Annual Financial Report 2021

Management Discussion & Analysis

citizens energy group™

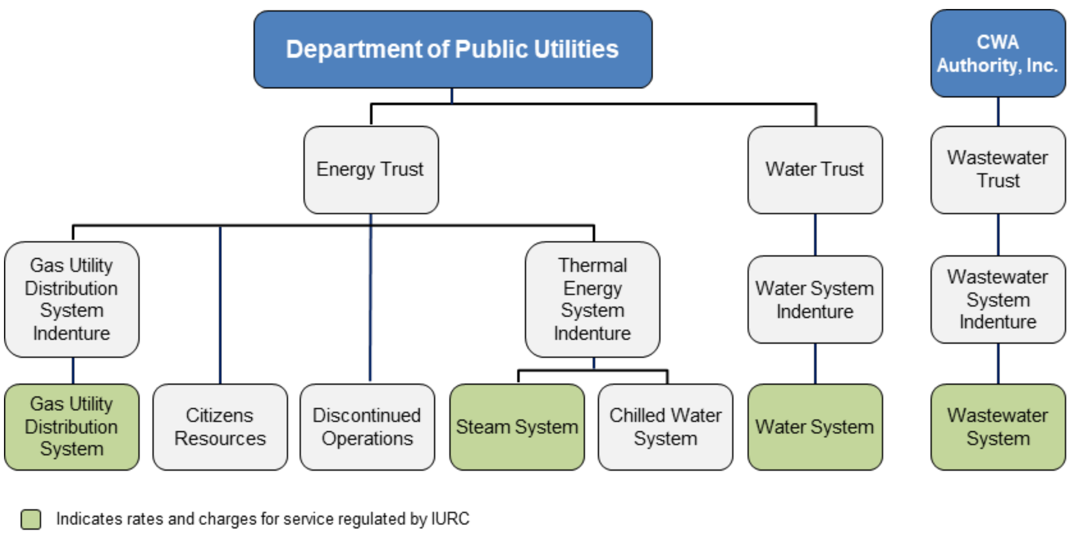
MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

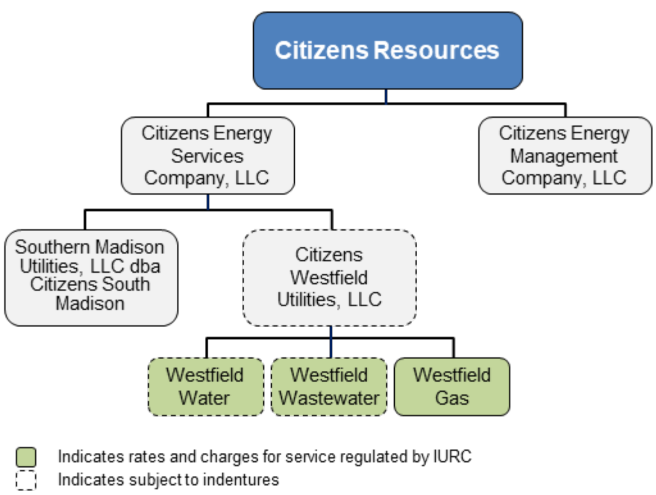
The Gas Utility Distribution System, the Thermal Energy System, Citizens Resources, and certain other properties are subject to the Energy Trust. The Water System is subject to a separate public charitable trust (the Water Trust) that operates in substantially the same manner as the Energy Trust.

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, 2021 and 2020. For a more detailed understanding of these results, see the following notes to the combined financial statements:

- Note 1C – COVID-19
- 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 which provide support services to each of Citizens and CWA business segments and the combined enterprise as a whole, allocating the associated cost of the services to the appropriate segment. Management reviews the allocation methodology for shared services on a regular basis and refines the methodology as necessary.

	2021	2020	Change
Shared Services Expenses	$ 104.4	$ 98.5	$ 5.9

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

Fiscal Year 2021 as Compared with 2020

Shared services expenses increased $5.9 million primarily due to increases in the following:

- $2.0 million depreciation expense;
- $1.9 million labor and benefit costs; and
- $1.0 million software, hardware, and IT support costs.

GAS

	2021	2020	Change
Operating revenues	$ 231.5	$ 222.5	$ 9.0
Cost of goods sold	85.5	78.1	7.4
Margin	146.0	144.4	1.6
Other operating expenses	92.2	85.2	7.0
Operating income (loss)	53.8	59.2	(5.4)
Other income (expense), net	(1.1)	(1.4)	0.3
Interest charges	5.6	8.8	(3.2)
Segment income (loss)	$ 47.1	$ 49.0	$ (1.9)
Volume sales, million Dth			
Retail	28.3	27.9	0.4
Transportation	18.4	17.9	0.5
Power generation and other	20.9	25.2	(4.3)
Cost of gas sold, per Dth	$ 3.02	$ 2.80	$ 0.22
Heating degree days	5,041	5,049	(8)

Fiscal Year 2021 as Compared with 2020

The decrease in earnings of $1.9 million was primarily the result of:

- $5.7 million increased remediation expense for the Langsdale site due to recognizing in the prior year income of approximately $5.7 million as a result of the approved remediation work plan; and
- $0.8 million increased shared services expense allocations; **offset by**
- $3.2 million decreased interest expense driven by a lower amount of debt outstanding; and
- $1.6 million higher margin primarily due to increased late payment charges, collection fees, and retail sales.

STEAM

	2021	2020	Change
Operating revenues	$ 66.1	$ 63.7	$ 2.4
Cost of goods sold	35.4	32.4	3.0
Margin	30.7	31.3	(0.6)
Other operating expenses	26.5	26.0	0.5
Operating income (loss)	4.2	5.3	(1.1)
Other income (expense), net	(0.2)	(0.2)	-
Interest charges	2.5	2.7	(0.2)
Segment income (loss)	$ 1.5	$ 2.4	$ (0.9)
Volume sales, million therms	56.7	55.6	1.1
Heating degree days	5,041	5,049	(8)

Fiscal Year 2021 as Compared with 2020

The decrease in earnings of $0.9 million was primarily driven by:

- $0.6 million lower margin mostly due to the effect of decreased demand revenues; and
- $0.5 million increased labor and benefit costs.

CHILLED WATER

	2021	2020	Change
Operating revenues	$ 34.5	$ 33.0	$ 1.5
Cost of goods sold	11.6	10.6	1.0
Margin	22.9	22.4	0.5
Other operating expenses	16.2	15.1	1.1
Operating income (loss)	6.7	7.3	(0.6)
Other income (expense), net	-	-	-
Interest charges	0.7	0.8	(0.1)
Segment income (loss)	$ 6.0	$ 6.5	$ (0.5)
Volume sales, million ton hours	122.0	113.9	8.1
Cooling degree days	1,305	1,235	70

Fiscal Year 2021 as Compared with 2020

The decrease in earnings of $0.5 million was largely due to:

- $1.1 million of increased operating expenses across a variety of categories, none of which were individually significant; **offset by**
- $0.5 million increased margin from higher volume primarily attributed to an easing of pandemic-related business restrictions.

WATER

	2021	2020	Change
Operating revenues	$ 205.5	$ 207.6	$ (2.1)
Other operating expenses	121.9	121.4	0.5
Operating income (loss)	83.6	86.2	(2.6)
Other income (expense), net	1.7	1.9	(0.2)
Interest charges	34.7	36.1	(1.4)
Segment income (loss)	$ 50.6	$ 52.0	$ (1.4)
Volume sales, billion gallons	37.9	38.8	(0.9)
Precipitation, inches	47.2	44.4	2.8

Fiscal Year 2021 as Compared with 2020

The decrease in earnings of $1.4 million was primarily the result of:

- $2.1 million decreased revenue mostly due to lower consumption in the residential class; and
- $3.3 million increased operating expenses, predominantly shared services expense allocations, depreciation, property taxes and labor; **offset by**
- $1.4 million gain on the sale of land;
- $1.4 million decreased bad debt expense; and
- $1.4 million lower interest charges, largely driven by a lower amount of debt outstanding.

