through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage and customer rates. The Company had no contract assets or liabilities during the periods presented. Additionally, the Company has not incurred any significant costs to obtain or fulfill contracts. The opening and closing balances for customer accounts receivable and accrued utility revenue for the twelve months ended September 30, 2020 and 2019 are presented in the tables below.

In response to the COVID-19 pandemic, Citizens and CWA suspended shut-offs for nonpayment across all customer classes from March to August 2020. In addition, Citizens and CWA are offering flexible payment plans to customers impacted or experiencing hardship as a result of COVID-19. At September 30, 2020, the Company increased the allowance for doubtful accounts to $5.6 million as a result of COVID-19 compared with $2.4 million at September 30, 2019. The adverse impact that COVID-19 will have on customers' ability to pay is unknown and difficult to predict; however, management is monitoring changing circumstances and will adjust, if necessary, the allowance for doubtful accounts as additional information becomes available.

Accounts Receivable, net

$ Thousands	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Total
Balance at September 30, 2020	$ 12,232	$ 6,437	$ 7,520	$ 24,330	$ 30,686	$ 3,915	$ 85,120
Balance at September 30, 2019	11,088	6,284	4,916	22,419	28,255	3,833	76,795
Increase (Decrease)	$ 1,144	$ 153	$ 2,604	$ 1,911	$ 2,431	$ 82	$ 8,325
Balance at September 30, 2019	$ 11,088	$ 6,284	$ 4,916	$ 22,419	$ 28,255	$ 3,833	$ 76,795
Balance at September 30, 2018	11,621	4,784	4,584	23,451	25,696	4,028	74,164
Increase (Decrease)	$ (533)	$ 1,500	$ 332	$ (1,032)	$ 2,559	$ (195)	$ 2,631

Accrued Utility Revenue

$ Thousands	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Total
Balance at September 30, 2020	$ 2,071	$ -	$ -	$ 9,662	$ 11,783	$ 718	$ 24,234
Balance at September 30, 2019	2,518	-	-	7,957	11,508	442	22,425
Increase (Decrease)	$ (447)	$ -	$ -	$ 1,705	$ 275	$ 276	$ 1,809
Balance at September 30, 2019	$ 2,518	$ -	$ -	$ 7,957	$ 11,508	$ 442	$ 22,425
Balance at September 30, 2018	4,068	-	-	8,403	11,381	472	24,324
Increase (Decrease)	$ (1,550)	$ -	$ -	$ (446)	$ 127	$ (30)	$ (1,899)

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. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as shown in the accompanying Combined Statements of Financial Position are comprised of the following components at September 30 (in thousands):

	2020	2019
Accounts payable	**$ 70,268**	$ 87,822
Accrued interest	**66,850**	67,203
Customer credit balances	**18,663**	12,261
Salaries and employee benefits	**22,158**	19,999
Post-employment benefits	**4,309**	4,037
Other	**166**	49
Total accounts payable and accrued expenses	**$ 182,414**	$ 191,371

7. RETIREMENT PLANS

Citizens has a non-contributory defined benefit pension plan covering substantially all full-time employees. The policy of Citizens is to fund amounts necessary to maintain the plan on an actuarially sound basis. Contributions are intended to provide not only benefits attributed to service-to-date but also for benefits expected to be earned in the future. Citizens also has a defined-benefit pension plan for certain Water bargaining employees. Citizens elected to freeze the plan as of September 30, 2011, and the participants are no longer accruing benefits.

In addition to providing defined benefit pension plan benefits, Citizens offers other retirement benefits to eligible employees including pension restoration plans, a supplemental benefits plan, thrift savings plans and post-retirement health care and life insurance benefits. The pension restoration plans provide retirement benefits for employees whose retirement benefit exceeds the maximum allowable benefit under the Internal Revenue Code for qualified pension plans and thrift plans. The supplemental benefit plan covers certain former employees of Indianapolis Water Company.

The thrift savings plans are defined contribution plans covering most employees. Citizens matches a portion of the contributions made by the employees to the savings plans. The cost to Citizens for its matching portion was $2.2 million for each of the years ended September 30, 2020 and 2019, respectively. Citizens provides post-employment health and dental benefits to eligible retirees, which includes payment of up to 80 percent of single and dependent coverage premiums until age 65. Certain active non-bargaining employees, previously on the legacy Water post-employment health plan, will receive benefits for life upon retirement. The percentage of premiums paid by Citizens is dependent upon the age and years of service at the date the employee retires. The post-employment benefit plans are unfunded. Citizens accrues the expected cost of post-employment health benefits during the years in which employees render service.

Citizens also assumed responsibility for benefits of the legacy Water plan with respect to employees that were retired (as well as eligible dependents) as of the date of acquisition of the water utility. These benefits continue for the life of the participants. A restricted funds trust (Grantor Trust) had been established by previous owners of the Water operations to fund retiree medical benefit obligations of the legacy Water plan. Contributions to the trust had been made periodically by the previous owners. Citizens acquired the Grantor Trust as part of the acquisition and continues to make contributions to the trust from operating revenues of the Water System as authorized by the IURC. Benefits are paid from the Grantor Trust. Assets of the Grantor Trust are recorded as Other Investments on the Company's balance sheet. Fair value of the Grantor Trust assets are $16.5 million and $15.8 million at September 30, 2020 and 2019, respectively.

The following table sets forth the funded status of the defined benefit pension and other post-retirement benefit plans as of the measurement date, reconciled with the amount reported in Citizens' and CWA's Combined Statements of Financial Position at September 30, 2020 and 2019 (in thousands):

	Defined Benefit Plan		Other Benefits	
	2020	2019	**2020**	2019
Projected Benefit Obligation (PBO)	**$ 521,835**	$ 464,175	**$ 72,814**	$ 71,429
Plan assets at fair value	**378,639**	341,942	**-**	-
Funded status	**$ (143,196)**	$ (122,233)	**$ (72,814)**	$ (71,429)
Amounts recognized in the Consolidated Statements of Financial Position consist of:				
Current liability	**$ -**	$ -	**$ (4,344)**	$ (4,200)
Non-current liability	**(143,196)**	(122,233)	**(68,470)**	(67,229)
Net amounts recognized	**$ (143,196)**	$ (122,233)	**$ (72,814)**	$ (71,429)
*Amounts in Accumulated Other Comprehensive Income (AOCI), not in costs: **				
Prior service cost	**$ 513**	$ 641	**$ (15,825)**	$ (18,949)
Net loss	**175,221**	152,129	**12,284**	10,580
Total amounts in AOCI	**$ 175,734**	$ 152,770	**$ (3,541)**	$ (8,369)
Accumulated Benefit Obligation (ABO)	**$ 475,677**	$ 427,952		

* The amounts expected to be recognized in 2021 out of AOCI are $12.9 million for the defined benefit pension plan and ($2.0) million for the other benefits.

