



CITIZENS ENERGY GROUP
Sustainability Report 2015

LEADING THE WAY FOR SUSTAINABILITY

Jeff Harrison President & CEO Citizens Energy Group

In our 128th year of service to Indianapolis, Citizens Energy Group is leading the way toward making this a more sustainable community.

Our sustainability journey continues to be guided by **innovation** focused on business and environmental issues; **viability** of our businesses through long-term investments; and **education advocacy** supporting a sustainability ethic in our community.

At Citizens, we define sustainability with three initials – EBC (**E**nvironment, **B**usinesses and **C**ommunity) In this our second Sustainability Report to the Community, we will share how we are continuing to fulfill the challenge of our founders to be wise stewards of the natural and financial resources entrusted to us. This report chronicles accomplishments in each of these areas, and establishes new commitments to improve the sustainability of Greater Indianapolis.

Sustainable Environment

First and foremost, our efforts to sustain our environment are being achieved through unprecedented infrastructure investments in each of our utility systems.

We have invested nearly \$1 billion in our wastewater system since 2011. Our most prominent investment continues to be Dig Indy, a 28-mile network of deep rock tunnels that will nearly eliminate combined sewer overflows (CSO) into area rivers and streams by the year 2025 as mandated by a federal consent decree. This year we were honored to have our CSO33 green infrastructure project recognized with a Mayor's Sustainability Award from the City of Indianapolis.

The reliability of our water system is improving thanks to more than \$230 million of investment over the past four years. These investments include the new Harbour Water Plant near Noblesville that is helping us ensure a more sustainable water supply for growing markets in Hamilton County. Looking forward, we are very excited about the recently announced project to convert an 88-acre quarry near Geist Reservoir into the Citizens Reservoir, which will be capable of storing 2.7 billion gallons of water. This new reservoir is a key component of sustaining Central Indiana's water supply for the next 15 years.

More than \$600 million of investments in our gas system over the past 30 years have made it one of the best maintained and operated of any urban gas utility in the U.S. This fact was verified in 2014 when the Environmental Defense Fund and Google Maps conducted leak detection surveys in Indianapolis, New York and Boston. While the study found thousands of small gas leaks in New York and Boston, only five tiny leaks were found along the Citizens natural gas system.

The recent conversion of our Perry K Steam Plant to clean-burning, domestically abundant natural gas is helping us sustain our environment and the competitiveness of our thermal energy business, which heats and cools most of the buildings in the downtown area.

ON THE COVER:

Citizens Energy Group employees gathered to plant trees as part of the CSO33 Project, which is reducing sewer overflows through rain gardens and other sustainable practices.





JEFF HARRISON
President & CEO
Citizens Energy Group

Clean Energy is one of the primary customers of Kinetrex Energy, Citizens Energy Group's new liquefied natural gas supplier.



Sustaining our Businesses

As we make wise long-term investments in our utility systems, we are sustaining our business through disciplined cost control efforts; sound financial and strategic planning; adherence to documented quality processes; and development of new businesses to support community investment activities.

Our Kinetrex Energy subsidiary is a great example of innovative leveraging of existing utility assets to provide revenue to the Trust while helping sustain our natural environment. Operating liquefied natural gas storage facilities on the north and south sides of Indianapolis, Kinetrex is becoming the Midwest's leading provider of LNG. Displacing diesel fuel, LNG from Kinetrex is helping the long-haul trucking; natural gas exploration and production; and other high horsepower markets meet new environmental standards with substantial fuel savings.

Sustaining Our Community

While we sustain our environment and business, we are promoting a more sustainable community through conservation incentives to our customers; public outreach and education with partners such as the White River Alliance; and support of sustainability events such as the White River Cleanup and Earth Day Indiana.

We continue helping to sustain our vital city park system with the annual Sharing the Dream Project, which honors the legacy of service provided by Dr. Martin Luther King Jr. This past January about 200 Citizens employees came together with partner Mitsch Design to revitalize Krannert Park with nearly \$200,000 of improvements. Over the past 7 years, Sharing the Dream has helped sustain seven Indy Parks facilities with more than \$700,000 of improvements.

As we celebrate our sustainability achievements, we are focused on meeting new sustainability commitments that will lower our energy and water use; reduce waste and increase reuse and conservation in our utility processes; foster employee commitment to sustainability; and expand Citizens role as a community leader in promoting sustainability.

Our commitment to sustainability is guided by our history as a Public Charitable Trust devoted to sustaining improved quality of life and long-term economic development. Ultimately, our commitment to sustainability is inspired by our Vision to fulfill the promise of the Trust to serve our customers and communities with unparalleled excellence and integrity. Thank you for your support of sustainability and for your loyalty to Citizens Energy Group.

Sincerely,



Paul Werderitch, Environmental Coordinator interacts with attendees at Citizens Energy Group's Earth Day booth.

The historic Broad Ripple Dam on the White River was redesigned to ensure enhanced safety and reliability.





Sustainability Commitments

Citizens Energy Group is now in a position to seize the opportunity and obligation to demonstrate a leadership role in environmental and sustainability practice. We produce and sell vital and finite resources. Our commodities are not now scarce, but we must not wait for scarcity to occur to provide demonstration and instruction to our communities on the wise use of natural resources. Citizens has the resources and talent to become a significant and impactful leader for sustainability. Doing so will be entirely consistent with our values and our mission and vision.

Therefore, we make the following sustainability **commitments** to our customers, communities, employees and regulators.

Reduce Energy Use

Citizens will seek innovative ways to reduce energy consumption and increase the use of renewable energy at our facilities. We will complete energy audits at our facilities to identify cost-effective opportunities to reduce consumption and cost, and publish energy consumption data for our employees to strengthen the awareness of the energy demands of our businesses.

Reduce Waste

Citizens will maximize the beneficial reuse of the byproducts produced at our drinking water and wastewater treatment plants in order to reduce the volume of wastes managed at landfills. Citizens will also promote other recycling and waste reduction opportunities within our operations and the community.

Increase Reuse

Citizens will implement projects to increase the availability of renewable energy in Central Indiana. In addition, Citizens will implement projects to maximize the water resources available to us through aquifer recharge projects and recycled water alternatives.

Foster Employee Commitment to Sustainability

Citizens will engage our employees in the Commitment to Sustainability by providing educational and volunteer opportunities intended to strengthen the connection for our employees to the communities we serve.

Become a Principal Player in Sustainability in our Community

Citizens will maintain a productive dialogue with all stakeholders and will be a leading proponent and player in promoting sustainability initiatives.

SUSTAINING OUR ENVIRONMENT

Citizens Energy Group Environmental Policy

Citizens Energy Group is committed to responsible environmental stewardship as we pursue our vision to serve our customers and communities with unparalleled excellence and integrity.

At Citizens, being an environmental leader is an integral part of the trust's purpose to improve quality of life in our community today and in the future. With the integration of our community's water and wastewater systems into the Citizens family of companies, we have placed a renewed emphasis on our trust-wide environmental policy that stresses excellence, compliance, continual improvement, training, accountability, communication and partnerships.

Our Environmental Policy commits Citizens to conduct its business in a manner that preserves and protects the environment by preventing pollution, complying with environmental laws and seeking continual improvement. In this regard, Citizens Energy Group is committed to:

Excellence

We will strive to be a leader in preserving, restoring and protecting our environment as we deliver safe, affordable energy services to our communities.

Compliance

We will devote the people and resources necessary to comply with all applicable legal and other environmental requirements, while pursuing opportunities to enhance environmental protection, conservation and prevention of pollution.

Continual Improvement

We will continually seek opportunities to improve our environmental performance through innovative policies and practices fostered through our strategic planning and ongoing Baldrige Quality processes.

Training

We will provide training for our employees to effectively meet our environmental responsibilities.

Accountability

We will document and regularly audit our environmental performance and utilize the results to develop steps to improve our environment.

Communication

We will maintain a constructive and open dialogue with community stakeholders on environmental matters.

Partnerships

We will partner with community based organizations to support initiatives that benefit our environment.

Environmental Management and Quality

At Citizens, we achieve environmental compliance through careful planning, internal assessments and a commitment to operational excellence. Effective data gathering is critical to our efforts. Various monitoring methods, such as in-stack sensors at the Perry K Steam Plant and in-stream water quality monitoring systems, provide real-time information about operational and environmental performance. If deficiencies are identified through our assessments or through unannounced inspections by regulatory agencies, Environmental Stewardship works closely with operations personnel to implement effective solutions.

Citizens utilizes an Environmental Management System (EMS) that includes a collection of procedures, work instructions, process flows, forms, records and practices that provide a framework for compliance. The EMS also addresses how we work to minimize adverse environmental impacts.

The EMS works in conjunction with the company's primary quality programs - Quality Management System (QMS) and ISO 9001. The QMS helps us standardize, track, manage and control key processes in water distribution, water production, environmental stewardship and laboratory services. ISO 9001 is a world-wide standard for quality improvement. ISO 14001 is a world-wide environmental standard, which provides a framework for continual improvement, control and regulatory compliance.