WASTEWATER

	2021	2020	Change
Operating revenues	$ 314.0	$ 297.0	$ 17.0
Other operating expenses	167.5	165.6	1.9
Operating income (loss)	146.5	131.4	15.1
Other income (expense), net	(0.2)	1.6	(1.8)
Interest charges	57.4	67.3	(9.9)
Segment income (loss)	$ 88.9	$ 65.7	$ 23.2
Treatment volume sales, billion gallons	31.8	32.7	(0.9)
Strength surcharge, million pounds	58.1	47.9	10.2

Fiscal Year 2021 as Compared with 2020

The increase in earnings of $23.2 million was primarily due to the following:

- A $17.0 million increase in revenues, largely driven by the effect of a step 2 rate increase ($12.5 million) implemented on September 28, 2020; also contributing were increased revenues from multi-family and residential customer classes, and increased industrial strength surcharges; and
- $9.9 million reduced interest charges via a combination of higher capitalized interest and decreased interest on long-term debt driven by a lower amount of debt principal outstanding; **offset by**
- $1.9 million of increased operating expenses, principally depreciation and taxes; and
- $1.8 million decreased interest income due to lower overall investment yields.

RESOURCES

	2021	2020	Change
Operating revenues	$ 37.8	$ 35.5	$ 2.3
Cost of goods sold	1.8	1.4	0.4
Margin	36.0	34.1	1.9
Other operating expenses	22.4	21.8	0.6
Operating income (loss)	13.6	12.3	1.3
Other income (expense), net	0.1	0.2	(0.1)
Equity in earnings (loss) of affiliates	-	2.3	(2.3)
Interest charges	2.2	2.2	-
Segment income (loss)	$ 11.5	$ 12.6	$ (1.1)

Fiscal Year 2021 as Compared with 2020

The decrease in earnings of $1.1 million was primarily the result of the following:

- $2.3 million decrease related to a gain on the sale of ProLiance assets in the prior year; **offset by**
- $1.9 million increased margin, largely attributable to the Westfield utilities.

OTHER

	2021	2020	Change
Operating revenues	$ -	$ -	$ -
Operating expenses	0.1	0.1	-
Operating income (loss)	(0.1)	(0.1)	-
Other income (expense), net	(2.1)	(2.2)	0.1
Interest charges	0.1	0.2	(0.1)
Income (loss) from discontinued operations	(0.4)	(0.8)	0.4
Segment income (loss)	$ (2.7)	$ (3.3)	$ 0.6

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

Fiscal Year 2021 as Compared with 2020

The increase in earnings of $0.6 million is primarily due to decreased retiree benefit costs and accretion expense for discontinued operations.

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. Management will continue to assess liquidity needs and monitor capital markets and other financing sources based on business conditions, including the continuously evolving impacts of the COVID-19 pandemic on the economy, the financial markets, and Citizens' and CWA's operations. Though not currently anticipated, no assurances can be provided that Citizens and CWA will be able to access financing in the future on acceptable terms.

Capital Spending

For the twelve months ended September 30, 2021, capital expenditures, on an accrual basis, decreased by $12.5 million to $323.5 million from $336.0 million during the same period last year. This decrease is summarized in the table below (in millions). Certain accrued expenditures, including all capitalized interest, have been included in Other for segment presentation of Capital Expenditures, while the capitalized interest amounts on the segmented statements of financial position are reflected as Property, Plant, and Equipment in their respective segments.

Year To Date	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
2021	**$ 32.3**	**$ 4.3**	**$ 3.2**	**$ 55.9**	**$ 184.2**	**$ 13.3**	**$ 30.3**	**$ 323.5**
2020	32.8	2.5	4.2	69.0	178.2	13.9	35.4	336.0
	$ (0.5)	$ 1.8	$ (1.0)	$ (13.1)	$ 6.0	$ (0.6)	$ (5.1)	$ (12.5)

Citizens' and CWA's projected capital spending requirement of $347.7 million for 2022 is summarized as follows (in millions):

	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
2022 Projection	**$ 30.0**	**$ 4.6**	**$ 3.9**	**$ 63.2**	**$ 199.1**	**$ 20.0**	**$ 26.9**	**$ 347.7**

Gas continues to invest in mains and services to maintain its commitment to modernization of its underground gas distribution system. Gas had cash and cash equivalents of $73.7 million at September 30, 2021. Gas expects to meet its capital spending requirements in 2022 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, 2021, cash and cash equivalents of Steam and Chilled Water amounted to $0.7 million and $24.0 million, respectively. Steam expects to meet its capital spending requirements in 2022 through cash flows from operations and temporary seasonal borrowings while Chilled Water expects to meet its 2022 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 $48.5 million at September 30, 2021, including $9.9 million in the construction fund. Water expects to meet its capital spending requirements in 2022 through amounts from the construction fund and 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 $168.3 million including $103.6 million in the construction fund at September 30, 2021. Wastewater expects to meet its capital spending requirements in 2022 through a combination of cash flows from operations and amounts from the construction fund. 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 2022 includes activities at Citizens South Madison, Westfield Gas, Westfield Water, and Westfield Wastewater. Resources expects to meet its capital spending requirements in 2022 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, 2021	At September 30, 2020
ASSETS		
Property, plant, and equipment, net	$ 4,332,120	$ 4,086,342
Intangible assets, net	50,489	54,192
Investments		
Bond restricted funds	234,183	302,395
Other	28,845	26,185
Total investments	263,028	328,580
Current assets		
Cash and cash equivalents	364,547	274,921
Accounts receivable, less allowance for doubtful accounts of $6,639 and $5,602, respectively	79,602	85,120
Accrued utility revenue	26,823	24,234
Natural gas in storage	36,550	30,459
Materials and supplies	12,761	12,108
Other current assets	6,202	4,070
Current assets directly related to discontinued operations	548	1,076
Total current assets	527,033	431,988
Deferred charges and other non-current assets	28,743	32,394
TOTAL ASSETS	**$ 5,201,413**	**$ 4,933,496**
CAPITALIZATION AND LIABILITIES		
Capitalization and non-current liabilities		
Retained earnings	$ 1,012,938	$ 810,393
Accumulated other comprehensive loss	(92,679)	(171,848)
Long-term debt (excluding current maturities)	3,324,280	3,339,747
Retirement benefits	122,237	204,254
Contributions in aid of construction	367,716	312,029
Other long-term liabilities	59,490	35,464
Non-current liabilities directly related to discontinued operations	17,919	23,339
Total capitalization and non-current liabilities	4,811,901	4,553,378
Current liabilities		
Current maturities of long-term debt	89,170	100,028
Short-term borrowings	3,500	1,000
Accounts payable and accrued expenses	181,006	182,414
Accrued taxes	70,360	69,301
Customer deposits	9,414	17,560
Other current liabilities	35,846	9,575
Current liabilities directly related to discontinued operations	216	240
Total current liabilities	389,512	380,118
Commitments and contingencies (see note 13)		
TOTAL CAPITALIZATION AND LIABILITIES	**$ 5,201,413**	**$ 4,933,496**

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, 2021	Fiscal Year Ended September 30, 2020
Operating revenues	$ 877,520	$ 850,650
Operating expenses		
Cost of goods sold	123,841	116,164
Operations and maintenance	264,438	254,555
Depreciation and amortization	121,481	118,577
Gain on sale of assets	(1,390)	-
Taxes	60,919	59,879
Total operating expenses	569,289	549,175
Operating income	308,231	301,475
Other income (expense), net		
Interest income	1,256	4,044
Non-operating post-employment benefits, net	(1,154)	(1,925)
Other	(1,836)	(2,215)
Total other income (expense), net	(1,734)	(96)
Income before equity in earnings of affiliates and interest charges	306,497	301,379
Equity in earnings of affiliates	-	2,333
Interest charges		
Interest on long-term debt	145,710	150,131
Other interest, including net premium amortization	(42,570)	(32,099)
Total interest charges	103,140	118,032
Income from continuing operations	203,357	185,680
Loss from discontinued operations	(402)	(722)
Net income	**$ 202,955**	**$ 184,958**
Retirement benefit liability changes:		
Net gain (loss) arising during period	67,452	(36,302)
Amortization of prior service credit	(2,138)	(2,995)
Amortization of loss	13,306	11,506
Total retirement benefit liability changes	78,620	(27,791)
Unrealized gain on available-for-sale investments	549	445
Total other comprehensive income (loss)	79,169	(27,346)
Total comprehensive income	**$ 282,124**	**$ 157,612**