In accordance with the Pri-2012 Total Dataset Mortality Table using MP-2019, Citizens applied the new mortality assumptions which were used in the determination of the projected benefit obligation as of September 30, 2020. The net periodic benefit cost for these plans included the following components (in thousands):

	Defined Benefit Plan		Other Benefits	
	2020	2019	**2020**	2019
Service cost-benefits attributed to service during the period	**$ 14,799**	$ 12,099	**$ 1,150**	$ 1,301
Interest cost	**12,315**	14,839	**1,770**	2,757
Expected return on assets	**(21,236)**	(19,438)	**-**	-
Amortization of prior service cost	**129**	154	**(3,124)**	(2,336)
Amortization of loss	**11,244**	3,613	**260**	515
Settlement loss recognized	**-**	662	**-**	-
Net periodic benefit cost	**$ 17,251**	$ 11,929	**$ 56**	$ 2,237

Accounting for pensions and other post-retirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually with assistance from the Company's actuarial consultant who provides guidance in establishing the assumptions. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other post-retirement benefit expense that the Company recognizes.

The significant assumptions related to the Company's benefit obligations are as follows:

	Citizens Defined Benefit Pension		Water Defined Benefit Pension		Citizens Post Retirement Benefit		Other Benefit Plans	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Weighted average assumptions used to determine benefit obligations as of September 30:								
Discount rate	**2.45%**	3.01%	**1.77%**	2.61%	**2.11%**	2.80%	**2.06 - 2.37%**	2.77%
Rate of compensation increase	**3.77%**	3.63%	**-**	-	**-**	-	**3.18%**	-
Assumed health care cost trend rates used to determine benefit obligations as of September 30:								
Health care cost trend rate	n/a	n/a	n/a	n/a	**8.00%**	8.00%	n/a	n/a
Ultimate trend rate	n/a	n/a	n/a	n/a	**4.45%**	4.35%	n/a	n/a
Year rate reaches ultimate trend rate	n/a	n/a	n/a	n/a	**2029**	2028	n/a	n/a

The significant assumptions related to the Company's net periodic benefit costs are as follows:

	Citizens Defined Benefit Pension		Water Defined Benefit Pension		Citizens Post Retirement Benefit		Other Benefit Plans	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Weighted average assumptions used to determine net periodic benefit costs for years ended September 30:								
Discount rate	**3.01%**	4.09%	**2.61%**	3.84%	**2.80%**	3.98%	**2.55 - 2.77%**	3.94%
Expected return on plan assets	**6.20%**	5.78%	**6.20%**	5.77%	**n/a**	n/a	**n/a**	n/a
Rate of compensation increase	**3.63%**	3.15%	**n/a**	n/a	**n/a**	n/a	**2.83%**	n/a
Assumed health care cost trend rates used to determine net periodic benefit costs as of September 30:								
Health care cost trend rate	n/a	n/a	n/a	n/a	**8.00%**	8.00%	n/a	n/a
Ultimate trend rate	n/a	n/a	n/a	n/a	**4.35%**	4.80%	n/a	n/a
Year rate reaches ultimate trend rate	n/a	n/a	n/a	n/a	**2028**	2026	n/a	n/a

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in thousands):

	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on total of annual service and interest cost components	$ 332	$ (276)
Effect on accumulated postretirement benefit obligation	4,880	(4,276)

To calculate the expected long-term rate of return on assets, Citizens used the plan assets fair market value and an expected long-term rate of return, based on a targeted 60 percent equity and 40 percent debt allocation for the plan.

Assets of the defined benefit pension plan consist principally of investments in long-term and intermediate-term fixed income securities and common stocks. The measurement date of September 30 was used to determine the pension cost for the years 2020 and 2019.

The following table presents the pension assets measured at fair value on a recurring basis, based on the hierarchy as of September 30, 2020 and 2019 (in thousands):

	2020 Fair Value Measurements Using		
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension Assets:			
Cash equivalents	**$ 7,469**	**$ -**	**$ -**
Equities	**227,827**	**-**	**-**
Fixed income	**143,343**	**-**	**-**
Total pension assets measured at fair value	**$ 378,639**	**$ -**	**$ -**

	2019 Fair Value Measurements Using		
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension Assets:			
Cash equivalents	$ 8,548	$ -	$ -
Equities	204,087	-	-
Fixed income	129,306	-	-
Total pension assets measured at fair value	$ 341,941	$ -	$ -

See Note 2O for additional guidance on fair value measurement.

Citizens' pension plan weighted-average asset allocation as of September 30, 2020 and 2019, by asset category is as follows:

	2020	2019
Equity securities	**60%**	60%
Debt securities	**38%**	38%
Cash and cash equivalents	**2%**	2%
	100%	100%

The primary investment objective of the retirement funds is to earn a reasonable rate of return over a market cycle within a prudent level of risk. These investment objectives are long-term in nature.