Sustaining Our Water Ways

Consent Decree and Long-Term Control Plan

When Citizens assumed ownership of the community's water and wastewater utilities in 2011, it also took responsibility for compliance with a Consent Decree with the U.S. Environmental Protection Agency (EPA) to reduce combined sewer overflows (CSOs) to area rivers and streams. Consent Decree requirements were developed from the CSO Long Term Control Plan developed by the City of Indianapolis Clean Stream Team in 2006.

Citizens' assumption of responsibility for the Consent Decree comes after Mayor Greg Ballard's administration successfully negotiated two amendments to the Consent Decree in 2010 that will not only provide cleaner waterways faster than originally planned, but also will save Indianapolis residents hundreds of millions of dollars.

The Consent Decree requires Citizens to capture and treat 97 percent of the sewage overflows in the Fall Creek Watershed and 95 percent in the White River and other watersheds in a typical year. Overflows will only be allowed for two storms per year on Fall Creek and four storms per year on White River in a typical year. Completion of the Consent Decree is required by the end of 2025.

Currently, when as little as a quarter of an inch of rain falls, combined sewers reach capacity and raw sewage overflows into local rivers and streams. Historically, about 6 billion gallons of untreated sewage has been flowing annually into our rivers and streams, but Long Term Control Plan measures already completed have reduced this volume by more than 2 billion gallons annually.



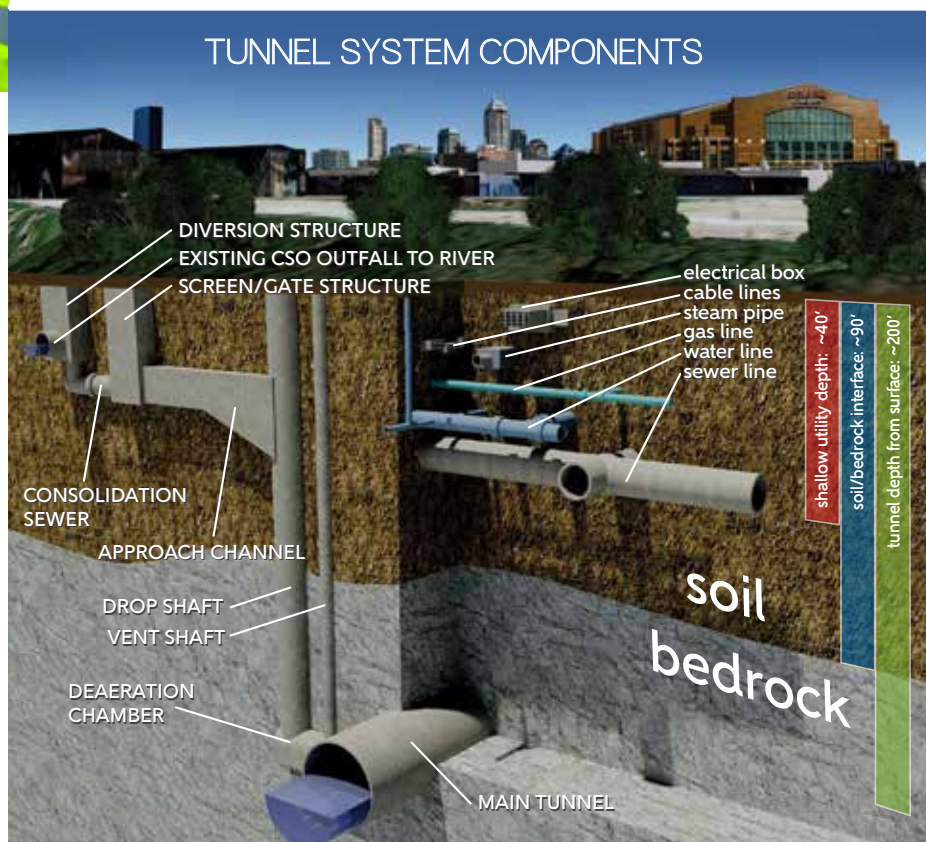
The Dig Indy Project will transform our community's rivers and streams.

Overall the Consent Decree work is ahead of schedule and under the original budget. The Consent Decree program has met 83 percent of scheduled milestones and no fines, penalties or violations have been recorded to date.

To meet the Consent Decree requirements, Citizens is designing and constructing a series of five tunnels 200 feet beneath the city that will store at least 250 million gallons of untreated wastewater until it can be safely treated at our advanced wastewater treatment plants.

The tunnel system is being built in bedrock using a special tunnel boring machine. After the machine bores the tunnel, a concrete lining will be installed to enhance tunnel integrity and reliability. Building the tunnel system deep beneath the city is a lower cost and less risky alternative to shallow sewer designs, and it is minimizing disturbances to our community.

In addition, Citizens is expanding its wastewater treatment plants, adding pump stations and building other related infrastructure.



Dig Indy Tunnel System

Deep Rock Tunnel Connector (DRTC)

The 7.6 mile DRTC projects began in the winter of 2011 with tunnel boring commencing in the spring of 2013. Contractor Shea-Kiewit Joint Venture (S-K JV) is currently on schedule for the \$180 million project with completion by the end of 2017. Mining of the tunnel was completed in July 2014 and will be followed by lining of the tunnel with concrete, an enhancement provided by the contractor that will ensure the integrity and reliability of the tunnel.



Citizens employees plant trees during the CSO33 Project.

DRTC, which will run from near the Southport Advanced Wastewater Treatment Plant in southern Marion County to downtown Indianapolis, will capture and treat the largest volume CSOs on the White River. The project will capture and treat 3.5 billion gallons of raw sewage through 2025 and will improve flow distribution between Citizens' two advanced wastewater treatment plants.

The \$72 million DRTC Pump Station is currently in construction and contractor Renda-Southland (R-S JV) is scheduled for completion by the end of 2017.

Sustainable and green concepts of the DRTC include:

- Eliminating one of two previously planned pump stations, saving customers millions of dollars in upfront capital costs and long-term operating costs
- Improving energy efficiency of operations for cost savings and reduced environmental impacts

Eagle Creek Tunnel

The 1.7 mile Eagle Creek Tunnel was originally planned as a large-diameter interceptor that would convey combined sewage but would not store it. To achieve overall project savings, reduce disruption to local residents and business, and to further improve water quality, the project was modified to include Eagle Creek Tunnel as part of the Dig Indy Tunnel System. The tunnel is located just off of the path of DRTC and will add 17 million gallons of storage to the Dig Indy Tunnel System. Construction of the \$38 million tunnel is being completed by DRTC contractor S-K JV and will be complete by the end of 2018.

Fall Creek and White River Tunnels

Design of the 3.7 mile Fall Creek and 5.3 mile White River tunnels are currently about 90 percent complete. The \$219 million White River Tunnel is on schedule to be constructed by December 31, 2021 and the \$227 million Fall Creek Tunnel by December 31, 2025.

The Fall Creek and White River Tunnels will nearly eliminate CSOs on Fall Creek and White River between the Indiana State Fairgrounds and the intersection of Fall Creek and White River Parkway where the system will connect with DRTC. New sewers along White River, Fall Creek and other streams will substantially reduce sewage overflows in neighborhoods throughout the project area.

Lower Pogues Run Tunnel

Design of the 1.9 mile Lower Pogues Run Tunnel is currently underway. The \$183 million project is on schedule to be constructed by December 31, 2025. The Lower Pogues Run Tunnel will eliminate significant CSOs on the lower end of the stream in a densely populated residential area.

Pleasant Run Tunnel

Planning and design for the 6.6 mile Pleasant Run Tunnel began in 2014, and the \$372 million project is on schedule to be constructed by December 31, 2025.

The Pleasant Run Tunnel will eliminate nearly 50 CSO points along the stream, which flows through densely populated neighborhoods on the southeast side of Indianapolis.

Southport Advanced Wastewater Treatment Plant

Capacity of the Southport Plant will be doubled from 125 million gallons per day (MGD) to 250 MGD. Construction of the new primary clarifiers, secondary expansion, final clarifier modifications, and new Ultraviolet (UV) disinfection, and headworks expansion projects is underway, and all work on the \$89 million project is on budget and ahead of schedule for completion by December 31, 2017. The UV disinfection system went into operation on April 1, 2015.

Belmont Advanced Wastewater Treatment Plant

Secondary treatment capacity of the Belmont Wastewater Treatment Plant has been doubled from 150 MGD to 300 MGD. The secondary expansion has eliminated partially treated sewage overflows of more than 1 billion gallons per year and significantly improved water quality on the White River. Construction of the \$53.6 million project began in March 2010 and was completed on time and within budget in December 2012.

Also in 2012, Citizens Water added an ultra-violet disinfection system to the Belmont Facility as the primary disinfection at the plant. The disinfection system removes dangerous pathogens and other potentially harmful bacteria from the plant's effluent prior to discharge to White River. The ultra-violet disinfection system replaces a chlorination/dechlorination system as the primary dry weather disinfection system treating flows up to 180 MGD. The chlorination system is still used to treat excess wet weather flows from 181-300 MGD. The new ultra-violet process minimizes any significant disinfection by-products, which will have a positive impact on the environmental quality of the wastewater effluent.