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, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 202,955	$ 184,958
Depreciation and amortization	102,881	105,236
Gain on sale of assets	(1,390)	-
Equity in earnings of affiliates, net of distributions	-	(2,333)
Allowance for doubtful accounts	5,881	6,451
Changes in operating assets and liabilities:		
Accounts receivable and accrued utility revenue	(2,953)	(16,585)
Natural gas in storage	(6,091)	(1,114)
Accounts payable and accrued expenses	(5,354)	5,860
Retirement benefits	(3,397)	(5,672)
Other operating activities	36,710	(6,770)
Change in net liabilities of discontinued operations	(4,917)	(1,059)
Net cash provided by operating activities	324,325	268,972
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction expenditures	(319,026)	(348,218)
Proceeds from asset sale, net of expenses	1,562	-
Other investing activities	(2,128)	25,961
Net cash used in investing activities	(319,592)	(322,257)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings and bank line of credit	7,500	1,000
Repayment of short-term borrowings and bank line of credit	(2,000)	(80,000)
Principal payments of long-term debt and bond refunding	(1,023,132)	(149,017)
Proceeds from issuance of long-term debt and bond refunding	1,019,934	361,373
Bond issuance costs	(3,117)	(1,446)
Contributions in aid of construction	17,307	12,217
Other financing activities	176	57
Net cash provided by financing activities	16,668	144,184
Net change in cash, cash equivalents, and restricted cash	21,401	90,899
Cash, cash equivalents, and restricted cash at beginning of period	568,738	477,839
Cash, cash equivalents, and restricted cash at end of period	$ 590,139	$ 568,738
Supplemental Cash Flows Information - Interest paid net of amounts capitalized	$ 121,039	$ 131,641
Non-cash Investing Activities		
Construction work-in-progress accrued at end of period	$ 54,835	$ 49,501

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:

	2021	2020
Cash and cash equivalents	$ 364,547	$ 274,921
Restricted cash included in Bond restricted funds	221,171	289,383
Restricted cash included in Investments, Other	4,421	4,434
Cash, cash equivalents, and restricted cash at end of period	$ 590,139	$ 568,738

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, 2019	**$ 625,845**	**$ (144,502)**	**$ 481,343**
Comprehensive income			
Net income	184,958	-	184,958
Unrealized gain 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**
Comprehensive income			
Net income	202,955	-	202,955
Unrealized gain on available-for-sale investments	-	549	549
Retirement benefit liability changes	-	78,620	78,620
Total comprehensive income	202,955	79,169	282,124
Customer benefit distributions	(410)	-	(410)
Balance at September 30, 2021	**$ 1,012,938**	**$ (92,679)**	**$ 920,259**

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 of fiscal 2020 and were not material to the results for the full fiscal year 2021.

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, 2020.

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, its impact on the supply chain, 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):

	2021	2020	Useful Lives
Distribution	**$ 2,319,618**	$ 2,249,907	15 - 125 years
Collection	**2,089,789**	1,992,513	30 - 60 years
Treatment	**1,767,369**	1,746,202	36 - 65 years
Pumping	**379,650**	350,200	40 - 55 years
Source of supply	**253,422**	233,283	30 - 75 years
General plant	**177,128**	174,521	5 - 50 years
Production	**131,612**	126,283	35 - 60 years
Transmission	**100,336**	98,806	25 - 60 years
Gas Storage	**37,190**	34,472	25 - 60 years
Utility plant in service	**7,256,114**	7,006,187	
Construction work-in-progress	**758,414**	654,119	
Total property, plant, and equipment at cost	**8,014,528**	7,660,306	
Accumulated depreciation	**(3,685,766)**	(3,577,571)	
Leased right-of-use assets (see Note 10)	**3,358**	3,607	
Total property, plant, and equipment, net	**$ 4,332,120**	$ 4,086,342	

Depreciation expense was $117.2 million and $114.3 million for the twelve months ended September 30, 2021 and 2020, 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 $23.4 million and $18.9 million for the twelve months ended September 30, 2021 and 2020, 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 $32.7 million and $53.6 million at September 30, 2021 and 2020, 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 Combined Statements of Cash Flows for a reconciliation of cash, cash equivalents and restricted cash.

D. 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.

E. 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 2F) and maintained at the weighted-average cost of gas. There were no net realizable value adjustments in 2021 and 2020.

F. 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, including unrealized gains and losses and settled amounts associated with Hedging Transaction 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.

G. Intangible Assets

Intangible assets at September 30, 2021 and September 30, 2020 consist of $50.5 million and $54.2 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, 2021 and 2020, respectively. Accumulated amortization for all intangible customer contracts was $54.0 million and $50.3 million at September 30, 2021 and 2020, respectively. Amortization expense of such assets was $3.7 million in each of the years ended September 30, 2021 and 2020. Estimated aggregate amortization expenses for each of the five succeeding fiscal years are as follows (in thousands):

2022	$	3,703
2023		3,703
2024		3,703
2025		3,703
2026		3,703

H. 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 2020 or 2021.

I. 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 non-interest-bearing note receivable from LNG Indy was issued pursuant to the divestiture of LNG Indy and was repaid in full during fiscal 2021, resulting in no outstanding note receivable balances at September 30, 2021. The following table presents 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 (in thousands):

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

J. Investment in Unconsolidated Affiliate

Unconsolidated affiliates at September 30, 2021 and September 30, 2020 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, 2021 and September 30, 2020.

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 and 2021.

K. 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, 2021 for Water, Wastewater, and Resources are $178.9 million, $102.0 million, and $86.8 million, respectively, versus the values at September 30, 2020 for Water, Wastewater, and Resources of $151.1 million, $91.7 million, and $69.2 million, respectively.

L. 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.

M. Derivatives and Hedging

In fiscal years 2021 and 2020, Citizens entered into certain derivative and economic hedging transactions with the objective of decreasing the volatility associated with fluctuating natural gas prices. Through a combination of fixed-price purchases, call options, contracted interstate pipeline storage, and on-system company-operated storage, Citizens mitigates the risk of price volatility on approximately 80 percent of its anticipated system supply demand. Citizens’ Annual Hedging Plan sets guidelines to support prudent risk management strategies within designated parameters. These instruments, in conjunction with physical gas supply contracts, are designated to cover estimated gas customer requirements. Such energy contracts, to the extent they are not considered "normal" as defined by Financial Accounting Standards Board (FASB) guidance, are recognized at fair value as derivative assets or liabilities on the Combined Statements of Financial Position. Gains/losses and fees associated with these derivatives, when realized, are recoverable through the Gas and Fuel Cost Adjustment trackers. Accordingly, the offset to the change in fair value of these derivatives is recorded as a regulatory asset or liability. The impact of commodity contracts was not material to the combined financial statements in any of the periods presented.

N. Fair Value Measurements

Financial Accounting Standards Board (FASB) guidance requires additional disclosures about Citizens’ and CWA’s financial assets and liabilities which are measured at fair value. Assets and liabilities recorded at fair value in the 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, 2021 and September 30, 2020 (in thousands). There were no financial liabilities at September 30, 2021 and September 30, 2020.

	September 30, 2021 Fair Value Measurements Using		
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			
Cash equivalents	**$ 32,675**	**$ -**	**$ -**
Bond restricted funds	**221,171**	**-**	**-**
Grantor Trust investments	**17,411**	**-**	**-**
Derivative assets	**17,728**	**-**	**-**
Total financial assets measured at fair value	**$ 288,985**	**$ -**	**$ -**

	September 30, 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)
Financial Assets:			
Cash equivalents	$ 53,633	$ -	$ -
Bond restricted funds	289,383	-	-
Grantor Trust investments	16,503	-	-
Derivative assets	822	-	-
Total financial assets measured at fair value	$ 360,341	$ -	$ -

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 $234.2 and $302.4 million at September 30, 2021 and September 30, 2020, 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, 2021 and September 30, 2020.

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):

	2021	2020
CWA First Lien State Revolving Fund Bonds, Series 2019 B	$ -	$ 14,384
CWA First Lien State Revolving Fund Bonds, Series 2020 B	-	-

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 2021 and 2020 were $352.5 million and $435.7 million, respectively.

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

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

Management has estimated the fair value of the outstanding debt securities based on the coupons of the outstanding bonds and the current market yields. These are Level 2 fair value measurements. Management established the corresponding price to the call date as well as the price to maturity. The fair value was determined based on the lower of these two prices. Using this method, the estimated fair value of debt is $3.5 billion at September 30, 2021 and September 30, 2020, versus the carrying value of $3.4 billion at September 30, 2021 and September 30, 2020. In the case of Resources debt, the carrying value approximates fair value.