Employer contribution, participant contributions and benefits paid during the year (in thousands):

	Defined Benefit Plan		Other Benefits	
	2020	2019	**2020**	2019
Employer contributions (net of participant contributions)	**$ 19,253**	$ 18,817	**$ 4,345**	$ 4,682
Benefits paid	**16,941**	18,937	**4,345**	4,682

Citizens expects to contribute, at a minimum, $21.4 million to the pension plans for 2021. The following retirement benefit payments, which reflect future service, as appropriate, are expected to be paid (in thousands):

	Defined Benefit Plan	Other Benefits
2021	$ 19,527	$ 4,344
2022	20,342	4,641
2023	20,275	4,598
2024	21,367	4,610
2025	21,924	4,506
Years 2026 - 2030	121,219	21,408

8. FINANCIAL SEGMENT INFORMATION

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

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

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

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

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

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

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

Other includes certain non-profit instrumentalities, as well as advertising and philanthropic costs that are not recoverable through rates and are funded by contributions from non-regulated segments. Other also includes shared services comprised of various administrative and operational departments that provide support services to each of Citizens and CWA business segments and the combined enterprise as a whole and allocates the associated cost of the services to the appropriate segment. Management reviews the allocation methodology for shared services on a regular basis and refines the methodology as necessary. The former Manufacturing business segment has been reported as Discontinued Operations and is also included in Other. To the extent certain business segments purchase services from one another, these amounts have been eliminated on the face of the 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 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 information as of and for the years ended September 30, 2020 and September 30, 2019 are summarized as follows:

Segment Footnote - Combined Statement of Financial Position

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
(In Thousands)
At September 30, 2020

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Elimin-ations	Total
Assets									
Property, plant, and equipment	$ 344,317	$ 75,817	$ 65,566	$ 1,194,169	$ 2,154,925	$ 225,858	$ 25,690	$ -	**$ 4,086,342**
Intangibles	-	14,202	39,990	-	-	-	-	-	**54,192**
Investments	7,292	11,779	5,988	73,656	224,619	4,973	273	-	**328,580**
Cash and cash equivalents	46,316	2,641	23,662	53,634	108,750	21,364	18,554	-	**274,921**
Other current assets	50,808	12,041	8,862	39,170	49,377	5,474	6,609	(15,274)	**157,067**
Deferred charges and other non-current assets	4,554	1,712	61	17,760	4,401	801	3,105	-	**32,394**
Total assets	$ 453,287	$ 118,192	$ 144,129	$ 1,378,389	$ 2,542,072	$ 258,470	$ 54,231	$ (15,274)	**$ 4,933,496**
Capitalization and Liabilities									
Equity	$ 165,478	$ 20,543	$ 100,673	$ 168,552	$ 144,016	$ 116,517	$ (77,234)	$ -	**$ 638,545**
Long-term debt	166,222	66,619	31,043	906,186	2,115,839	53,838	-	-	**3,339,747**
Retirement benefit and Other long-term liabilities	50,684	16,188	2,927	213,348	103,439	79,646	108,854	-	**575,086**
Current mat. of long-term debt	15,440	6,074	4,986	28,245	45,283	-	-	-	**100,028**
Short-term borrowings	-	-	-	-	-	1,000	-	-	**1,000**
Current liabilities	55,463	8,768	4,500	62,058	133,495	7,469	22,611	(15,274)	**279,090**
Total capitalization and liabilities	$ 453,287	$ 118,192	$ 144,129	$ 1,378,389	$ 2,542,072	$ 258,470	$ 54,231	$ (15,274)	**$ 4,933,496**

Segment Footnote - Combined Statement of Financial Position

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

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Elimin-ations	Total
Assets									
Property, plant, and equipment	$ 322,894	$ 73,635	$ 63,778	$ 1,134,075	$ 2,008,711	$ 203,550	$ 26,859	$ -	**$ 3,833,502**
Intangibles	-	15,186	42,709	-	-	-	-	-	**57,895**
Investments	7,047	11,653	5,844	76,449	193,367	5,240	566	-	**300,166**
Cash and cash equivalents	32,115	4,953	25,224	70,769	38,604	21,565	15,923	-	**209,153**
Other current assets	59,053	11,315	6,229	35,584	46,591	5,086	10,797	(3,354)	**171,301**
Deferred charges and other non-current assets	6,734	2,117	54	18,470	4,969	693	2,596	-	**35,633**
Total assets	$ 427,843	$ 118,859	$ 143,838	$ 1,335,347	$ 2,292,242	$ 236,134	$ 56,741	$ (3,354)	**$ 4,607,650**
Capitalization and Liabilities									
Equity	$ 125,908	$ 19,937	$ 94,572	$ 121,092	$ 79,092	$ 106,861	$ (66,119)	$ -	**$ 481,343**
Long-term debt	184,169	73,754	36,856	940,508	1,866,986	53,901	-	-	**3,156,174**
Retirement benefit and Other long-term liabilities	49,345	11,125	2,440	189,635	172,099	67,440	98,684	-	**590,768**
Current mat. of long-term debt	16,235	5,792	4,748	23,560	39,006	-	-	-	**89,341**
Short-term borrowings	-	-	-	-	-	-	-	-	**-**
Current liabilities	52,186	8,251	5,222	60,552	135,059	7,932	24,176	(3,354)	**290,024**
Total capitalization and liabilities	$ 427,843	$ 118,859	$ 143,838	$ 1,335,347	$ 2,292,242	$ 236,134	$ 56,741	$ (3,354)	**$ 4,607,650**

Segment Footnote - Combined Statement of Operations

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
(In Thousands)
For the Twelve Months Ended September 30, 2020

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Elimin-ations	Total
Operating revenues									
Customer revenues	$ 220,762	$ 60,040	$ 33,003	$ 206,542	$ 295,503	$ 34,800	$ -	$ -	**$ 850,650**
Intercompany revenues	1,725	3,665	-	1,051	1,475	670	-	(8,586)	**-**
Gross operating revenues	222,487	63,705	33,003	207,593	296,978	35,470	-	(8,586)	**850,650**
Operating expenses:									
Cost of goods sold	78,064	32,440	10,578	-	-	1,442	-	(6,360)	**116,164**
Operations and maintenance	57,042	19,089	7,514	79,178	79,064	14,690	103	(2,125)	**254,555**
Depreciation and amortization	18,633	5,256	5,311	26,529	58,038	4,810	-		**118,577**
Taxes	9,551	1,601	2,285	15,647	28,502	2,293	-	-	**59,879**
Total operating expenses	163,290	58,386	25,688	121,354	165,604	23,235	103	(8,485)	**549,175**
Operating income (loss)	59,197	5,319	7,315	86,239	131,374	12,235	(103)	(101)	**301,475**
Other income (expense), net:									
Interest income	327	69	107	1,762	1,722	35	217	(195)	**4,044**
Non-operating post-employment benefits, net	(1,400)	(256)	(54)	67	(241)	(41)	-	-	**(1,925)**
Other	(286)	-	-	59	158	240	(2,386)	-	**(2,215)**
Total other income (expense), net	(1,359)	(187)	53	1,888	1,639	234	(2,169)	(195)	**(96)**
Income (loss) before equity in earnings of affiliates and interest charges	57,838	5,132	7,368	88,127	133,013	12,469	(2,272)	(296)	**301,379**
Equity in earnings of affiliates	-	-	-	-	-	2,333	-	-	**2,333**
Interest charges:									
Interest on long-term debt	9,552	3,346	1,676	41,563	91,786	2,208	195	(195)	**150,131**
Other interest, including net (premium) discount amortization	(739)	(656)	(841)	(5,453)	(24,444)	34	-	-	**(32,099)**
Total interest charges	8,813	2,690	835	36,110	67,342	2,242	195	(195)	**118,032**
Income (loss) from continuing operations	49,025	2,442	6,533	52,017	65,671	12,560	(2,467)	(101)	**185,680**
Loss from discontinued operations	-	-	-	-	-	-	(823)	101	**(722)**
Net income (loss)	$ 49,025	$ 2,442	$ 6,533	$ 52,017	$ 65,671	$ 12,560	$ (3,290)	$ -	**$ 184,958**