CSO33 Project Provides Green Solution to Overflows

Citizens Energy Group, along with United Water, Keep Indianapolis Beautiful (KIB) and hundreds of volunteers, took part in a massive tree planting on the city's near west side last October. The tree planting was part of a larger green infrastructure project called CSO 033, which was designed to reduce raw sewage overflows.

The project was recognized in 2015 with a Sustainability Award from the City of Indianapolis.

Citizens and KIB selected four species of trees, all native to Indiana. Citizens' contractor United Water paid for the trees and volunteers from United Water, KIB and Citizens planted the trees along Lulette Avenue, Livingston Avenue, Somerset Avenue and Rochester Street; and near IPS 67 Stephen Foster Elementary School.

In addition to the tree planting, since spring, Citizens installed roadside planters on several nearby neighborhood streets. The planters temporarily store storm water and then release it slowly into the combined sewer system. This technique prevents the combined sewer system from becoming overwhelmed and overflowing into Little Eagle Creek.

"Both the tree planting and storm water planters are inventive and effective ways to combat the city's raw sewage overflow problem," said David Forsell, KIB President. "Citizens continues to look toward green infrastructure as an engineering best practice. That dedication will benefit the community for years to come."

The tree planting is the final phase of the \$1.5 million CSO 033 project.

Consent Decree – What's Next

Citizens will remain focused on implementing projects on schedule and within budget. We will continually update the Long Term Control Plan and develop strategies for expected revisions to water quality standards. Citizens is focused on continuous improvement of the overall program and individual projects that will maximize environmental benefits while reducing costs. Evaluating green and sustainable solutions is part of this ongoing analysis.

Citizens will continue to communicate with peer cities with Consent Decree programs, to learn from their experiences while sharing our best practices. We are pursuing innovative and nationally unique ideas to reduce costs even further in order to remain financially competitive with other CSO and non-CSO communities.

We recognize that the long-term success of our Consent Decree program and other capital investment programs is also dependent on attracting talented young people to Citizens. As a result we have already engaged colleges and universities including Indiana University, Purdue University, Rose-Hulman, Ball State and Valparaiso to establish internships for students.

Septic Tank Elimination Program (STEP)

More than 17,000 homes in Marion County are served by private septic systems. Septic systems have a limited life and eventually fail, leaching human waste into groundwater, backyards and neighborhood ditches and streams. Septic systems are linked to high E. coli bacteria counts in many small neighborhood streams and ditches during dry weather, when children are most likely to play in them.

To address health hazards in our neighborhoods, Citizens is continuing the City's efforts to convert many neighborhoods on septic systems to the sanitary sewer system.

In 2005, the City of Indianapolis stopped using the state's Barrett Law to construct sewers in areas with septic systems. The Barrett Law process often forced homeowners to pay more than \$12,000 to connect to the sanitary sewer system. Instead, the city began funding STEP through wastewater rates and connection fees. Today, Citizens is continuing the city's approach to STEP.

In 2008, the City of Indianapolis determined there were about 24,800 homes in Marion County on septic systems. Between 2008 and 2014, about 7,800 homes in Marion County have been or are in progress to be taken off septic systems as part of the Septic Tank Elimination Program (STEP). This represents a 31 percent reduction in the number of septic tanks endangering local water supplies.

The benefits of STEP are far-reaching:

- Reduced health hazards from dangerous bacteria exposure due to septic system failures in yards and ditches
- Cleaner area streams and neighborhood drainage ditches
- Improved marketability of homes connected to the sewer system

The IURC has granted Citizens the authority to continue to STEP program through 2015. The Commission will continue to monitor and study the broader impact and cost-effectiveness of the STEP program. Pending IURC authority to continue the STEP program beyond 2015, Citizens plans to invest about \$12-\$15 million per year in STEP, which would extend sewers to approximately 800 homes annually. This long-term approach will eventually eliminate the majority of the remaining septic tanks in Marion County, although some will remain in remote areas and in places where it is more practical to repair existing systems.

In addition, Citizens continues to update the STEP Master Plan on a regular basis. The plan utilizes a variety of factors to determine STEP project priorities including septic tank failure rates, housing density, and proximity to the current sewer system. The primary goal is to maximize the environmental and public health benefits of each STEP project while minimizing costs. Citizens will continue to refine our evaluation and ranking methodologies as new information arises.

Sewer Rehab Program

A large and long-overdue sanitary sewer rehabilitation program is underway at Citizens. Although you may not notice the work being done due to the non-invasive "trenchless" methods being employed; tens of millions of dollars are being spent to rehabilitate pipes that have, in some cases, been untouched since they were installed in the 1800s. Citizens is addressing the backlog of needed repairs by employing cured-in-place piping (CIPP) contractors to rehabilitate the lines and extend their service life by another 50-plus years.

CIPP lining starts by precisely measuring the existing or "host" pipe to determine the diameter, length, and service connection locations. A felt tube is then manufactured to those exact specifications, saturated with resin, and shipped to the job site. Steam or water pressure is used to "invert" the tube down the host pipe, where it will be "cured" using steam or hot water. The curing process lasts a few hours, and when completed, provides Citizens with a new seamless and structurally sound pipe.

Robotic tools are used to reinstate all service connections; and, in most cases, the projects are completed without any disruptions to the customer's service. Since taking ownership of the wastewater utility, Citizens has installed over 100,000 linear feet of CIPP from pipes ranging in size from 8 inches to 72 inches. This rehabilitation program provides numerous positives for Citizens customers; including revitalized assets that provide for economic development opportunities, increased reliability of service through reduced asset failures, and increased safety for the traveling public by reducing the possibility of catastrophic failures that cause sinkholes or voids under the pavement.

Some of the projects Citizens has completed include rehabilitation of sewers under major thoroughfares like Meridian, Illinois, and Harding Streets. The sewers were so badly deteriorated that large holes had formed in the pipes, allowing the road base to erode away and form large voids under the pavement.

As part of the sewer rehab program, over one million linear feet of sewer are inspected each year and categorized in one of three priority areas. Priority one sewers are in the worst condition and, left untreated, are prone to failure within one year. Priority two sewers are in slightly better condition, but failure would be expected to occur within two years if left untreated. Priority three sewers are considered to be in fair condition and are placed on a list to be monitored at least every eight years. Since its inception, Citizens sewer rehabilitation program has repaired over 250,000 linear feet of sewers using cured-in-place-piping (CIPP) or shotcrete rehabilitation.

Wastewater Operations and Maintenance

Successful operation and maintenance of the community's wastewater collection and treatment systems is critical to ensuring the protection of human health and the environment. Citizens works with partner United Water to operate the Belmont and Southport Advanced Wastewater Treatment Plants. Combined these facilities have the capacity to treat 450 million gallons per day (MGD) of wastewater. In addition, more than 4,500 miles of sanitary and storm water sewers in Indianapolis and Marion county require around the clock care by United Water.

United Water conducts preventive maintenance such as sewer cleaning, televising, and inspection in an effort to reduce emergency repairs, minimize sewage overflows and backups, as well as curtail unsafe neighborhood flooding due to blockages and debris. Predictive maintenance also is completed to identify potential problems, and depending on testing results, preventive maintenance is scheduled as follow-up.

Maintenance activities from 2010 through 2014 are recorded in the tables included with this summary. Citizens Water and United Water were recognized in 2013 and 2014 by the National Association of Clean Water Agencies (NACWA) for outstanding operations and maintenance of its wastewater treatment system.

In 2012, Citizens completed a Wet Weather Expansion of the Belmont Advanced Wastewater Treatment Plant, which increased the secondary (biological) treatment capacity from 150 million gallons per day to 300 million gallons per day. This additional treatment capacity has increased the volume of wastewater treated annually by over 2 billion gallons.

In compliance with new Federal and State air regulations, Citizens is adding additional pollution control equipment to bio-solid incinerators at the Belmont Advanced Wastewater Treatment Plant. The new control equipment will significantly reduce the regulated pollutant emissions from the incinerators and improve the air quality in Central Indiana. The control upgrades for Incinerator No. 4 have been completed and are now in-service. The additional equipment on the remaining three incinerators will be installed and in-service in 2016.



Jessica Castellanos, Public Outreach Coordinator, and Shari Foster, Construction Manager, discuss another Septic Tank Elimination Project that is helping eliminate dangerous bacteria from neighborhood yards and ditches.

Sewer Cleaning and Maintenance Summary

Activity	2010	2011	2012	2013	2014
Sewer line cleaning (feet)	2,097,808	2,221,529	2,028,393	1,661,323	1,467,037
Solids removed during cleaning (tons)	2,000	2,454	2,738	2,251	3,036
Sewer line televising/inspection (feet)	1,350,126	1,386,789	1,334,828	1,788,786	1,813,309
Structure cleaning	24,067	25,085	39,216	17,069	11,632
Sewer lines repaired or replaced (feet)	9,373	10,178	7,087	7,230	9,080
Structures repaired or replaced (each)	1,002	978	1,513	1,085	746
Spillway and outfall repairs (each)	47	72	28	54	56
Manhole adjustments (each)	201	77	233	164	167
Combined sewer outfall inspections (each)	45,671	45,805	42,782	41,137	23,684
Ditching (feet)	42,272	40,292	23,646	12,442	13,798

Justin Redman, Operations and Maintenance Supervisor, helps ensure Citizens well fields are managed properly.