Customers' advances for construction have a carrying value at September 30, 2021 for Water, Wastewater, and Resources of $14.3 million, $6.0 million, and $12.2 million, respectively, versus the carrying values at September 30, 2020 for Water, Wastewater, and Resources of $12.1 million, $4.9 million, and $9.5 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 2031 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.

O. 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, 2021 (in thousands):

	Pension Plan	Other Postemployment Benefits	Other	Total
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)
Other comprehensive (loss) income before reclassifications	64,451	2,829	549	67,829
Amounts reclassified from accumulated other comprehensive income (loss)	13,203	(1,863)	-	11,340
Net current-period other comprehensive (loss) income	77,654	966	549	79,169
Accumulated other comprehensive (loss) income at September 30, 2021	$ (98,073)	$ 4,500	$ 894	$ (92,679)

3. LONG-TERM DEBT

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

(In Thousands)

	September 30, 2021			September 30, 2020		
	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

	September 30, 2021 (In Thousands)			September 30, 2020		
	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 Utility Distribution System Series 2013A, Second Lien Revenue Refunding Bonds, 4.125% to 5.250%, due 2027 to 2030	**54,465**	-	**944**	54,465	-	1,046
Gas Utility Distribution System Series 2017A, Second Lien Revenue Refunding Bonds 5.00%, due 2025 to 2027	**49,825**	-	**5,089**	49,825	-	6,056
Gas Utility Distribution System Series 2020A Second Lien Revenue Refunding Bonds 5.00%, due 2022 to 2024	**33,125**	**15,405**	**4,004**	48,530	3,890	6,223
Subtotal Gas	**137,415**	**15,405**	**10,037**	152,820	15,440	13,402
Thermal						
Thermal Energy System Series 2010A, First Lien Revenue Refunding Bonds, 4.00%, due 2020	-	-	-	-	530	-
Thermal Energy System Series 2010B, First Lien Revenue Refunding Bonds, 5.00%, due 2021	-	**5,500**	**-**	5,500	8,810	114
Thermal Energy System Series 2013A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2021 to 2033	**6,010**	**370**	**26**	6,380	355	36
Thermal Energy System Series 2014A, First Lien Revenue Refunding Bonds, 4.00% to 5.00%, due 2021 to 2034	**26,695**	**1,435**	**1,974**	28,130	1,365	2,233
Thermal Energy System Series 2016A, First Lien Revenue Refunding Bonds, 5.00%, due 2021 to 2029	**46,335**	**4,075**	**3,518**	50,410	-	4,859
Subtotal Thermal	**79,040**	**11,380**	**5,518**	90,420	11,060	7,242
Water						
Water Utility Series 2011C (ILPIBB 2006A) *, First Lien Net Revenue Bonds, 5.50%, due 2022	**-**	**7,795**	**(5)**	7,795	16,585	(15)
Water Utility Series 2011D (ILPIBB 2007B) *, First Lien Net Revenue Bonds, 5.25%, due 2022 to 2025	**57,195**	**13,215**	**(49)**	70,410	-	(43)
Water Utility Series 2011G (ILPIBB 2011E) *, First Lien Net Revenue Bonds, 4.50% to 5.125%, due 2021 to 2041 *Refunded in 2021 with Series 2021A*	**-**	**-**	**-**	47,550	1,380	(30)
Water Utility Series 2014A, First Lien Net Revenue Bonds, 4.00% to 5.00%, due 2021 to 2044	**23,565**	**580**	**1,339**	24,145	555	1,391
Water Utility Series 2014B, Second Lien Revenue Refunding Bonds, 2.95%, due 2022 *Cash defeased in 2021*	**-**	-	**-**	43,595	-	(84)
Water Utility Series 2016A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2021 to 2046	**63,110**	**1,270**	**10,651**	64,380	1,225	11,205

(In Thousands)

	September 30, 2021			September 30, 2020		
	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)
Water Utility Series 2016B, First Lien Refunding Revenue Bonds, 4.00% to 5.00%, due 2021 to 2038	**200,690**	**4,265**	**27,076**	204,955	6,090	29,489
Water Utility Series 2018A, First Lien Refunding Revenue Bonds, 3.50% to 5.00%, due 2021 to 2038	**354,475**	**2,285**	**41,483**	356,760	2,410	44,683
Water Utility Series 2021A First Lien Revenue Bonds 3.00% to 5.00%, due 2021 to 2051	**78,640**	**200**	**16,831**	-	-	-
Subtotal Water	**777,675**	**29,610**	**97,326**	819,590	28,245	86,596
Wastewater						
CWA Wastewater Utility Series 2011A, First Lien Revenue Bonds, 5.00% to 5.25%, due 2021 to 2041 *Refunded in 2021 with Series 2021-1*	**-**	**-**	**-**	571,735	14,865	24,169
CWA Wastewater Utility Series 2011B, Second Lien Revenue Bonds, 5.00% to 5.25%, due 2021 to 2041 *Refunded in 2021 with Series 2021-2*	**-**	**-**	**-**	231,185	6,060	3,649
CWA Wastewater Utility Series 2012A, First Lien Revenue Bonds, 2.75% to 5.00%, due 2021 to 2042	**161,820**	**4,440**	**11,763**	166,260	4,225	12,681
CWA Wastewater Utility Series 2014A, First Lien Revenue Bonds, 4.25% to 5.00%, due 2021 to 2044	**207,780**	**4,785**	**15,898**	212,565	4,555	16,887
CWA Wastewater Utility Series 2015A, First Lien Revenue Bonds, 3.25% to 5.00%, due 2021 to 2045	**142,175**	**3,105**	**17,815**	145,280	2,960	18,793
CWA Wastewater Utility Series 2016A, First Lien Revenue Bonds 4.00% to 5.00%, due 2021 to 2046	**177,540**	**3,385**	**31,937**	180,925	3,255	33,565
CWA Wastewater Utility Series 2016B, Second Lien Revenue Refunding Bonds, 3.00% to 5.00%, due 2021 to 2046	**39,325**	**900**	**1,682**	40,225	875	1,873
CWA Wastewater Series 2016C, First Lien Revenue Bonds (SRF), 2.00%, due 2022 to 2036	**9,345**	**575**	**(61)**	9,920	565	(69)
CWA Wastewater Series 2017A, First Lien Revenue Bonds (SRF), 3.53%, due 2022 to 2047	**146,453**	**3,613**	**(65)**	150,066	3,490	(69)
CWA Wastewater Series 2019A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2021 to 2049	**40,255**	**665**	**7,818**	40,920	630	8,176
CWA Wastewater Series 2019B, First Lien Revenue Bonds (SRF), 2.99%, due 2022 to 2050	**172,934**	**3,917**	**(69)**	176,851	3,803	(73)
CWA Wastewater Series 2020A First Lien Revenue Bonds 3.00% to 5.00% due 2021 to 2050	**56,175**	**910**	**12,450**	57,085	-	13,240

(In Thousands)

	September 30, 2021			September 30, 2020		
	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)
CWA Wastewater Series 2020B First Lien Revenue Bonds (SRF) 2.56%, due 2022 to 2051	**68,885**	**1,590**	**(66)**	-	-	-
CWA Wastewater Series 2021-1 First Lien Revenue Refunding Bonds 3.00% to 5.00%, due 2021 to 2041	**454,910**	**3,375**	**106,512**	-	-	-
CWA Wastewater Series 2021-2 Second Lien Revenue Refunding Bonds 3.00% to 5.00%, due 2021 to 2041	**181,440**	**1,515**	**45,491**	-	-	-
CWA Wastewater Series 2021A First Lien Revenue Bonds 3.00% to 5.00%, due 2022 to 2051	**44,510**	-	**8,775**	-	-	-
Subtotal Wastewater	**1,903,547**	**32,775**	**259,880**	1,983,017	45,283	132,822
Resources						
Citizens Westfield Utilities Series 2018A, Refunding Revenue Bonds, 80% of 3-month LIBOR plus 1.90%, due 2023	**9,000**	-	**(87)**	9,000	-	(130)
Citizens Westfield Water Series 2019A, Revenue Bonds, 4.00%, due 2048	**20,000**	-	**(73)**	20,000	-	(76)
Citizens Westfield Wastewater Series 2019A, Revenue Bonds, 5.00%, due 2048	**22,660**	-	**2,342**	22,660	-	2,384
Subtotal Resources	**51,660**	-	**2,182**	51,660	-	2,178
Total	**$ 2,949,337**	**$ 89,170**	**$374,943**	$ 3,097,507	$ 100,028	$ 242,240

* 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):

2022	$ 89,170
2023	108,726
2024	123,016
2025	105,220
2026	116,103
Thereafter	2,496,272
Total principal maturities	$ 3,038,507

Recent Debt Transaction Activity

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 13).