Segment Footnote - Combined Statement of Operations

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

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Elimin-ations	Total
Operating revenues									
Customer revenues	$ 255,869	$ 60,936	$ 34,929	$ 202,206	$ 273,654	$ 33,768	$ -	$ -	**$ 861,362**
Intercompany revenues	2,382	3,930	-	1,153	1,150	708	-	(9,323)	**-**
Gross operating revenues	258,251	64,866	34,929	203,359	274,804	34,476	-	(9,323)	**861,362**
Operating expenses:									
Cost of goods sold	111,293	31,271	10,945	-	-	1,913	-	(7,326)	**148,096**
Operations and maintenance	63,331	19,980	7,958	76,948	78,832	14,306	-	(1,937)	**259,418**
Depreciation and amortization	19,044	5,214	5,206	30,616	63,996	4,758	-	-	**128,834**
Loss (gain) on divestiture	-	-	-	(358)	-	1,367	-	-	**1,009**
Taxes	9,684	1,611	2,480	16,354	27,480	2,539	-	-	**60,148**
Total operating expenses	203,352	58,076	26,589	123,560	170,308	24,883	-	(9,263)	**597,505**
Operating income (loss)	54,899	6,790	8,340	79,799	104,496	9,593	-	(60)	**263,857**
Other income (expense), net:									
Interest income	810	174	278	2,232	3,381	164	117	(82)	**7,074**
Non-operating post-employment benefits, net	(300)	(349)	9	(590)	118	19	-	-	**(1,093)**
Other	(196)	-	-	425	81	208	(2,060)	-	**(1,542)**
Total other income (expense), net	314	(175)	287	2,067	3,580	391	(1,943)	(82)	**4,439**
Income (loss) before equity in losses of affiliates and interest charges	55,213	6,615	8,627	81,866	108,076	9,984	(1,943)	(142)	**268,296**
Equity in losses of affiliates	-	-	-	-	-	(169)	-	-	**(169)**
Interest charges:									
Interest on long-term debt	10,135	3,627	1,913	42,694	86,364	1,921	82	(82)	**146,654**
Other interest, including net discount (premium) amortization	489	(682)	(918)	(4,801)	(17,187)	311	(73)	-	**(22,861)**
Total interest charges	10,624	2,945	995	37,893	69,177	2,232	9	(82)	**123,793**
Income (loss) from continuing operations	44,589	3,670	7,632	43,973	38,899	7,583	(1,952)	(60)	**144,334**
Loss from discontinued operations	-	-	-	-	-	-	(668)	60	**(608)**
Net income (loss)	$ 44,589	$ 3,670	$ 7,632	$ 43,973	$ 38,899	$ 7,583	$ (2,620)	$ -	**$ 143,726**

Segment Footnote - Combined Statement of Cash Flows

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
For the Twelve Months Ended September 30, 2020 (In Thousands)

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Total
Net cash provided by (used in) operating activities	56,432	6,147	7,635	63,233	119,232	16,632	(339)	**$ 268,972**
Investing Activities:								
Construction expenditures	(33,270)	(2,541)	(4,305)	(71,124)	(203,554)	(14,884)	(18,540)	**(348,218)**
Other investing activities	9,356	8	-	(872)	(1,737)	2,596	16,610	**25,961**
Net cash provided by (used in) investing activities	(23,914)	(2,533)	(4,305)	(71,996)	(205,291)	(12,288)	(1,930)	**(322,257)**
Financing Activities:								
Proceeds from bank line of credit	-	-	-	-	-	1,000	-	**1,000**
Repayment of short-term borrowings and bank line of credit	-	-	-	-	(80,000)	-	-	**(80,000)**
Principal payments of long-term debt and bond refunding	(75,911)	(5,792)	(4,748)	(23,560)	(39,006)	-	-	**(149,017)**
Proceeds from issuance of long-term debt	59,475	-	-	-	301,898	-	-	**361,373**
Bond issuance costs	(435)	-	-	-	(927)	(84)	-	**(1,446)**
Contributions in aid of construction	-	-	-	11,023	3,755	(2,561)	-	**12,217**
Other financing activities	(1,943)	-	-	-	-	(2,900)	4,900	**57**
Net cash provided by (used in) financing activities	(18,814)	(5,792)	(4,748)	(12,537)	185,720	(4,545)	4,900	**144,184**
Net change in cash, cash equivalents, and restricted cash	13,704	(2,178)	(1,418)	(21,300)	99,661	(201)	2,631	**90,899**
Cash, cash equivalents & restricted cash - beginning of period	39,073	16,606	31,068	120,664	231,971	22,534	15,923	**477,839**
Cash, cash equivalents & restricted cash - end of period	$ 52,777	$ 14,428	$ 29,650	$ 99,364	$ 331,632	$ 22,333	$ 18,554	**$ 568,738**
Reconciliation:								
Cash and cash equivalents	$ 46,316	$ 2,641	$ 23,662	$ 53,634	$ 108,750	$ 21,364	$ 18,554	**$ 274,921**
Restricted cash included in Bond restricted funds	6,461	11,787	5,988	43,469	220,709	969	-	**289,383**
Restricted cash included in Investments, Other	-	-	-	2,261	2,173	-	-	**4,434**
Cash, cash equivalents & restricted cash - end of period	$ 52,777	$ 14,428	$ 29,650	$ 99,364	$ 331,632	$ 22,333	$ 18,554	**$ 568,738**