Sustainable Operations

Citizens is taking a number of proactive measures to promote sustainability and efficient use of natural resources within its operations including:

- **Implementing Energy Efficiency Measures** – In addition to promoting energy efficiency for customers, Citizens has identified and implemented measures in our operating facilities to reduce energy consumption and enhance the efficiency of our operations. Occupancy sensors have been installed in conference rooms and other areas that are not occupied on a regular basis, and lighting fixtures in production areas is being retrofit with more efficient fixtures that also provide for enhanced workspace lighting for the safety of workers engaged in equipment maintenance. Building energy efficiency measures are also being implemented at the General Office using EPA's Energy Star program as the benchmark for improvements. Energy recovery opportunities are also being implemented, most recently with the installation of topping turbines at the Perry K Steam Plant to capture energy associated with the reduction in steam pressure needed prior to distribution to customers.
- **Voluntary site remediation** – Citizens continues to work closely with IDEM to minimize environmental impact from its former Indianapolis Coke operation, which ceased production in 2007. Main plant site investigation activities as well as

the operation of interim measures designed to protect the environment are on-going. As the investigation activities are completed, Citizens will remove plant structures and will conduct full scale remediation. The highest and best use for the Prospect site has been identified, recognizing that the remediation and redevelopment process is expected to take several years. Citizens will continue to seek input from all Trust stakeholders as the site is remediated and possible new uses for the site are identified.

- **Recycling** – Citizens has implemented mixed-stream recycling programs in our offices and plants to support recycling of aluminum, paper and paperboard, plastics, glass, and many other materials to reduce the future consumption of natural resources.
- **Sustainable Purchasing Decisions** – To minimize the environmental impacts associated with the large volumes of paper used by Citizens for customer bills, a paper supply certified by the Forest Stewardship Council has been identified. This certification is granted to organizations that demonstrate sustainable practices in logging, forest management, etc. For plain paper copiers and printers, Citizens purchases paper with a minimum 30 percent recycled content. Citizens has also engaged a cleaning service that is certified by Green Seal to meet environmental standards for cleaning products to reduce the toxicity, waste, and potential exposures.
- **Vehicle Idling Policy** – The unnecessary idling of gasoline and diesel vehicles wastes fuel, creates air pollution, and causes premature engine wear. This Vehicle Idling Reduction Program

applies to all Citizens Energy Group owned or leased motor vehicles and will result in health benefits from cleaner air, cost savings from reduced fuel costs and less wear and tear on publicly owned vehicle. All employees are instructed to avoid all unnecessary vehicle idling. In cases where vehicle idling may be necessary to perform our critical work, it is limited to less than five (5) minutes in any one-hour period. A limited exception to this program is provided where vehicle idling is necessary to power equipment used by distribution and maintenance crews to perform installation, maintenance and repairs, and to provide power to vehicle safety lights and/or directional arrow lights used to direct traffic in the street. Limited idling also is permitted for certain diesel vehicles during cold weather.

Sustaining Our Groundwater Resources

When precipitation reaches a depth where the ground is filled with water, called the saturated zone, it becomes part of an aquifer. The top of the saturated zone is called the water table. Groundwater is susceptible to contamination from a variety of sources including underground containing gasoline and other chemicals; chemical spills; and pollution from landfills.

Citizens accesses ground water from nine strategically located wellfields . A wellfield is the land above and surrounding wells drilled into an aquifer; the surface area that contributes groundwater to the aquifer is called a wellfield protection area.

Approximately 60 percent of the state’s public drinking water currently comes from groundwater sources, according to the Indiana Department of Environmental Management (IDEM). In addition, groundwater also is expected to be the primary source of drinking water in the future. As a result, Citizens and other utilities across Indiana have committed to minimizing the risk of groundwater contamination through best management practices and by educating the public of the need to protect water resources.

Citizens has submitted updated Wellhead Protection Plans in Marion and Hamilton Counties, which is implemented in accordance with the state Wellhead Protection Rule and local ordinances. The program involves working with local planning teams and regulators to:

- Map the wellhead protection areas and post signs identifying their locations
- Identifying potential sources of groundwater contamination
- Working with businesses to prevent spills and releases of chemicals
- Prepare contingency plans in case of contamination
- Encourage the public to report potential sources of contamination

Citizens also works to educate the public and businesses on ways they can protect groundwater from contamination. Individuals are urged to protect groundwater by adopting these environmentally friendly practices including:

- Keep contaminants stored in a safe place that is off the ground. Chemicals such as furniture strippers, lawn and garden chemicals, cleaning chemicals and solvents, gasoline, oil, and others all can contaminate groundwater supplies.
- If your home has a septic system, be sure to have it inspected and pumped every three to five years. A system that is not functioning properly can impact groundwater.
- Dispose of unwanted and unused household hazardous waste at an Indianapolis ToxDrop site. A list of Saturday collection locations, as well as special events throughout the year, is available at www.indy.gov/ToxDrop.
- Participate in the city’s curbside or drop-off recycling program. Visit www.indy.gov/SustainIndy for details.

Businesses are urged to protect groundwater and prevent pollution in the following ways:

- Develop a spill prevention control and countermeasures plan for chemicals, fuels and lubricants that are stored on site. Train employees and implement the plan in your place of business.
- Maintain an inventory of all on-site chemicals, fuels and lubricants, and ensure that they are stored, used and disposed of properly. Minimize the quantities of these materials that are stored on-site.
- Provide secondary containment for chemicals, fuels and lubricants stored in large containers (55 gallons and larger).
- Have absorbents on hand to help take care of a chemical spill, should one occur.
- If the business has an underground storage tank, ensure that it meets the U.S. Environmental Protection Agency (EPA) and IDEM requirements for release detection, spill and overflow prevention and corrosion protection. Visit www.in.gov/IDEM for more information.
- If the business has a septic system, be sure to have it inspected and pumped every three to five years. A system that is not functioning properly can impact groundwater sources.
- Contact Citizens Water Central Control in case of a chemical or fuel spill inside the groundwater protection area at (317)941-7135. Alternatively, contact Citizens’ environmental response number at (317)402-8636.

SUSTAINING OUR BUSINESSES

Quality and Strategic Planning

In the late 1980s, Citizens began pursuing a corporate culture that would focus on continually improving customer satisfaction and enable processes to better complement one another. In the spirit of continuous improvement, we adopted the Criteria for Performance Excellence as our overall improvement framework. Today, our key approaches to continuous improvement comprise the Criteria, the ISO 9001:2008 Quality Management System (QMS) Standards, the ISO 14001:2004 Environmental Management System (EMS) Standards, and Citizens' Performance Improvement Cycle that includes the Problem Solving Process.

We also use other tools to help us improve performance. These include: action learning, process mapping, risk assessments, economic value added, regression analysis (driver models), gap analysis, quadrant analysis, and benchmarking. We engage a number of cross-functional teams at both a strategic and tactical levels to solve problems using our Performance Improvement Cycle, raise organizational awareness and develop policies and procedures. These teams also serve to foster collaboration and provide a venue for developing employee skills.

Citizens is a customer-driven organization, with customer satisfaction embedded into our culture. Our employees understand that the Trust depends on the community and customers we serve. If the community thrives, the Trust survives!

Citizens understands that "If you can't measure it, you can't manage it." Through the Strategic Planning Process strategic objectives and metrics are selected based on gaps in performance or strategic priorities. A balanced scorecard approach is used for alignment and integration of data for tracking performance.