On March 30, 2021, Citizens Water issued $78.8 million of First Lien Water Utility Revenue Bonds, Series 2021A. The bonds were issued at a premium of $18.0 million and have principal maturities from 2021 through 2051 with coupons ranging from 3.00% to 5.00%. The bonds were issued to fund capital improvements and refund the Series 2011G (ILPIBB 2011E) bonds.

On April 30, 2021, the Water Utility Series 2014B bonds were cash defeased.

On July 6, 2021, CWA issued $458.3 million of First Lien Refunding Revenue Bonds, Series 2021-1. The Series 2021-1 bonds were issued at a premium of $110.4 million and have principal maturities between 2021 and 2041 with coupons ranging from 3.00% to 5.00%. The bonds were issued to refund the Series 2011A First Lien Revenue Bonds.

On July 6, 2021, CWA issued $182.9 million of Second Lien Refunding Revenue Bonds, Series 2021-2. The Series 2021-2 bonds were issued at a premium of $47.3 million and have principal maturities between 2021 and 2041 with coupons ranging from 3.00% to 5.00%. The bonds were issued to refund the Series 2011B Second Lien Revenue Bonds.

On September 28, 2021, CWA issued $44.5 First Lien Revenue Bonds, Series 2021A. The Series 2021A bonds were issued at a premium of $9 million and have principal maturities between 2022 and 2051 with coupons ranging from 3.00% to 5.00%. The bonds were issued to fund capital improvements.

On October 5, 2021, CWA issued $52.5 million of State Revolving Fund Bonds, Series 2021B. The bonds were issued at par and have principal maturities between 2023 and 2052 with 2.38% coupons. The bonds were issued to fund specified consent decree capital projects for the Wastewater system (see Note 13).

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 2021:

	Minimum Coverage Requirement	2021 Actual
GUDS Revenue Refunding Bonds Series 2008C, Series 2013A, Series 2017A, and Series 2020A Second Lien Revenue Refunding Bonds	1.0	3.29
Thermal Energy System Revenue Bonds Series 2010B, Series 2013A, Series 2014A, and Series 2016A	1.0	1.35
Water Utility Net Revenue Bonds Series 2011C, Series 2011D, Series 2011G, Series 2014A, Series 2016A, Series 2016B, Series 2018A, and Series 2021A	1.2	1.77
Water Utility Net Revenue Second Lien Bonds Series 2014B	1.1	1.75
CWA Wastewater Utility Revenue Bonds Series 2011A, Series 2012A, Series 2014A, Series 2015A, Series 2016A, Series 2016C, Series 2017A, Series 2019A, Series 2019B, Series 2020A, Series 2020B, Series 2021-1, and Series 2021A	1.2	2.01
CWA Wastewater Utility Revenue Second Lien Bonds Series 2011B, Series 2016B, and 2021-2	1.1	1.73
Citizens Westfield Water Revenue Bonds Series 2019A	1.2	7.10
Citizens Westfield Wastewater Revenue Bonds Series 2019A	1.2	7.79

As of September 30, 2021, 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	2021 Actual
CWA Wastewater Utility First Lien Debt, Second Lien Debt, Other Payments	1.0	1.43

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, 2021	September 30, 2020
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%	*	-
Gas	25.0 million	September 29, 2024	LIBOR + 0.52%	0.250%	-	**
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%	*	-
Water	25.0 million	November 18, 2022	82% of LIBOR + 1.31%	0.200%	-	**
Water	15.0 million	April 30, 2023	LIBOR + 1.50%	0.200%	-	**
Water	25.0 million	November 2, 2023	83% of LIBOR + 0.95%	0.250%	-	**
Wastewater	100.0 million	October 14, 2020	87.8% of LIBOR + 0.84%	0.220%	*	-
Wastewater	45.0 million	July 15, 2022	80% of LIBOR + 0.75%	0.275%	-	-
Wastewater	50.0 million	October 14, 2022	80% of LIBOR + 0.68%	0.220%	-	**

* Line of credit matured prior to September 30, 2021
** Line of credit initiated after September 30, 2020

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.

On April 30, 2021, Water closed on a $15.0 million working capital line of credit with a maturity date of April 30, 2023. The line of credit is at an interest rate of one-month LIBOR plus 1.50 percent and a commitment fee of 0.20 percent.

On September 29, 2021, Gas closed on a $25.0 million line of credit with a maturity date of September 29, 2024. The line of credit is at an interest rate of LIBOR plus 0.52 percent and a commitment fee of 0.25 percent.

Resources

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

Entity	Credit Capacity	Maturity Date	Interest Rate	Commitment Fee	Amount Outstanding at (in millions) September 30, 2021	September 30, 2020
Westfield Gas	$4.0 million	March 30, 2021	LIBOR + 1.65%	0.150%	$ *	$ 1.0
Westfield Gas	4.0 million	March 30, 2024	LIBOR + 1.65%	0.250%	4.0	**
Westfield Gas	1.0 million	August 18, 2022	LIBOR + 1.65%	-	1.0	**
Westfield Water	5.0 million	March 14, 2022	LIBOR + 0.90%	0.100%	2.5	1.0
Westfield Wastewater	5.0 million	March 14, 2022	LIBOR + 0.90%	0.100%	-	-

* Line of credit matured prior to September 30, 2021
** Line of credit or loan initiated after September 30, 2020

On March 30, 2021, Westfield Gas closed on a $4.0 million line of credit with a maturity date of March 30, 2024. The line of credit is at an interest rate of LIBOR plus 1.65 percent and a commitment fee of 0.25 percent.

On August 19, 2021, Westfield Gas closed on a $1.0 million term loan with a maturity date of August 18, 2022. The loan is at an interest rate of LIBOR plus 1.65 percent.

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 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, 2021

	Gas	Steam	Chilled Water	Water	Waste-Water	Resources	Intercompany Eliminations	Total
Residential	$ 159,521	$ -	$ -	$ 118,957	$ 156,723	$ 22,897	$ -	$ 458,098
Commercial	57,901	38,144	34,163	68,778	101,799	6,480	(10,588)	296,677
Industrial	12,162	27,441	375	10,019	42,104	646	(1,247)	91,500
Other	1,925	472	-	7,731	13,352	7,694	-	31,174
Revenues - Contracts w/Customers	231,509	66,057	34,538	205,485	313,978	37,717	(11,835)	877,449
Alternative Revenue Programs	-	-	-	-	-	71	-	71
Gross Operating Revenues	$ 231,509	$ 66,057	$ 34,538	$ 205,485	$ 313,978	$ 37,788	$ (11,835)	$ 877,520

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	10,906	7,297	-	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

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 represents unbilled customer revenues. Unbilled revenues relate to a portion of a customer's consumption of utility services from the date of the last cycle billing date through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage and customer rates. The Company had no contract assets or liabilities during the periods presented. Additionally, the Company has not incurred any significant costs to obtain or fulfill contracts. The opening and closing balances for customer accounts receivable and accrued utility revenue for the twelve months ended September 30, 2021 and 2020 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 2020 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, 2021, the Company's allowance for doubtful accounts is $6.6 million compared with $5.6 million at September 30, 2020. 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, 2021	$ 11,676	$ 5,094	$ 6,120	$ 24,914	$ 28,522	$ 3,276	$ 79,602
Balance at September 30, 2020	12,232	6,437	7,520	24,330	30,686	3,915	85,120
Increase (Decrease)	$ (556)	$ (1,343)	$ (1,400)	$ 584	$ (2,164)	$ (639)	$ (5,518)
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

Accrued Utility Revenue

$ Thousands	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Total
Balance at September 30, 2021	$ 3,510	$ -	$ -	$ 9,061	$ 13,690	$ 562	$ 26,823
Balance at September 30, 2020	2,071	-	-	9,662	11,783	718	24,234
Increase (Decrease)	$ 1,439	$ -	$ -	$ (601)	$ 1,907	$ (156)	$ 2,589
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

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):

	2021	2020
Accounts payable	**$ 89,945**	$ 70,268
Accrued interest	**52,918**	66,850
Customer credit balances	**18,007**	18,663
Salaries and employee benefits	**15,914**	22,158
Post-employment benefits	**4,125**	4,309
Other	**97**	166
Total accounts payable and accrued expenses	**$ 181,006**	$ 182,414