Segment Footnote - Combined Statement of Cash Flows

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

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Total
Net cash provided by (used in) operating activities	$ 67,742	$ 2,999	$ 11,409	$ 70,695	$ 103,209	$ 18,368	$ 5,852	**$ 280,274**
Investing Activities:								
Construction expenditures	(31,568)	(3,347)	(2,707)	(43,685)	(190,000)	(19,591)	(10,814)	**(301,712)**
Divestiture proceeds, net of expenses	-	-	-	358	-	20	-	**378**
Other investing activities	(9,988)	-	-	(487)	-	16	(16,353)	**(26,812)**
Net cash provided by (used in) investing activities	(41,556)	(3,347)	(2,707)	(43,814)	(190,000)	(19,555)	(27,167)	**(328,146)**
Financing Activities:								
Proceeds from bank line of credit	-	-	-	-	60,000	-	-	**60,000**
Repayment of short-term borrowings and bank line of credit	(50,000)	-	-	-	-	(7,200)	-	**(57,200)**
Principal payments of long-term debt and bond refunding	(15,430)	(5,526)	(4,499)	(432,150)	(37,386)	(52,089)	-	**(547,080)**
Proceeds from bond refunding	-	-	-	413,987	-	54,538	-	**468,525**
Bond issuance costs	-	-	-	(2,029)	(3)	(638)	-	**(2,670)**
Contributions in aid of construction	-	-	-	11,598	5,276	(3,143)	-	**13,731**
Other financing activities	(3,976)	-	(4,337)	-	-	(3,700)	12,037	**24**
Net cash provided by (used in) financing activities	(69,406)	(5,526)	(8,836)	(8,594)	27,887	(12,232)	12,037	**(64,670)**
Net change in cash, cash equivalents, and restricted cash	(43,220)	(5,874)	(134)	18,287	(58,904)	(13,419)	(9,278)	**(112,542)**
Cash, cash equivalents & restricted cash - beginning of period	82,293	22,480	31,202	102,377	290,875	35,953	25,201	**590,381**
Cash, cash equivalents & restricted cash - end of period	$ 39,073	$ 16,606	$ 31,068	$ 120,664	$ 231,971	$ 22,534	$ 15,923	**$ 477,839**
Reconciliation:								
Cash and cash equivalents	$ 32,115	$ 4,953	$ 25,224	$ 70,769	$ 38,604	$ 21,565	$ 15,923	**$ 209,153**
Restricted cash included in Bond restricted funds	6,958	11,653	5,844	47,678	191,194	969	-	**264,296**
Restricted cash included in Investments, Other	-	-	-	2,217	2,173	-	-	**4,390**
Cash, cash equivalents & restricted cash - end of period	$ 39,073	$ 16,606	$ 31,068	$ 120,664	$ 231,971	$ 22,534	$ 15,923	**$ 477,839**

9. 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.

Consolidated Statement of Financial Position
Citizens Westfield Utilities, LLC
(In Thousands)
At September 30, 2020

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Assets						
Property, plant, and equipment	$ -	$ 12,387	$ 94,512	$ 112,929	$ -	**$ 219,828**
Investments	107,487	-	-	-	(107,487)	**-**
Cash and cash equivalents	311	843	674	10,904	-	**12,732**
Other current assets	-	706	2,268	1,854	-	**4,828**
Other non-current assets	-	598	401	771	-	**1,770**
Total assets	$ 107,798	$ 14,534	$ 97,855	$ 126,458	$ (107,487)	**$ 239,158**
Capitalization and Liabilities						
Member's equity	$ 98,676	$ 12,680	$ 35,752	$ 59,054	$ (107,487)	**$ 98,675**
Long-term debt	8,870	-	19,924	25,045	-	**53,839**
Other long-term borrowings	-		1,000	-	-	**1,000**
Other long-term liabilities	-		38,037	39,753	-	**77,790**
Current maturities of long-term debt	-	-	-	-	-	**-**
Short-term borrowings	-	1,000	-	-	-	**1,000**
Current liabilities	252	854	3,142	2,606	-	**6,854**
Total capitalization and liabilities	$ 107,798	$ 14,534	$ 97,855	$ 126,458	$ (107,487)	**$ 239,158**

Consolidated Statement of Financial Position
Citizens Westfield Utilities, LLC
(In Thousands)
At September 30, 2019

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Assets						
Property, plant, and equipment	$ -	$ 11,229	$ 80,583	$ 105,595	$ -	**$ 197,407**
Investments	99,430	-	-	-	(99,430)	**-**
Cash and cash equivalents	171	1,136	5,600	8,440	-	**15,347**
Other current assets	-	572	1,646	1,711	-	**3,929**
Other non-current assets	84	767	410	632	-	**1,893**
Total assets	$ 99,685	$ 13,704	$ 88,239	$ 116,378	$ (99,430)	**$ 218,576**
Capitalization and Liabilities						
Member's equity	$ 90,524	$ 11,955	$ 32,430	$ 55,045	$ (99,430)	**$ 90,524**
Long-term debt	8,896	-	19,919	25,085	-	**53,900**
Other long-term borrowings	-	1,000	-	-	-	**1,000**
Other long-term liabilities	-	5	32,672	33,114	-	**65,791**
Current maturities of long-term debt	-	-	-	-	-	**-**
Short-term borrowings	-	-	-	-	-	**-**
Current liabilities	265	744	3,218	3,134	-	**7,361**
Total capitalization and liabilities	$ 99,685	$ 13,704	$ 88,239	$ 116,378	$ (99,430)	**$ 218,576**

Consolidated Statement of Operations
Citizens Westfield Utilities, LLC
For the Twelve Months Ended September 30, 2020
(In Thousands)