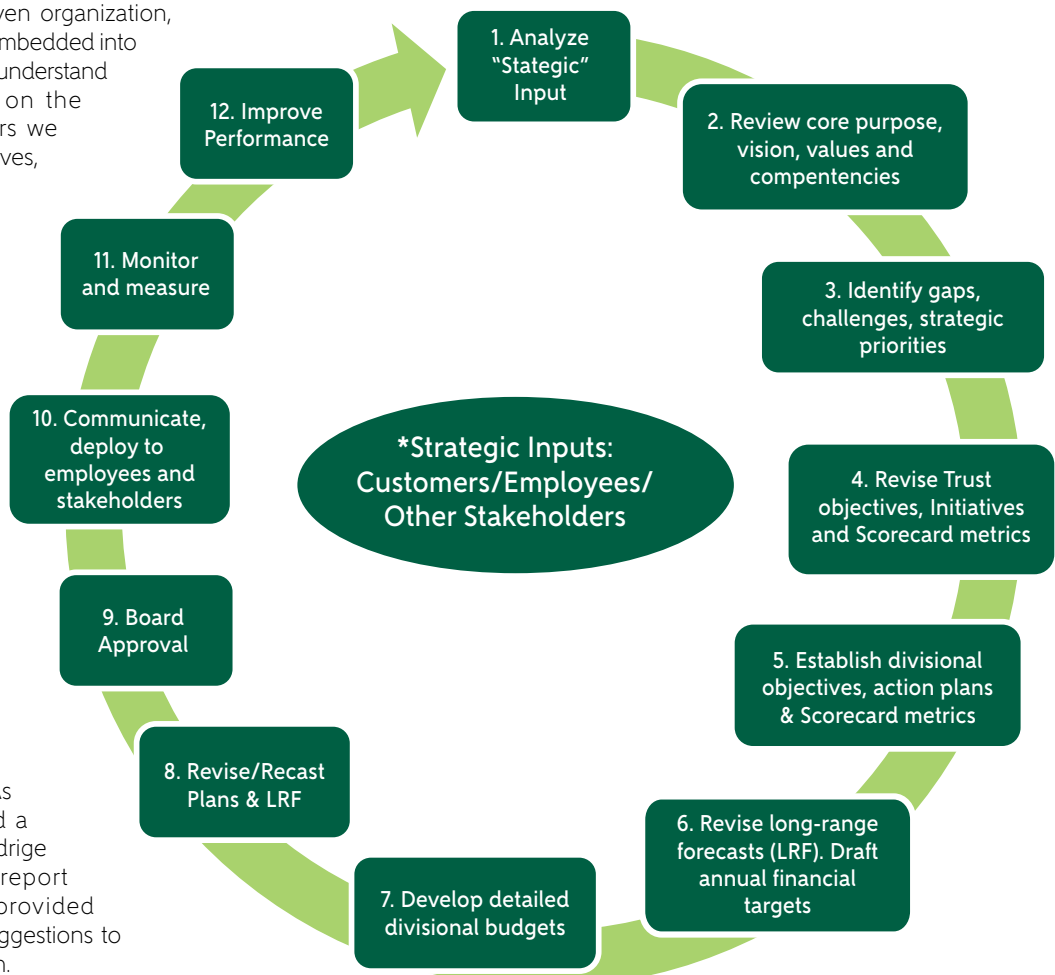
In 2014, Citizens was honored by being named a finalist for the Baldrige National Quality Award. As a finalist, Citizens received a site visit by a team of Baldrige examiners. A feedback report following the site visit provided Citizens with numerous suggestions to advance its quality program.

Sustainable Savings

Citizens Energy Group is achieving about \$87 million in annual savings since acquiring the community's water and wastewater utilities in 2011. Cumulative savings from the utility transfer are about \$329 million.

Efficiency savings will help hold down future rate increases, which will be necessary to finance badly needed improvements in the water and wastewater systems. As Citizens achieves savings, we are making process changes and investments that are improving safety, customer service, system reliability, environmental protection, water supply management and supplier diversity.

Citizens is improving the way it designs and builds system improvement projects, including the DigIndy Tunnel system. These value engineering efforts are providing savings, improving system reliability, while keeping Citizens on schedule to comply with a federal consent decree to nearly eliminate sewer overflows to area waterways by the year 2025. Consent decree projects are below the original budget, while producing better results for the environment.





Citizens is addressing the backlog of needed repairs on sewer lines by employing cured-in place piping (CIPP) technology to rehabilitate the lines and extend their service life by another 50-plus years.

Customer service improvements include a combined gas, water, and wastewater bill for most customers, combined monthly meter reading, an improved website with new self-service options, and more convenient payment options such as online billing for all customers.

Safety results are also being enhanced. Diligent inspection and maintenance of fire hydrants and designated hydrants for high volume users is leading to better hydrant reliability. A new pipeline locating vendor is providing better performance resulting in a 50 percent reduction in third party damage to utility facilities during 2014 while providing savings of about \$900,000.

Implementing a more efficient procurement and materials management process is yielding savings, while keeping the utility on track to achieve supplier diversity goals. From August 2011 until the end of 2014, Citizens spent more than \$300 million with diverse suppliers.

Proactive water and wastewater pipe replacement and pipeline rehabilitation efforts are reducing water and wastewater system failures. Fewer system failures will reduce repair costs, inconvenience to customers, loss of valuable water, and costly sewer backups.

Better processes related to water flow in the Central Canal, and releases from Morse and Geist Reservoirs are ensuring Citizens can deliver water more efficiently to customers during periods of high demand.

Sustaining Our Systems

Carefully planned inspections, maintenance and replacement programs have made Citizens a leader for providing safe, reliable utility service. These plans are backed by continually updated emergency preparedness plans. Citizens is bringing these same rigorous reliability and integrity metrics to Citizens water and wastewater utilities.

Water Operations

Since acquiring the water and wastewater systems in 2011, Citizens has invested \$230 million in the water system and \$294.2 million in the wastewater system to improve system reliability and environmental protection. At the same time, \$436.9 million has been invested in the ongoing Consent Decree projects.

Citizens is replacing aging water mains throughout the area.



Water System Investments:

- A main replacement program
- Review hydraulic network model to identify weak points and install new system improvement piping to provide better flow
- Replace and or install meters at key system locations to allow better monitoring and better system operation
- Repair and replace all out of service system pumps to in service status to minimize overworked segments of system
- Update leak detection program to identify leaks before they become a problem
- Conduct comprehensive system review and develop new demand forecast, hydraulic supply model, and network design model
- Update water supply study and plan, including an updated conservation plan

Citizens Sustains Historic Broad Ripple Dam

Citizens' Broad Ripple Dam Rehabilitation Project was recognized in March 2014 by the Indiana section of the American Council of Engineering Companies (ACEC) with the Grand Project Award for 2014. This is the highest honor awarded annually by ACEC to one project in recognition of "an outstanding engineering achievement that demonstrates the utmost degree of merit and ingenuity."

The Broad Ripple Dam was originally constructed in the 1830's as part of the Indiana Canal network to divert water from White River and into the Central Canal, the same function it serves today. The Broad Ripple Dam and Central Canal are responsible for supplying

water to the White River treatment plant that supplies more than 50 percent of the drinking water to the City of Indianapolis. The last major rehabilitation on the Broad Ripple Dam was performed during the 1920's.

The project was selected because a unique and original design brought substantial value and benefits to Citizens' customers, and the residents of the City of Indianapolis. The original replacement project for the Broad Ripple Dam had an estimated construction cost of over \$10 million. However, the final project cost for the rehabilitation was \$2 million. Instead of removing and replacing the entire dam, the project designers incorporated sections of the dam from the 1830's; and replaced sections from the 1920's. The design also reduced the dangers of undertow for anyone who would happen to be in the water near the dam.

Citizens Opens New Harbor Water Treatment Plant

Citizens opened its new Harbour Ground Water Treatment Plant in April 2015 near Noblesville. The plant replaces previous water treatment plants in that location that had been decommissioned due to design and capacity limitations.

The plant is able to supply an additional six million gallons per day (MGD) of water to the northern portion of our distribution system, which continues to experience growing demand. An additional benefit of the Harbour system is that it is located close to high demand areas and can help reduce stress on the existing distribution system, reduce energy costs associated with delivering water to these customers and create a more sustainable water system long term.

The Harbour Project also included installation of a new transmission main under Cicero Creek to connect the east and west portions of the well field providing supply to the plant. In addition, the project included rehabilitation of six existing ground water wells. Two additional wells will be added in 2015 to further ensure adequate water supply.

Citizens' operational effectiveness centers on its ability to deliver services through a safe and dependable system. This effectiveness is exemplified in the overall integrity of its distribution system that is measured in terms of the number of leaks per mile of pipe.

Wastewater System Investments:

- Repair and replacements of aging sewer mains
- Improvements to sewer treatment plants
- Continued work on construction of a combined sewer overflow system to minimize raw sewage overflows into the White River and other area streams
- Continued extension of sewer mains in conjunction with the Septic Tank Elimination Program (STEP)
- Upgrade SCADA monitoring system to assist in the reduction of sewer overflows

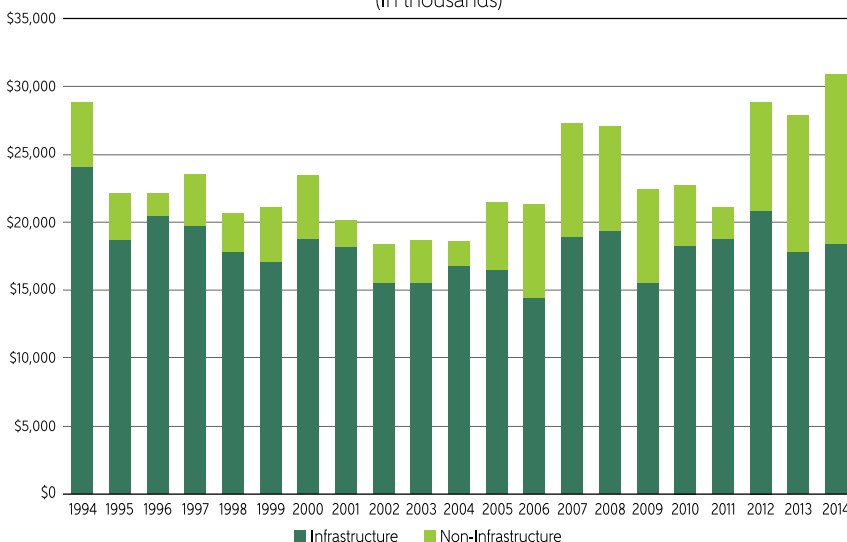
Energy Operations

Citizens spends a significant percentage of its annual energy capital budget on new and/or replacement infrastructure. This significant investment is further evidence of Citizens dedication to maintaining its gas system in a safe and reliable manner.