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 $2.3 million and $2.2 million for each of the years ended September 30, 2021 and 2020, 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 $17.4 million and $16.5 million at September 30, 2021 and 2020, 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, 2021 and 2020 (in thousands):

	Defined Benefit Plan		Other Benefits	
	2021	2020	**2021**	2020
Projected Benefit Obligation (PBO)	**$ 511,178**	$ 521,835	**$ 67,402**	$ 72,814
Plan assets at fair value	**449,565**	378,639	**-**	-
Funded status	**$ (61,613)**	$ (143,196)	**$ (67,402)**	$ (72,814)
Amounts recognized in the Consolidated Statements of Financial Position consist of:				
Current liability	**$ -**	$ -	**$ (4,161)**	$ (4,344)
Non-current liability	**(61,613)**	(143,196)	**(63,241)**	(68,470)
Net amounts recognized	**$ (61,613)**	$ (143,196)	**$ (67,402)**	$ (72,814)
Amounts in Accumulated Other Comprehensive Income (AOCI), not in costs:				
Prior service cost	**$ 419**	$ 513	**$ (13,569)**	$ (15,825)
Net loss	**97,654**	175,221	**9,069**	12,284
Total amounts in AOCI	**$ 98,073**	$ 175,734	**$ (4,500)**	$ (3,541)
Accumulated Benefit Obligation (ABO)	**$ 460,226**	$ 475,677		

An increase in the discount rate was the primary driver for the decrease in the projected benefit obligation in 2021.

In accordance with the Pri-2012 Total Dataset Mortality Table using MP-2020, Citizens applied the new mortality assumptions which were used in the determination of the projected benefit obligation as of September 30, 2021. The net periodic benefit cost for these plans included the following components (in thousands):

	Defined Benefit Plan		Other Benefits	
	2021	2020	**2021**	2020
Service cost-benefits attributed to service during the period	**$ 17,013**	$ 14,799	**$ 1,416**	$ 1,150
Interest cost	**9,494**	12,315	**1,057**	1,770
Expected return on assets	**(22,257)**	(21,236)	**-**	-
Amortization of prior service cost	**94**	129	**(2,257)**	(3,124)
Amortization of loss	**12,937**	11,244	**393**	260
Settlement loss recognized	**207**	-	**-**	-
Net periodic benefit cost	**$ 17,488**	$ 17,251	**$ 609**	$ 56

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 as of September 30 and net periodic benefit costs for the years ended September 30 are as follows:

	Citizens Defined Benefit Plan		Water Defined Benefit Plan		Citizens Post-Retirement Benefit		Other Benefit Plans	
	2021	2020	**2021**	2020	2021	2020	2021	2020
Projected benefit obligation								
Discount rate	**2.73%**	2.45%	**2.13%**	1.77%	**2.47%**	2.11%	**2.37 - 2.53%**	2.06 - 2.37%
Rate of compensation increase	**4.32%**	3.77%	**-**	-	**-**	-	**3.75%**	3.18%
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	**5.00%**	4.45%	**n/a**	n/a
Year rate reaches ultimate trend rate	**n/a**	n/a	**n/a**	n/a	**2028**	2029	**n/a**	n/a
Net periodic benefit costs								
Discount rate	**2.45%**	3.01%	**1.77%**	2.61%	**2.11%**	2.80%	**2.06 - 2.37%**	2.55 - 2.77%
Expected return on plan assets	**5.88%**	6.20%	**5.88%**	6.20%	**n/a**	n/a	**n/a**	n/a
Rate of compensation increase	**3.77%**	3.63%	**n/a**	n/a	**n/a**	n/a	**3.18%**	2.83%
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

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 2021 and 2020.

The following table presents the pension assets measured at fair value on a recurring basis, based on the hierarchy as of September 30, 2021 and 2020 (in thousands):

	2021 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	**$ 9,929**	**$ -**	**$ -**
Equities	**276,355**	**-**	**-**
Fixed income	**163,281**	**-**	**-**
Total pension assets measured at fair value	**$ 449,565**	**$ -**	**$ -**

	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	$ -	$ -

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

Citizens' pension plan weighted-average asset allocation as of September 30, 2021 and 2020, by asset category is as follows:

	2021	2020
Equity securities	**62%**	60%
Debt securities	**36%**	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	
	2021	2020	**2021**	2020
Employer contributions (net of participant contributions)	**$ 21,410**	$ 19,253	**$ 5,063**	$ 4,345
Benefits paid	**16,539**	16,941	**5,063**	4,345

Citizens expects to contribute, at a minimum, $21.0 million to the pension plans for 2022. The following retirement benefit payments, which reflect future service, as appropriate, are expected to be paid (in thousands):

	Defined Benefit Plan	Other Benefits
2022	$ 19,932	$ 4,161
2023	19,718	4,180
2024	20,820	4,257
2025	21,389	4,253
2026	22,637	4,198
Years 2027 - 2031	123,142	20,418

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, 2021 and September 30, 2020 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, 2021

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Elimin-ations	Total
Assets									
Property, plant, and equipment	$ 362,248	$ 75,652	$ 66,163	$ 1,243,820	$ 2,306,925	$ 254,163	$ 23,149	$ -	**$ 4,332,120**
Intangibles	-	13,219	37,270	-	-	-	-	-	**50,489**
Investments	5,980	16,204	6,052	75,641	157,367	1,762	22	-	**263,028**
Cash and cash equivalents	73,703	733	24,024	48,499	168,303	31,596	17,689	-	**364,547**
Other current assets	56,367	10,316	12,934	37,946	48,050	6,523	1,806	(11,456)	**162,486**
Deferred charges and other non-current assets	2,731	1,290	94	17,041	3,751	555	3,281	-	**28,743**
Total assets	$ 501,029	$ 117,414	$ 146,537	$ 1,422,947	$ 2,684,396	$ 294,599	$ 45,947	$ (11,456)	**$ 5,201,413**
Capitalization and Liabilities									
Equity	$ 233,656	$ 27,756	$ 107,910	$ 227,563	$ 234,539	$ 125,514	$ (36,679)	$ -	**$ 920,259**
Long-term debt	147,452	59,422	25,136	875,001	2,163,427	53,842	-	-	**3,324,280**
Retirement benefit and Other long-term liabilities	25,822	9,957	1,781	232,199	129,219	103,002	65,382	-	**567,362**
Current mat. of long-term debt	15,405	6,213	5,167	29,610	32,775	-	-	-	**89,170**
Short-term borrowings	-	-	-	-	-	3,500	-	-	**3,500**
Current liabilities	78,694	14,066	6,543	58,574	124,436	8,741	17,244	(11,456)	**296,842**
Total capitalization and liabilities	$ 501,029	$ 117,414	$ 146,537	$ 1,422,947	$ 2,684,396	$ 294,599	$ 45,947	$ (11,456)	**$ 5,201,413**

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 Operations

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
(In Thousands)
For the Twelve Months Ended September 30, 2021

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Elimin-ations	Total
Operating revenues									
Customer revenues	$ 225,637	$ 62,743	$ 34,538	$ 204,559	$ 312,848	$ 37,195	$ -	$ -	**$ 877,520**
Intercompany revenues	5,872	3,314	-	926	1,130	593	-	(11,835)	**-**
Gross operating revenues	231,509	66,057	34,538	205,485	313,978	37,788	-	(11,835)	**877,520**
Operating expenses:									
Cost of goods sold	85,473	35,355	11,624	-	-	1,783	-	(10,394)	**123,841**
Operations and maintenance	64,249	19,616	8,381	79,758	79,033	14,693	112	(1,404)	**264,438**
Depreciation and amortization	18,987	5,360	5,383	27,239	59,267	5,245	-	-	**121,481**
Gain on sale of assets	-	-	-	(1,390)	-	-	-	-	**(1,390)**
Taxes	9,018	1,540	2,437	16,246	29,155	2,523	-	-	**60,919**
Total operating expenses	177,727	61,871	27,825	121,853	167,455	24,244	112	(11,798)	**569,289**
Operating income (loss)	53,782	4,186	6,713	83,632	146,523	13,544	(112)	(37)	**308,231**
Other income (expense), net:									
Interest income	55	2	45	1,001	138	2	53	(40)	**1,256**
Non-operating post-employment benefits, net	(820)	(168)	(54)	359	(390)	(81)	-	-	**(1,154)**
Other	(300)	-	-	341	83	226	(2,186)	-	**(1,836)**
Total other income (expense), net	(1,065)	(166)	(9)	1,701	(169)	147	(2,133)	(40)	**(1,734)**
Income (loss) before equity in earnings of affiliates and interest charges	52,717	4,020	6,704	85,333	146,354	13,691	(2,245)	(77)	**306,497**
Equity in earnings of affiliates	-	-	-	-	-	-	-	-	**-**
Interest charges:									
Interest on long-term debt	8,261	3,047	1,426	40,127	90,728	2,121	40	(40)	**145,710**
Other interest, including net (premium) discount amortization	(2,658)	(539)	(741)	(5,371)	(33,335)	74	-	-	**(42,570)**
Total interest charges	5,603	2,508	685	34,756	57,393	2,195	40	(40)	**103,140**
Income (loss) from continuing operations	47,114	1,512	6,019	50,577	88,961	11,496	(2,285)	(37)	**203,357**
Loss from discontinued operations	-	-	-	-	-	-	(439)	37	**(402)**
Net income (loss)	$ 47,114	$ 1,512	$ 6,019	$ 50,577	$ 88,961	$ 11,496	$ (2,724)	$ -	**$ 202,955**