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	$ -	$ 4,413	$ 10,762	$ 13,142	$ -	**$ 28,317**
Operating expenses						
Cost of goods sold	-	1,442	-	-	-	**1,442**
Other operating expenses	30	1,360	4,065	4,352	-	**9,807**
Depreciation and amortization	-	652	1,383	2,628	-	**4,663**
Taxes	-	199	1,145	880	-	**2,224**
Total operating expenses	30	3,653	6,593	7,860	-	**18,136**
Total operating (loss) income	(30)	760	4,169	5,282	-	**10,181**
Other (expense) income	-	(10)	224	8	-	**222**
Equity in earnings of subsidiaries	8,521	-	-	-	(8,521)	**-**
Interest charges						
Interest on long-term debt	277	-	800	1,133	-	**2,210**
Other interest	58	24	1	(46)	-	**37**
Total interest charges	335	24	801	1,087	-	**2,247**
Net income (loss)	$ 8,156	$ 726	$ 3,592	$ 4,203	$ (8,521)	**$ 8,156**

Consolidated Statement of Operations
Citizens Westfield Utilities, LLC
For the Twelve Months Ended September 30, 2019
(In Thousands)

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	$ -	$ 4,762	$ 9,712	$ 12,660	$ -	**$ 27,134**
Operating expenses						
Cost of goods sold	-	1,913	-	-	-	**1,913**
Other operating expenses	197	1,220	3,802	4,303	-	**9,522**
Depreciation and amortization	-	593	1,228	2,351	-	**4,172**
Taxes	-	215	1,280	956	-	**2,451**
Total operating expenses	197	3,941	6,310	7,610	-	**18,058**
Total operating (loss) income	(197)	821	3,402	5,050	-	**9,076**
Other income	-	7	222	34	-	**263**
Equity in earnings of subsidiaries	7,861	-	-	-	(7,861)	**-**
Interest charges						
Interest on long-term debt	335	-	634	952	-	**1,921**
Other interest	223	64	82	(57)	-	**312**
Total interest charges	558	64	716	895	-	**2,233**
Net income	$ 7,106	$ 764	$ 2,908	$ 4,189	$ (7,861)	**$ 7,106**

Consolidated Statement of Cash Flows
Citizens Westfield Utilities, LLC
(In Thousands)
For the Twelve Months Ended September 30, 2020

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	$ (236)	$ 1,304	$ 5,228	$ 7,597	**$ 13,893**
Investing Activities:					
Construction expenditures	-	(1,597)	(8,927)	(4,335)	**(14,859)**
Other investing activities	-	-	-	(4)	**(4)**
Net cash provided by (used in) investing activities	-	(1,597)	(8,927)	(4,339)	**(14,863)**
Financing Activities:					
Proceeds from bank line of credit	-	-	1,000		**1,000**
Bond issuance costs	(84)	-			**(84)**
Additional paid-in capital and dividends	460	-	(270)	(190)	**-**
Contributions in aid of construction and customer advances, net	-	-	(1,957)	(604)	**(2,561)**
Net cash provided by (used in) financing activities	376	-	(1,227)	(794)	**(1,645)**
Net change in cash, cash equivalents, and restricted cash	140	(293)	(4,926)	2,464	**(2,615)**
Cash, cash equivalents & restricted cash - beginning of period	171	1,136	6,001	9,008	**16,316**
Cash, cash equivalents & restricted cash - end of period	$ 311	$ 843	$ 1,075	$ 11,472	**$ 13,701**
Reconciliation:					
Cash and cash equivalents	$ 311	$ 843	$ 674	$ 10,904	**$ 12,732**
Restricted cash included in Other non-current assets	-	-	401	568	**969**
Cash, cash equivalents & restricted cash - end of period	$ 311	$ 843	$ 1,075	$ 11,472	**$ 13,701**

Consolidated Statement of Cash Flows
Citizens Westfield Utilities, LLC
(In Thousands)
For the Twelve Months Ended September 30, 2019

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	$ (576)	$ 1,924	$ 5,900	$ 9,049	**$ 16,297**
Investing Activities:					
Construction expenditures	-	(1,649)	(7,840)	(9,855)	**(19,344)**
Other investing activities	-	-	-	4	**4**
Net cash provided by (used in) investing activities	-	(1,649)	(7,840)	(9,851)	**(19,340)**
Financing Activities:					
Repayment of bank line of credit	-	(700)	(3,500)	(3,000)	**(7,200)**
Proceeds from bond refunding	9,000	-	20,082	25,456	**54,538**
Principal payments of long-term debt and bond refunding	(28,454)	-	(8,365)	(15,270)	**(52,089)**
Bond issuance costs	(127)	-	(165)	(346)	**(638)**
Additional paid-in capital and dividends	19,920	-	(250)	(170)	**19,500**
Contributions in aid of construction	-	-	(2,069)	(1,073)	**(3,142)**
Net cash provided by (used in) financing activities	339	(700)	5,733	5,597	**10,969**
Net change in cash, cash equivalents, and restricted cash	(237)	(425)	3,793	4,795	**7,926**
Cash, cash equivalents & restricted cash - beginning of period	408	1,561	2,208	4,213	**8,390**
Cash, cash equivalents & restricted cash - end of period	$ 171	$ 1,136	$ 6,001	$ 9,008	**$ 16,316**
Reconciliation:					
Cash and cash equivalents	$ 171	$ 1,136	$ 5,600	$ 8,440	**$ 15,347**
Restricted cash included in Other non-current assets	-	-	401	568	**969**
Cash, cash equivalents & restricted cash - end of period	$ 171	$ 1,136	$ 6,001	$ 9,008	**$ 16,316**

10. 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 twelve months ended September 30, 2020.

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 Combined Statement of Financial Position related to lease asset and liability balances as of the period indicated (in thousands):

	Combined Statement of Financial Position Classification	At September 30, 2020
Assets		
Right-of-use assets - operating leases	Property, plant, and equipment, net	$ 3,607
Liabilities		
Operating lease liabilities - current	Other current liabilities	$ 249
Operating lease liabilities - non-current	Other long-term liabilities	$ 3,358

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

	Twelve Months Ended September 30, 2020
Operating lease expense	$ 420
Short-term lease expense	565
Variable lease expense	255
Total lease expense	$ 1,240

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

	At September 30, 2020
2021	$ 420
2022	420
2023	420
2024	420
2025	420
Thereafter	2,590
Total operating lease payments	4,690
Less: imputed interest	1,083
Total operating lease liabilities	$ 3,607

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

	At September 30, 2020
Weighted-average remaining lease term	134 months
Weighted-average discount rate	4.9%
Right-of-use assets obtained in exchange for new operating lease liabilities	$ -

Operating cash outflows from operating leases included in the measurement of lease liabilities were $420 thousand for the twelve months ended September 30, 2020.