Since 1984 we have invested nearly \$600 million in our natural gas system to improve safety and reliability. Thanks to these investments more than 99 percent of our gas system is now safer plastic or protected steel pipe. The benefits of these investments was validated in 2014 when a leak survey study by Google Maps and the Environmental Defense Fund found only five tiny leaks on the Citizens natural gas system while thousands of leaks were found along the much older natural gas systems in New York and Boston.

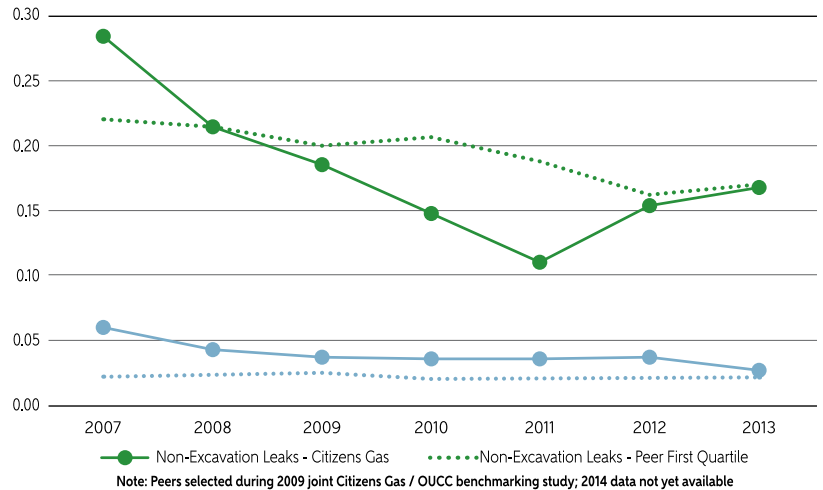
This chart below shows the capital invested in our gas distribution system infrastructure compared to the total annual capital. On average, Citizens spends approximately \$0.75 out of every \$1.00 of authorized capital on new and/or replacement infrastructure.

System Integrity - Investment in New/Replacement Infrastructure
(In thousands)



Gas System Integrity - Leaks per Mile of Main & Service

Data Source: SNL Financial (PHMSA Annual Gas Distribution Report F7100.1-1)



Note: Peers selected during 2009 joint Citizens Gas / OUCS benchmarking study; 2014 data not yet available

Leaks caused by a third party (i.e. contractors, homeowners, etc.) have remained relatively constant which is attributed to our ongoing pipeline safety/awareness messages. Non-Excavation leaks continue to decline overall which can be directly attributed to capital investments into the gas system infrastructure. The chart does indicate a slight increase in non-excavation leaks between years 2011 and 2012 due to the gas system density in the area being surveyed. 2011 resulted in the completion of a five year leak survey cycle and a slight increase at the end of a cycle is a normal occurrence.

Operating divisions utilize a variety of instruments to monitor the output and quality of the production and delivery processes.

These include a Gas Control Center, which monitors system pressures and flows on more than 4,000 miles of pipeline systems, and the Thermal Control Centers at Perry K and West Street Chilled Water, which monitors more than 47 miles steam and chilled water lines. The appropriate parameters are alarmed with visual and audible indications that notify the operators of any process problems. The operators are trained to react to the alarms and correct the relevant problems. In addition, computerized maintenance management systems are used to schedule and record maintenance activities.

Citizens maintains 24-hour remote video monitoring of all key facilities and we have staff available 24 hours a day 365 days a year to respond to customer requests and emergencies.

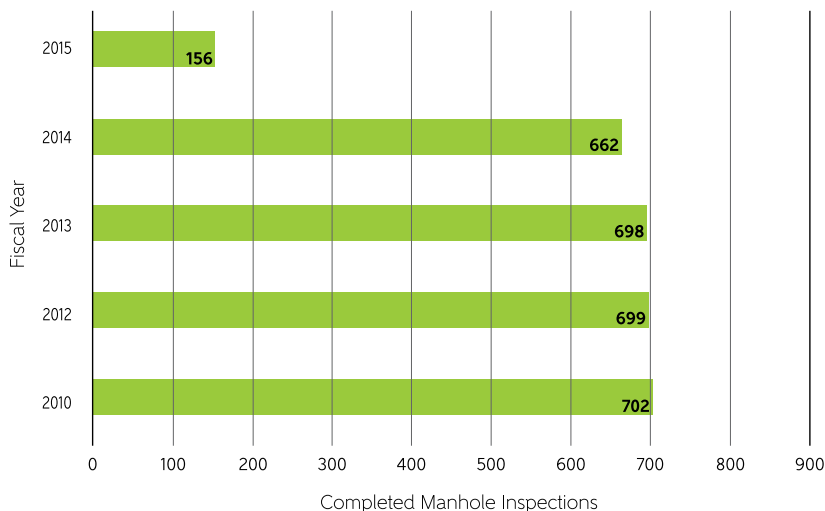
In addition to this monitoring and response capabilities, we have programmed inspection and maintenance of all gas piping systems, which meet or exceed state and federal laws. All of our work is conducted by employees or contractors who have been qualified under federal requirements to safely perform work on the gas piping system, and to respond to emergencies. In addition, our work is audited and inspected by outside agencies including the Pipeline Safety Division of the Indiana Utility Regulatory Commission and Aegis, our liability insurance carrier. We also subject our systems to audits conducted by third party engineering firms.

Citizens has implemented Integrity Management Programs for our distribution and high-pressure gas pipelines. This is a process of assessing and mitigating pipeline risks to reduce both the likelihood and consequence of incidents.

The Gas and Thermal Divisions test new production or delivery systems off-line to ensure systems operate as intended and the goals for the system are met. In the event off-line testing is unavailable, pilot programs are utilized to fine tune new systems. Similar techniques are used in modifications to boiler control systems and other critical applications so steam and chilled water service interruptions are avoided.

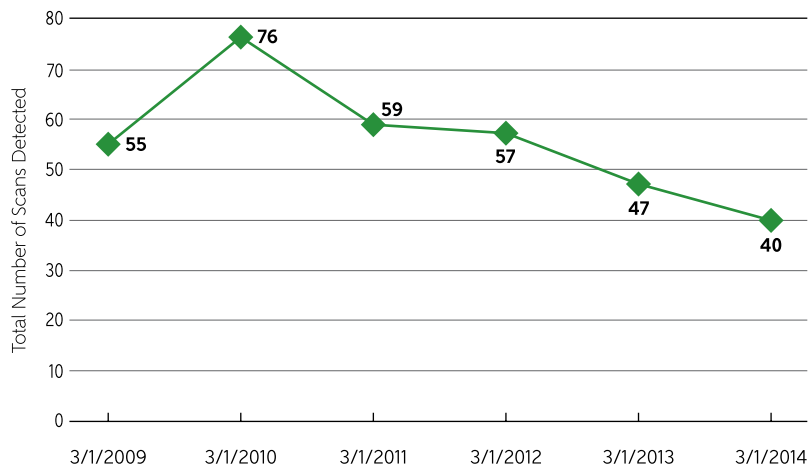
The steam distribution system contains 680 manholes that consist of an assortment of valves, traps, anchors, and expansion joints. These components are scheduled to be inspected once a year. Data from these inspections are compiled so we can schedule repairs with customer needs in mind. In order to provide the best service and minimize interruptions of service to our customers, we schedule this work to be completed at night, weekends, or sometimes on holidays. Whenever we have one of our main steam lines down for repair, once the work begins it will continue until all repairs are complete.

Fiscal Year Manhole Inspections



Citizens Thermal annually performs thermal infrared scans of its entire distribution system, which provides the utility with data to determine locations of existing leaks and "hot spots" within the distribution system that would not be detected at the surface level. Annually, Citizens Thermal spends about \$1,800,000 to repair manholes, replace customer service lines, repair mains, and upgrade the system's main steam valves and trap assemblies.

Steam Distribution Thermal Scans



Emergency Preparedness

Being properly prepared for an emergency is the first step to ensuring safety and reliability. Citizens uses a risk management process to identify and measure risks, and then develop effective solutions that ensure safety and reliability.

Communications with emergency responders and contractors is essential to effective emergency preparedness. Citizens communicates regularly with the local police, fire and EMT providers in the counties in which it operates to continually share information about our respective emergency response plans. For example, each year we hold training luncheons and dinners with emergency responders across our service territories to share the latest information on natural gas pipeline safety. We also periodically hold similar training events with third party contractors and excavators to make them aware of various aspects of pipeline safety.

Citizens also utilizes bill inserts, brochures and print and radio ads to communicate with the general public about water quality, home heating and pipeline safety.

Sustaining our Water Supply

Citizens has both short and long-term plans to sustain our water supplies.

The Perry K Steam Plant now operates on clean-burning, U.S. produced natural gas.



The Citizens Water Wise Plan focuses on ongoing water conservation efforts focused on reducing demand during periods of peak demand. The foundation of this plan is implementation of the Marion County Water Shortage Ordinance through Citizens' Drought Management Plan. The Drought Plan establishes tiers for water conservation measures that are tied to operational factors such as water levels in area reservoirs. The tiers range from a water shortage alert that calls for every other day mandatory water use restrictions to a water emergency that bans most outdoor water uses.