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 Cash Flows

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
For the Twelve Months Ended September 30, 2021 (In Thousands)

	Gas	Steam	Chilled Water	Water	Waste-water	Resources	Other	Total
Net cash provided by (used in) operating activities	74,434	12,674	8,938	63,239	143,365	17,449	4,226	**$ 324,325**
Investing Activities:								
Construction expenditures	(32,138)	(4,083)	(3,526)	(55,274)	(203,174)	(11,989)	(8,842)	**(319,026)**
Proceeds from asset sale, net of expenses	-	-	-	1,562	-	-	-	**1,562**
Other investing activities	(1,069)	(4,440)	-	(307)	226	3,211	251	**(2,128)**
Net cash provided by (used in) investing activities	(33,207)	(8,523)	(3,526)	(54,019)	(202,948)	(8,778)	(8,591)	**(319,592)**
Financing Activities:								
Proceeds from short-term borrowings and bank line of credit	-	2,000	-	-	-	5,500	-	**7,500**
Repayment of short-term borrowings and bank line of credit	-	(2,000)	-	-	-	-	-	**(2,000)**
Principal payments of long-term debt and bond refunding	(15,397)	(6,074)	(4,986)	(121,268)	(875,407)	-	-	**(1,023,132)**
Proceeds from issuance of long-term debt and bond refunding	-	-	-	96,888	923,046	-	-	**1,019,934**
Bond issuance costs	-	-	-	(699)	(2,418)	-	-	**(3,117)**
Contributions in aid of construction	-	-	-	11,853	6,893	(1,439)	-	**17,307**
Other financing activities	(824)	-	-	-	-	(2,500)	3,500	**176**
Net cash provided by (used in) financing activities	(16,221)	(6,074)	(4,986)	(13,226)	52,114	1,561	3,500	**16,668**
Net change in cash, cash equivalents, and restricted cash	25,006	(1,923)	426	(4,006)	(7,469)	10,232	(865)	**21,401**
Cash, cash equivalents & restricted cash - beginning of period	52,777	14,428	29,650	99,364	331,632	22,333	18,554	**568,738**
Cash, cash equivalents & restricted cash - end of period	$ 77,783	$ 12,505	$ 30,076	$ 95,358	$ 324,163	$ 32,565	$ 17,689	**$ 590,139**
Reconciliation:								
Cash and cash equivalents	$ 73,703	$ 733	$ 24,024	$ 48,499	$ 168,303	$ 31,596	$ 17,689	**$ 364,547**
Restricted cash included in Bond restricted funds	4,080	11,772	6,052	44,615	153,683	969	-	**221,171**
Restricted cash included in Investments, Other	-	-	-	2,244	2,177	-	-	**4,421**
Cash, cash equivalents & restricted cash - end of period	$ 77,783	$ 12,505	$ 30,076	$ 95,358	$ 324,163	$ 32,565	$ 17,689	**$ 590,139**

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**

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, 2021

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Assets						
Property, plant, and equipment	$ -	$ 14,431	$ 107,832	$ 125,770	$ -	**$ 248,033**
Investments	116,191	-	-	-	(116,191)	**-**
Cash and cash equivalents	108	1,560	1,667	14,993	-	**18,328**
Other current assets	91	3,560	1,935	1,771	-	**7,357**
Other non-current assets	-	555	402	568	-	**1,525**
Total assets	$ 116,390	$ 20,106	$ 111,836	$ 143,102	$ (116,191)	**$ 275,243**
Capitalization and Liabilities						
Member's equity	$ 107,408	$ 13,302	$ 39,063	$ 63,826	$ (116,191)	**$ 107,408**
Long-term debt	8,912	-	19,927	25,002	-	**53,841**
Other long-term borrowings	-	4,000	-	-	-	**4,000**
Other long-term liabilities	-	-	47,179	50,991	-	**98,170**
Current maturities of long-term debt	-	-	-	-	-	**-**
Short-term borrowings	-	1,000	2,500	-	-	**3,500**
Current liabilities	70	1,804	3,167	3,283	-	**8,324**
Total capitalization and liabilities	$ 116,390	$ 20,106	$ 111,836	$ 143,102	$ (116,191)	**$ 275,243**

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 Operations

Citizens Westfield Utilities, LLC
For the Twelve Months Ended September 30, 2021
(In Thousands)

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	$ -	$ 4,988	$ 11,190	$ 14,300	$ -	**$ 30,478**
Operating expenses						
Cost of goods sold	-	1,783	-	-	-	**1,783**
Other operating expenses	22	1,568	4,326	4,452	-	**10,368**
Depreciation and amortization	-	732	1,617	2,746	-	**5,095**
Taxes	-	210	1,251	998	-	**2,459**
Total operating expenses	22	4,293	7,194	8,196	-	**19,705**
Total operating (loss) income	(22)	695	3,996	6,104	-	**10,773**
Other income (expense)	-	(22)	197	(21)	-	**154**
Equity in earnings of subsidiaries	8,984	-	-	-	(8,984)	**-**
Interest charges						
Interest on long-term debt	188	-	800	1,133	-	**2,121**
Other interest	42	52	22	(42)	-	**74**
Total interest charges	230	52	822	1,091	-	**2,195**
Net income (loss)	$ 8,732	$ 621	$ 3,371	$ 4,992	$ (8,984)	**$ 8,732**

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 income (expense)	-	(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 Cash Flows

Citizens Westfield Utilities, LLC
(In Thousands)
For the Twelve Months Ended September 30, 2021

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	$ (483)	$ (133)	$ 5,884	$ 8,835	**$ 14,103**
Investing Activities:					
Construction expenditures	-	(2,356)	(4,607)	(4,811)	**(11,774)**
Other investing activities	-	(794)	-	-	**(794)**
Net cash provided by (used in) investing activities	-	(3,150)	(4,607)	(4,811)	**(12,568)**
Financing Activities:					
Proceeds from bank line of credit/term loan	-	4,000	1,500	-	**5,500**
Additional paid-in capital and dividends	280	-	(60)	(220)	**-**
Contributions in aid of construction and customer advances, net	-	-	(1,724)	285	**(1,439)**
Net cash provided by (used in) financing activities	280	4,000	(284)	65	**4,061**
Net change in cash, cash equivalents, and restricted cash	(203)	717	993	4,089	**5,596**
Cash, cash equivalents & restricted cash - beginning of period	311	843	1,075	11,472	**13,701**
Cash, cash equivalents & restricted cash - end of period	$ 108	$ 1,560	$ 2,068	$ 15,561	**$ 19,297**
Reconciliation:					
Cash and cash equivalents	$ 108	$ 1,560	$ 1,667	$ 14,993	**$ 18,328**
Restricted cash included in Other non-current assets	-	-	401	568	**969**
Cash, cash equivalents & restricted cash - end of period	$ 108	$ 1,560	$ 2,068	$ 15,561	**$ 19,297**

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**

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, 2021 and 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 Statements 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, 2021	At September 30, 2020
Assets			
Right-of-use assets - operating leases	Property, plant, and equipment, net	$ 3,358	$ 3,607
Liabilities			
Operating lease liabilities - current	Other current liabilities	$ 261	$ 249
Operating lease liabilities - non-current	Other long-term liabilities	$ 3,097	$ 3,358

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

	Twelve Months Ended September 30, 2021	2020
Operating lease expense	$ 420	$ 420
Short-term lease expense	553	565
Variable lease expense	282	255
Total lease expense	$ 1,255	$ 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, 2021
2022	$ 420
2023	420
2024	420
2025	420
2026	420
Thereafter	2,170
Total operating lease payments	4,270
Less: imputed interest	912
Total operating lease liabilities	$ 3,358

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

	At September 30, 2021
Weighted-average remaining lease term	122 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 each of the twelve months ended September 30, 2021 and 2020, respectively.