11. 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 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 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 twelve months ended September 30, 2020 for the asset retirement obligation liability is as follows (in thousands):

Asset retirement obligation at September 30, 2019	$	13,974
Accretion expense		644
Remediation liabilities settled		(1,144)
Asset retirement obligation at September 30, 2020	$	13,474

The major classes of assets and liabilities of the Manufacturing segment (reported as Discontinued Operations in Other) at September 30, 2020 and September 30, 2019, are as follows (in thousands):

		September 30, 2020		September 30, 2019
Current assets	**$**	**1,076**	$	942
Deferred charges and other non-current assets		**-**		1
Total assets	**$**	**1,076**	$	943
Equity (deficiency)	**$**	**(22,503)**	$	(23,561)
Retirement benefit and other long-term liabilities		**23,339**		24,177
Current liabilities		**240**		327
Total capitalization and liabilities	**$**	**1,076**	$	943

For the twelve months ended September 30, 2020 and 2019, Discontinued Operations operating expenses were $0.8 million and $0.7 million, respectively. Approximately $4.0 million of cash was provided by Gas to Discontinued Operations during fiscal year 2019, and an additional $2.0 during the twelve months ended September 30, 2020, to settle a portion of the liabilities. Additional cash funding from Gas to settle liabilities may be provided to Discontinued Operations in future years.

12. 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

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

Water

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

Wastewater

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

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

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

In accordance with the rate case settlement discussed below, on September 27, 2019, CWA filed a final reconciliation of unreconciled SIA revenues collected as a result of SIA 1 and SIA 2 during the applicable 12-month period of August 2018 - July 2019. On November 22, 2019, CWA received approval from the IURC regarding its final reconciliation of SIA 1 and SIA 2 which resulted in a credit to customers of $0.4 million.

On October 12, 2018, CWA filed a petition with the IURC requesting, among other things, a three-step increase in base rate revenues. On April 12, 2019, CWA, the OUCC and all other parties to the case filed a settlement agreement with the Commission reflecting a three-step increase in base rate revenues of $31.9 million or 11.9% for the first step, $13.9 million or 4.6% for the second step, and $12.0 million or 3.8% for the third step. Included among the various components of the revenue requirements was debt service on CWA bonds expected to be issued in 2019 (step 1), 2020 (step 2) and 2021 (step 3). In the rate case settlement agreement, CWA agreed voluntarily not to seek recovery of SIA 2 revenues uncollected as of the issuance of the final order in the rate case. Accordingly, CWA expensed $4.0 million of regulatory assets related to SIA 2 revenues which were previously recorded within “Other current assets” as they were no longer probable of recovery. On July 29, 2019, the IURC issued an Order (the 2019 Wastewater Order) essentially approving the settlement agreement. The step one increase took effect on August 1, 2019 and was reduced by $1.4 million effective November 22, 2019, since the actual debt service on the CWA bonds issued in 2019 was less than the amount assumed in the 2019 Wastewater Order. The step two increase took effect on September 28, 2020, and was reduced by $1.4 million effective October 23, 2020, since the actual debt service on the CWA bonds issued in 2020 was less than the amount assumed in the 2019 Wastewater Order. The step three increase will be implemented upon confirmation of pricing for the CWA 2021 bond issuance contemplated in the rate case. The step three increase is also subject to a true-up to the extent actual debt service on the contemplated 2021 bond issuance is materially different than the amount assumed in the 2019 Wastewater Order.

Resources - Westfield Gas

Westfield Gas’s most recent general rate case order was issued by the IURC in April 2017. On November 27, 2019, the IURC issued an order approving the continuation of Westfield Gas’s energy efficiency programs and decoupling mechanism. On July 31, 2020, Westfield Gas filed a petition seeking approval of a three-year extension of an existing line of credit up to an aggregate principal amount of $4.0 million. On October 6, 2020, the OUCC filed testimony recommending approval of the requested extension. A hearing before the IURC was held on November 12, 2020.

Resources - Westfield Water

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

Resources – Westfield Wastewater

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

Joint Depreciation Case

On January 12, 2018, Citizens filed a depreciation case requesting approval to implement a decrease in depreciation accrual rates when compared to current depreciation rates for Gas, Citizens Thermal Steam, Water, Wastewater, and the

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

COVID-19

On May 27, 2020, the IURC issued an order in Cause No. 45380 notifying all jurisdictional Indiana utilities of its decision to conduct a two-phase investigation to consider and address the impacts of the COVID-19 pandemic and the Indiana Governor's executive orders related to the pandemic on the rates and provision of utility service by all jurisdictional utilities and their ratepayers.

On June 29, 2020, the IURC issued its phase 1 order in Cause No. 45380. In that order, the IURC imposed a disconnect moratorium prohibiting disconnections by all jurisdictional utilities until after August 14 at the earliest. During the same time period, the phase 1 order prohibits jurisdictional utilities from imposing late fees, convenience fees, deposits and reconnection fees. The IURC also encouraged utilities to make efforts to maintain service for customers, including through the use of flexible payment arrangements. The phase 1 order also grants all jurisdictional utilities authority to use regulatory accounting for impacts directly associated with the disconnect moratorium, waiver of certain fees, the use of expanded payment arrangements and COVID related uncollectible and incremental bad debt expense. The phase 1 order does not preclude utilities from requesting authority to defer other increased O&M expenses due to COVID in phase 2 or a separate proceeding.

On August 12, 2020, the IURC issued an order (1) directing that the disconnect moratorium prohibiting disconnections would not be extended beyond August 14; and (2) extending the prohibition on collection of late fees, deposits, and disconnection/reconnection fees for an additional 60 days until October 12, 2020. On October 7, 2020, the OUCC filed a motion requesting, among other things, the IURC extend the prohibition on collection of late fees, deposits, and disconnection/reconnection fees through December 31, 2020. On October 27, 2020, the IURC denied the OUCC's motion. Accordingly, the prohibition on the collection of late fees, deposits, and disconnection/reconnection fees has now expired. At this time, Management cannot predict the outcome of further action that may be taken by the IURC, including the reinstatement of a disconnection moratorium or other customer protections, or the impact such actions may have on the regulated businesses of Citizens and CWA.