Continual communications with customers is a key factor in ensuring the ongoing success of Citizens Water Wise initiatives.

Citizens also has a water resource planning process that is part of a larger comprehensive resource planning process. The water planning process involves coordinated planning among four functional areas:

- **Water Operations** - Production and delivery of water
- **Corporate Development** - Focused on development of growth opportunities and acquisitions
- **Capital Program & Engineering** - Focused on the efficient, safe and reliable design of capital projects

The water planning process assumes coverage for Citizens' current service area plus wholesale water sales to adjoining communities. The design assumes a moderate drought with no mandatory restrictions on usage. It also assumes a long-term approach to securing supply utilizing a diverse portfolio of options.

About 60 percent of Citizens' supply and production are provided by the White River, Central Canal, Morse Reservoir, and the White River North and White River treatment plants. Fall Creek, Geist Reservoir, and the Fall Creek Treatment Plant provide 15 percent of total supply. Eagle Creek, Eagle Creek Reservoir, and TW Moses Treatment Plant provide 9 percent of supply. The remaining 16 percent is supplied by ground water from Citizens' nine well fields in the White River Aquifer.

Water supply is heavily weather dependent with average daily supply at 140 million gallons per day (mgd) and the all-time record daily supply of 233 mgd, established in late June 2012. During normal weather conditions, the Citizens Water system has 254 mgd available, but during a moderate drought the number falls to 217 mgd.

The planning process predicts peak system demand in 25 years using peak demand trends across the various distribution districts, demographic projections and aggregate pressure demands across the entire system.



A quarry in Hamilton County will become Citizens Reservoir, which will store 2.7 billion gallons of water.

Identified water resource options for the next 25 years include water conservation, system optimization, water reuse, local water supply, local water storage, purchased water, water use restrictions, and regional water resources.

The cost of the various water supply options varies widely with local supplies costing \$157 million and regional supplies costing up to \$800 million. The most cost effective supply scenario is using a mix of water conservation, water reuse, system optimization, local supply, local storage, water purchases and water use restrictions. Based on the various available scenarios, Citizens is prepared to meet the long term water supply needs of Central Indiana.

Citizens Reservoir

In July, Citizens announced plans for the development of Citizens Reservoir which will sustain Central Indiana's water supply for the next 15 years.

Citizens is acquiring an 88-acre quarry from IMI Materials to develop a reservoir that will store 2.7 billion gallons of water, which is more than 40 percent of the capacity of the adjacent Geist Reservoir. The reservoir will capture water now lost over Geist Dam during periods of heavy rain. When complete in 2020, the project will be the largest water supply source developed in Central Indiana since the opening of Eagle Creek Reservoir in 1962.

A recent study by the Indiana Chamber of Commerce indicated that Central Indiana needs another 50 million gallons per day of water supply to meet future needs. The new reservoir will provide 20

million gallons per day of water capacity necessary for population growth and economic development over the next 15 years. Water from the deep water reservoir will serve growing demand across the northern portion of Citizens water utility service area.

Citizens Reservoir is the most cost effective way to meet future water demand. Developing the quarry for water supply is a much more cost effective approach to meeting water demand than other options such as drilling new groundwater wells or constructing a regional reservoir.

Sustaining our Economy

A recent study commissioned by Citizens Energy Group found that about \$4.7 billion of system investments from 2011 to 2025 in its water, wastewater and natural gas systems will create or support about 100,000 good paying jobs in Indiana over the 14-year period.

These jobs will generate about \$3.9 billion in federal, state and local tax revenue. These tax revenues can be used to support schools and other infrastructure improvements to improve quality of life.

Citizens system investments will increase total economic output of the U.S. by about \$19.9 billion, including an \$11.2 billion boost to the Indiana economy.

Our investments will improve quality of life throughout Central Indiana by restoring area waterways and ensuring adequate water supply, which will fuel economic development and neighborhood revitalization.

Sustaining Thermal Operations

The 2013 conversion of Citizens Perry K Steam plant to burn natural gas rather than coal is sustaining our environment and the company's thermal energy business.

Perry K has burned coal since it opened in 1893 as an electric power plant. Today the plant produces steam to heat large buildings and industries throughout the downtown area. Facing increased federal clean air requirements, Citizens has decided to convert the plant's boilers to use clean-burning natural gas produced here in the U.S. Sticking with coal would have required much more extensive renovations to Perry K to meet new federal regulations designed to control a wide range of emissions including sulfur dioxide, nitrogen oxide, and particulates.

Faced with implementing the EPA's Boiler MACT II standards, Citizens determined that it could lower capital costs by approximately \$15 million by modifying the Perry K boilers to burn natural gas.

Natural gas is providing dramatic reductions in the full range of air emissions, including those that form ground level ozone. Natural gas use at Perry K also is reducing greenhouse gas emissions tied to global warming about 45 percent.

The conversion to natural gas is not simply a short-term bet on lower fuel costs. Considering all of the factors involved, converting Perry K to natural gas is the sustainable choice for our environment and our business.

Sustainable Growth

Part of Citizens Energy Group's mission is build and renew our businesses to remain competitive, add value and create the greatest long-term benefit for our customers and communities. Citizens is fulfilling this part of its mission by keeping its current businesses financially strong and through acquisitions and the development of new businesses.

Citizens Utilities of Westfield

Citizens Energy Group is excited about the 2014 acquisition of the water and wastewater utilities in Westfield. We have combined these operations with our previously acquired Westfield gas system to form Citizens Westfield. The new subsidiary of Citizens Resources continues to provide the outstanding service customers have come to enjoy, while ensuring water supply vital to the community's ongoing growth.

The new Citizens Westfield will have rates based on the operating costs and system investments necessary in Westfield, not the costs and investments necessary in Indianapolis. While the Westfield City Council has already approved rate increases in each of the next five years, Citizens estimates it will be able to reduce rate increases about 16 percent by the year 2022. Rates will be regulated by the IURC.

Kinetrex – Midwest's Leading Provider of LNG

Kinetrex Energy is becoming the leading supplier of liquefied natural gas in the Midwest. T. Boone Pickens joined Citizens Energy Group and Kinetrex Energy last June for the grand opening of Kinetrex's second liquefied natural gas facility located in Beech Grove. With two liquefied natural gas (LNG) facilities now open for business, Kinetrex Energy, a subsidiary of Citizens Resources, is becoming a leader in the LNG market.

Pickens, a legendary energy entrepreneur and advocate for alternative energy, calls for natural gas to power the country's heavy duty truck and fleet transportation system. His 2008 energy policy titled "The Pickens Plan" promotes enhanced U.S. energy security through a reduction in OPEC oil dependence and an expanded use of domestic resources.

"Washington today is focusing on exporting our expanding reserves of natural gas. There's a market for that, but we'd be better off as a county if we used this cleaner, cheaper energy resource to rebuild our economy, not another country's," said Pickens. "The private sector is leading where Washington isn't, and Kinetrex should be applauded for that, and for its efforts to reduce America's costly and dangerous dependence on OPEC oil."

As many large corporations launch their sustainability initiatives, LNG is a perfect solution to "green" their supply chain. LNG burns cleaner and costs less than other fuel sources, and reduces greenhouse gases by more than 20 percent. It also costs about 35-45 percent less than diesel fuel. That combination makes LNG a natural fit for trucking, mining drilling, marine, rail and industrial applications.

Based on market research, Kinetrex expects LNG demand in the Midwest to exceed 500,000 gallons per day by 2020. Kinetrex customers see LNG as a competitive alternative to diesel fuel for use in heavy-duty vehicles and off-highway applications.

Affordable, clean, and domestically abundant, natural gas is growing in popularity for a wide range of markets including transportation, power generation, energy production, and other high-horsepower applications.

- **Affordable** – Growing production of natural gas in the U.S. has resulted in a 68 percent decrease in the price of natural gas over the past six years. Natural gas prices have been very stable over the last five years, compared to petroleum based fuels which have been highly volatile due to world demand and overseas security threats. For more information see Henry Hub (henryhub.com).
- **Clean** – Natural gas is the cleanest burning fossil fuel, reducing carbon dioxide emissions 30 percent compared to oil-based fuels. For many applications, natural gas will allow you to meet EPA Tier 4 emission levels, helping you avoid additional compliance costs associated with diesel.
- **Abundant** – Thanks to growing production from shale formations, the United States now has more than a 100 year supply of natural gas.

Among Kinetrex's largest customers is UPS, which recently signed a 2 million gallon month contract with the new company to be its sole LNG supplier in the Midwest.

SUPPORTING A SUSTAINABLE COMMUNITY

Citizens is proud to support environmentally-focused initiatives and events throughout Central Indiana that promote development of a more sustainable community.

Promoting Energy Efficiency

The Citizens Gas rate structure included about \$3.3 million in funding in 2014 for the Citizens Energy Savers energy efficiency programs. Working with our Energy Efficiency Oversight Board, we believe we have developed a portfolio of programs that offer our customers a comprehensive set of tools to better manage their energy costs. Citizens Energy Savers rebates are available to residential and business customers towards the purchase of energy efficient equipment as well as insulation and duct sealing. Citizens Energy Savers also includes a Business Custom Program that offers incentives for projects to reduce natural gas consumption. The portfolio achieved a net therm savings of more than 1.7 million therms.