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, 2021 for the asset retirement obligation liability is as follows (in thousands):

Asset retirement obligation at September 30, 2020	$	13,474
Accretion expense		550
Remediation liabilities settled		(970)
Asset retirement obligation at September 30, 2021	$	13,054

The major classes of assets and liabilities of the Manufacturing segment (reported as Discontinued Operations in Other) at September 30, 2021 and September 30, 2020, are as follows (in thousands):

	September 30, 2021		September 30, 2020	
Current assets	**$**	**548**	$	1,076
Total assets	**$**	**548**	$	1,076
Equity (deficiency)	**$**	**(17,587)**	$	(22,503)
Retirement benefit and other long-term liabilities		**17,919**		23,339
Current liabilities		**216**		240
Total capitalization and liabilities	**$**	**548**	$	1,076

For the twelve months ended September 30, 2021 and 2020, Discontinued Operations operating expenses were $0.4 million and $0.8 million, respectively. Approximately $2.0 million of cash was provided by Gas to Discontinued Operations during fiscal year 2020, and an additional $1.0 million during the twelve months ended September 30, 2021 to settle a portion of the liabilities. Additional cash funding from Gas to settle liabilities may be provided to Discontinued Operations in future periods.

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.

On April 1, 2021, Citizens Gas filed its petition for Gas Cost Adjustment (GCA) to be applicable during the months of June – August 2021. In testimony supporting the petition, the utility described certain weather-related events that occurred during February 2021, the steps the utility took to manage its gas supply while those events were ongoing, and the corresponding effects on the gas cost adjustments that were proposed. The utility was able to take advantage of capital investments it has made and operational planning it has conducted to safely and reliably meet the natural gas needs of customers in Indianapolis during the February weather event and also sell gas supplies in certain production areas with the highest price and replace those supplies from a different production area with a lower price. These wholesale sales transactions generated margins that the utility proposed be credited to customers via the GCA, contributing to a projected variance of $10.6 million. On May 26, 2021, the IURC issued an order finding the steps the utility took during the February weather event, including the wholesale sales transactions, were reasonable and approved the utility's proposal that margins realized from the wholesale sales be credited to customers via the GCA.

On July 1, 2021, Citizens Gas filed a petition requesting the IURC decline to exercise, in part, its jurisdiction over Citizens Gas as an "energy utility" with respect to the utility's proposed provision of natural gas storage services and sales of natural gas in the wholesale market for natural gas. Under its proposal, Citizens Gas will use the margins it realizes from the sale of storage services to offset the revenue requirements used to establish base rates in future rate cases and will credit 100 percent of the margins associated with wholesale natural gas sales to retail customers via the GCA. On September 3, 2021, the OUCC filed testimony recommending approval of the relief requested in Citizens Gas's petition. On November 24, 2021, the IURC issued an order declining to exercise, in part, its jurisdiction over Citizens Gas's provision of natural gas storage services and sales of natural gas in the wholesale market. The IURC also approved the utility's proposal to use the margins it realizes from the sale of storage services to offset the revenue requirements used to establish base rates in future rate cases and credit 100 percent of the margins associated with wholesale natural gas sales to retail customers via the GCA.

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 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. 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 took effect on September 29, 2021, and was reduced by $1.2 million effective October 25, 2021, since the actual debt service on the CWA bonds issued in 2021 was less 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 April 1, 2021, Westfield Gas filed its application for Gas Cost Adjustment to be applicable during the months of June – August 2021. In testimony supporting the petition, the utility described certain weather-related events that occurred during February 2021, the steps the utility took to manage its gas supply while those events were ongoing, and the corresponding effects on the gas cost adjustments that were proposed. Westfield Gas proposed that an under recovery of gas costs in the amount of $2.4 million due to the February weather event be collected over a 24-month period to mitigate the bill impact to customers. On May 26, 2021, the IURC approved the utility's proposal to collect the February 2021 under recovery over 24 months. The IURC also found the steps Westfield Gas took to manage its supply during the February weather event satisfied the statutory requirement that the utility follow a policy of securing natural gas supply at the lowest gas cost reasonably possible to meet anticipated customer requirements.

Resources - Westfield Water

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

On July 29, 2021, Westfield Water filed a petition requesting approval for long-term financing up to $16 million and to extend and increase an existing $5 million line of credit for up to $7 million. On October 7, 2021, the OUCC filed testimony recommending approval of the relief requested in Westfield Water's petition. A hearing was held on November 17, 2021, and the utility is awaiting an order from the IURC.

Resources – Westfield Wastewater

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

On July 29, 2021, Westfield Wastewater filed a petition requesting approval to extend an existing $5 million line of credit. On October 7, 2021, the OUCC filed testimony recommending approval of the relief requested in Westfield Wastewater's petition. A hearing was held on November 19, 2021, and the utility is awaiting an order from the IURC.

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 an interim emergency order in phase 1 of Cause No. 45380 (the "First Interim Emergency Order"). 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 prohibited 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 First Interim Emergency Order also granted 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 First Interim Emergency Order did not preclude utilities from requesting authority to defer other increased O&M expenses due to COVID in phase 2 of Cause No. 45380 or a separate proceeding.

On August 12, 2020, the IURC issued a second interim emergency 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. On August 25, 2021, the IURC issued an order closing its investigation and terminating the proceeding.

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, 2021 and 2020 (in thousands):

	2021	2020	Recovery Period	Statement of Financial Position Location
Deferred Acquisition Transaction Costs	**$ 5,823**	$ 6,375	23 - 24 years	Other deferred charges
Decoupled Sales Component	**547**	1,489	1 - 15 months	Other deferred charges
Deferred Regulatory Proceeding Costs	**451**	840	1 - 3 years	Other deferred charges
Deferred Fuel Tracking Adjustments	**3,158**	1,143	1 - 18 months	Other current assets
Total Regulatory Assets	**$ 9,979**	$ 9,847		

Regulatory liabilities were comprised of the following at September 30, 2021 and 2020 (in thousands):

	2021	2020	Refund Period	Statement of Financial Position Location
Contributions in Aid of Construction	**$ 367,716**	$ 312,029	40 - 50 years	Contributions in aid of construction
Deferred Water Rights	**63**	161	4 - 5 years	Other long-term liabilities
Deferred Fuel Tracking Adjustments	**33,591**	8,103	1 - 18 months	Other current liabilities
Other	**1,274**	662	Various	Other long-term liab. and accounts payable
Total Regulatory Liabilities	**$ 402,644**	$ 320,955		

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 $0.3 million and $0.7 million at September 30, 2021 and September 30, 2020, 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 includes 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. Since 2017, IDEM has made significant progress to move the site toward de-proposal in accordance with the terms set forth by the EPA. While the company has incurred and may continue to incur costs related to IDEM's response actions, 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.

In 1991, the EPA issued federal regulations that establish acceptable concentrations of lead and copper in public water supplies, as measured at the customer's tap (the "EPA Lead and Copper Rule"). Samples of the Water System have never exceeded the acceptable levels established in the existing EPA Lead and Copper Rule. However, in January 2021, the EPA proposed revisions to the Lead and Copper Rule that, if adopted, would include several new requirements, including revised sampling procedures and action levels as well as development of a lead service line replacement program. Additionally, the Indiana General Assembly has enacted statutes that authorize the IURC to approve a water utility's plan for the replacement of the customer owned portion of the lead service lines within or connected to the water utility's system. While we cannot predict with certainty the final revisions the EPA will make to the EPA Lead and Copper Rule, the Water System is taking proactive steps to align itself with the policies and regulations of the federal government and the State of Indiana, including the Indiana General Assembly, regarding customer-owned lead service lines.

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 began on the tunnel system's final segment, the 7.6-mile Pleasant Run Tunnel, in April 2021. 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 15, 2021, 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, 2021 and 2020, 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, 2021 and 2020, 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 15, 2021