B. Regulatory Assets and Liabilities

Citizens' and CWA's rates are designed to recover the costs of providing service, thus certain items that would normally be reflected in the Combined Statements of Operations and Comprehensive Income are deferred on the Combined Statements of Financial Position. Regulatory assets represent probable future revenues associated with certain incurred costs, which will be recovered from customers through the rate-making process. Regulatory assets are charged to earnings as collection of the cost in rates is recognized or when future recovery is no longer probable. Conversely, regulatory liabilities represent future reductions in revenues associated with amounts that are to be credited to expense through the rate-making process. Citizens and CWA continuously monitor changes in market and regulatory conditions and consider the effects of any changes in assessing the continual applicability of the FASB guidance related to regulated entities.

Regulatory assets were comprised of the following at September 30, 2020 and 2019 (in thousands):

	2020	2019	Recovery Period	Statement of Financial Position Location
Deferred Acquisition Transaction Costs	**$ 6,375**	$ 6,944	24 - 25 years	Other deferred charges
Decoupled Sales Component	**1,489**	1,612	1 - 15 months	Other deferred charges
Deferred Regulatory Proceeding Costs	**840**	1,130	1 - 3 years	Other deferred charges
Deferred Fuel Tracking Adjustments	**1,143**	660	1 - 18 months	Other current assets
Total Regulatory Assets	**$ 9,847**	$ 10,346		

Regulatory liabilities were comprised of the following at September 30, 2020 and 2019 (in thousands):

	2020	2019	Refund Period	Statement of Financial Position Location
Contributions in Aid of Construction	**$ 312,029**	$ 272,294	40 - 50 years	Contributions in aid of construction
Deferred Water Rights	**161**	256	5 - 6 years	Other long-term liabilities
Deferred Fuel Tracking Adjustments	**8,103**	2,234	1 - 18 months	Other current liabilities
Other	**662**	104	Various	Other long-term liab. and accounts payable
Total Regulatory Liabilities	**$ 320,955**	$ 274,888		

13. COMMITMENTS AND CONTINGENCIES

A. Environmental Commitments and Contingencies

Citizens and CWA are subject to various environmental laws and regulations and believe they are in compliance with existing federal, state and local statutes, ordinances, rules and regulations governing environmental matters. Citizens and CWA have no way of estimating the enactment or promulgation of future environmental laws and regulations. See Note 11 for additional information regarding demolition and environmental remediation of the former Indianapolis Coke Manufacturing facility. For operating facilities, accruals for environmental commitments and contingencies are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Langsdale Environmental Remediation

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

Upon completion of a remediation work plan (RWP) in the fourth quarter of fiscal year 2016, Citizens recorded a $9.4 million liability for estimated remediation and restoration costs at the Langsdale Facility. These costs were expected to be incurred over a ten-year period. Citizens filed the RWP with IDEM in November 2016. In response to comments received from IDEM in fiscal year 2019 and the filing of a revised RWP in November 2019, Citizens filed a final RWP in April 2020 which received approval from IDEM in August 2020. Pursuant to the approved plan, Citizens revised the remaining liability to remediate the site, recognizing income of approximately $5.7 million in September 2020 as estimated future costs to complete the remediation plan were less than those accrued at that date. The obligation is included in "Other current liabilities" and "Other long-term liabilities" in the Combined Statements of Financial Position and represents management's best estimate of the costs for remediation and restoration of the site. The accrued liability related to Langsdale environmental remediation was $0.7 million and $7.0 million at September 30, 2020 and September 30, 2019, respectively. Due to a number of uncertainties, including uncertainty of timing, the scope of remediation, future technology, regulatory changes, and other factors, the ultimate remediation costs may exceed the amounts estimated.

Potential National Priorities List Site, Indianapolis

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

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.

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 System’s combined sewer system. The plan established a 20-year schedule for the required combined sewer system and advanced wastewater treatment plant (AWTP) improvements. In 2020, the EPA and IDEM approved a Use Attainability Analysis (UAA) for the long-term sewer overflow control plan.

Upon acquisition of the Wastewater System in August 2011, CWA assumed the City's obligations under the order of the U.S. District Court for the Southern District of Indiana (the Court) dated December 19, 2006, among the EPA, IDEM, and the City, as amended (the Consent Decree). CWA has a capital improvement plan to meet guidelines of the Consent Decree and the overall needs of the Wastewater System. The improvements related to the Consent Decree and LTCP have been planned and scheduled through 2025. The DigIndy program, the most significant element of the Consent Decree, is the largest sewer infrastructure project in Indianapolis’ history. The Deep Rock Tunnel Connector (DRTC) and the Eagle Creek Tunnel are the first two segments online of the 250 feet deep, 28-mile underground tunnel system designed to store 250 million gallons of combined sewage during wet weather events to prevent overflows from entering area rivers and streams. The stored flows are pumped to the Southport AWTP, which was expanded as a part of this Consent Decree. The Belmont AWTP was also expanded as part of the Consent Decree and this work was completed in 2012. On December 29, 2017, the first 10 miles of the DigIndy Tunnel system and the DRTC pump station were operational and are in use. Mining for the White River and Lower Pogues Run tunnels, which comprise approximately 7.4 miles of the DigIndy tunnel system, began in September 2016 and finished in April 2019. Work to prepare the White River and Lower Pogues Run segments to capture raw sewage is ongoing with the tunnels scheduled to be online in 2021. Tunnel boring to mine the 3.4-mile Fall Creek Tunnel has been completed. Mining will begin on the tunnel system’s final segment, the 7.6-mile Pleasant Run Tunnel, in early 2021 following refurbishment of the tunnel boring machine. CWA estimates the projected cost of the Consent Decree, including capital and operation and maintenance costs, is approximately $2.0 billion in 2016 dollars.

B. Legal Contingencies

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

14. SUBSEQUENT EVENTS

Management has considered the impact of subsequent events through December 16, 2020, the date at which these combined financial statements were issued.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Citizens Energy Group and Subsidiary and CWA Authority, Inc.

We have audited the accompanying combined financial statements of Citizens Energy Group and Subsidiary and CWA Authority, Inc. (the "Companies"), both of which are under common ownership and common management, which comprise the combined statements of financial position as of September 30, 2020 and 2019, and the related combined statements of operations and comprehensive income, equity, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Companies' preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companies' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Citizens Energy Group and Subsidiary and CWA Authority, Inc. as of September 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

December 16, 2020