Conservation Education Outreach

Citizens continues to educate students on energy and water conservation. In partnership with the Indianapolis Colts and their popular mascot, Blue, Citizens introduced a school education program called Blue is the New Green. Blue and his emcee entertained students with fun games and bright visuals leaving them with a clear message about conservation. The show was presented at 20 Marion County schools in 2014 and more than 7,000 students participated. Citizens also completed our fourth conservation poster contest for Marion County students in kindergarten through eighth grade. Students were asked to create a poster that demonstrates conservation in their home or community. More than 1,300 students participated.

Historic Brick Manholes Become Works of Art

"Man, those are huge! What are they?" These are among the first words people probably say when driving past the Paramount School of Excellence on Brookside Parkway on the near eastside of Indianapolis.

The items they are referring to are actually two brick manholes that were installed in Indianapolis between 1927 and 1929 to provide access to the sewer below. A contractor working for Citizens recently removed these manholes from a near eastside location for the purpose of lining the sewer beneath. However, before our contractor could take these two manholes to the landfill to be discarded, eastside residents started an email campaign to save them.

In response to the campaign, Layne Inliner, a cured-in-place pipe lining contractor, assembled a team to move and install the manholes where they can be seen, appreciated and studied for their artistic appeal. We are grateful to Layne Inliner, Layne Civil, Sunbelt Rentals and FOSO Construction for moving and installing these new 'art sewers' without breakage," said Jan Diggins, Citizens Manager Community Relations and Groundwork Trust Steering Committee member. "These types of brick manholes are very rarely removed intact. Special thanks also to Shari Foster, Citizens Construction Manager, for managing the whole process."

"The opportunity to take something most people would see as gross or disgusting, and transform it into something beautiful and reverent is what his school is all about," said Tommy Reddicks, the Head of School/Executive Director at the Paramount School of Excellence. "Paramount School teachers will use these as teaching opportunities, not just about our underground infrastructure; but also about re-use, transformation, installation art and ecology.

Conservation Advertising

Citizens has partnered with the Indianapolis Colts, Indianapolis Motor Speedway and the Indianapolis Indians to promote energy efficiency and water conservation.

Water Education Outreach

Citizens has begun developing an education outreach program about the water cycle targeted at elementary school children. The program will compliment educational outreach by other organizations such as the Upper White River Watershed Alliance.

Home Energy Challenge Game and Kit Program

This program is a collaborative effort with Indianapolis Power and Light to encourage customers to take the Citizens Home Energy Challenge to learn ways to save energy. In addition to the education piece, the customer is mailed an energy efficiency kit with low flow fixtures and compact fluorescent light bulbs.

Multi-Family Low Flow Fixture Program

We targeted a variety of apartment communities with natural gas water heating and installed low-flow fixtures designed to reduce both natural gas and water consumption. In the low-income apartments we partnered with IPL and those tenants also received compact fluorescent lights.

Low Income Weatherization Program

Citizens continues to provide weatherization services to low income and working poor residents in Marion County. In addition to whole house weatherization which includes comprehensive weatherization improvements to low-income households with high energy use, in 2014, we introduced a furnace repair and replacement program. Citizens also partnered with Habitat for Humanity to include energy efficient furnaces and water heaters as well as improved shell measures in all of the homes they build in Marion County Comprehensive weatherization improvements, such as insulation and new furnaces and water heaters, can reduce a family's energy use nearly 35 percent.

EcoHouse Home Retrofit Program

This collaborative effort between the City of Indianapolis, the Indianapolis Neighborhood Housing Partnership (INHP) and the Department of Energy provided low interest loans for energy efficiency improvements to low to moderate income homeowners in Indianapolis. Through an energy audit, projected energy savings from improvements was determined. Citizens provided incentives to help offset the cost of insulation and air sealing measures up to 50% of the cost with a maximum incentive of \$1,600 making the monthly loan payment more in line with monthly energy savings.



Mike Miller, Manager of Construction for the Dig Indy Project, teaches some youngsters about the importance of clean water at the White River Festival.

Be WinterWise Event

For the past six years, Citizens Energy Group has sponsored a Be WinterWise Event during a Saturday in October. Customers attending the event have received information about energy conservation and safety. They also are eligible for free gift cards, free furnace checkups, and free smoke alarms and carbon monoxide detectors. This year Be WinterWise participants also received information on how to conserve water.

White River Cleanup

Volunteers removed nearly thirty tons of trash along the banks of the White River during the 27th annual White River Cleanup in April. Since the cleanup started, more than 1.5 million pounds of trash and debris have been collected from the banks of the White River.

The White River is not just a landmark in Indianapolis, it is our largest body of water and supplies drinking water to hundreds of thousands of Indianapolis residents each day. Citizens is currently working on major infrastructure improvement projects that will keep raw sewage out of the river. Cleanup efforts like the one today, however, are equally important when it comes to everyday maintenance.

Citizens Supports White River Alliance

In 2014 Citizens announced a two-year partnership with the White River Alliance's Clear Choices Clean Water program. The program aims to raise public awareness about the choices we make and the impacts those choices have on our community's water supply.

"Water is our most precious resource, and everyone plays a role in taking care of this asset," said Jeff Harrison, President and CEO. "By promoting programs like Clear Choices Clean Water, Citizens can help educate the community on simple steps to keep our water supply clean."

As part of the partnership, Citizens will promote Clear Choices Clean Water's online pledges. By taking a pledge, you are committing to use phosphorus-free fertilizer on your lawn, install native plants or pick up your pet's waste. Once you've taken the pledge, you will receive statistics telling you how much of an impact your contribution is making on our water supply. Take a pledge by visiting ClearChoicesCleanWater.org. Citizens' financial support allows for the creation of a new pledge focused on water conservation. The water conservation pledge will be available online this fall.

"People don't always understand how their individual actions impact the community as a whole," said Jill Hoffmann, Executive Director of the White River Alliance. "Just by using phosphorus-free and less fertilizer, for example, you can help prevent water pollution problems like excessive weeds, toxic algae blooms, bad tasting and smelling water, and low oxygen for fish and other aquatic life. Working together we can avoid problems like those recently faced in Toledo."

In addition to promoting the Clear Choices Clean Water program, Citizens was a proud sponsor of the White River Festival each of the past two years. The festival celebrated our local water supply and brought attention to the value of the White River and its connecting rivers and streams.

Sharing the Dream

On January 15 and 16, 266 Citizens Energy Group employees partnered with Indy Parks, the Indianapolis Parks Foundation, Marksmen Construction Services and Mitsch Design to restore Krannert Park during Citizens Seventh Annual Sharing the Dream event in honor of Dr. Martin Luther King Jr. Over \$200,000 in materials and supplies, in-kind work and hundreds of employee volunteer hours were contributed to restore Krannert Park, which is located on the west side of Indianapolis and offers water aerobics, swimming lessons, Zumba classes and other activities.

The Sharing the Dream event, which is conducted through Citizens unique partnership with Indy Parks, is not only intended to recognize the national holiday named in honor of Dr. King, but also emulate his commitment to serving others.

Through its Sharing the Dream projects, Citizens has invested about \$700,000 and over 1,000 employee volunteer hours each of the last seven years for improvements to the Brookside Park Family Center, the Martin Luther King park swimming pool bathhouse, the Pride Park Community Center, Municipal Gardens, the Eagle Creek Park Hide-A-Way Retreat, the Perry Park Ice Arena and Thatcher Park.

Earth Day Indiana

Citizens is a proud supporter of the Earth Day Indiana Festival where we have provided Indiana residents valuable information on how to conserve energy and water in their homes.

Reconnecting to Our Waterways

Citizens plays an active role in Reconnecting to Our Waterways a grassroots movement that is helping neighbors strengthen local waterways, and in turn, helping waterways strengthen neighborhoods.

Youth Outdoor Exploration

Citizens helps sponsor the Youth Outdoor Exploration, formerly the Dirty Dozen Hunting & Fishing Club. The Exploration provides outdoor programming for inner city youth focusing on conservation, fishing and hunting methods and safety.

Citizens Donates Furniture and Equipment from Waterway Building

Giving back to our community is a part of our "customer first" culture at Citizens. We lived up to this mantra recently when we donated hundreds of pieces of furniture and other surplus equipment from our Waterway Office Building to several agencies. The Waterway Office was sold to the City of Indianapolis.

Clark Lienemann, Executive Director at the Mary Rigg Neighborhood Center said, "You provided a wonderful upgrade of multiple staff work areas and a much needed facelift for Mary Rigg. Thank you so much for your thoughtful and generous donation!"

"Your donation made a huge impact on our program," said Emily Nauth, Center Director at East Tenth Children and Youth Center. "We commend you for taking the initiative to donate the furnishings you were not going to need to local nonprofits. It was a tremendous blessing to our organization and many others."



More than 200 Citizens employees revitalized Krannert Park during the seventh annual Sharing the Dream Project.





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