

## Citizens Energy Group - Becoming a Sustainability Leader Through Innovation, Viability and Education

Since it now has five utilities - natural gas, steam, chilled water, water and wastewater, Citizens Energy Group is not only better positioned to become a sustainable leader, but also positioned to play a leadership role in making Indianapolis a more sustainable city.

On November 23, 1887, when community leaders announced the formation of the Public Charitable Trust we now know as Citizens Energy Group, they were taking an innovative step towards making Indianapolis a more sustainable city. Civic leaders, such as Colonel Eli Lilly, believed the community's fledgling natural gas utility was a vital instrument for sustaining quality of life and economic development in Indianapolis. Those visionary leaders also believed the new gas company could be best sustained by establishing a public charitable trust that would protect these vital community assets from outside takeover and the short-term thinking of partisan politics.

While keeping our founders' commitment to sustainability in mind, Citizens was recently privileged to publish our first Sustainability Report to the Community.

(The report can be viewed by visiting [www.citizensenergygroup.com](http://www.citizensenergygroup.com), and then clicking on the 'Becoming a Sustainability Leader' banner on the home page. The report can also be accessed via [www.citizensenergygroup.com/sustainability](http://www.citizensenergygroup.com/sustainability).)

In this first Sustainability Report to the Community, Citizens shares how we are fulfilling the promise created by our founders to be wise and accountable stewards of the financial and natural resources entrusted to us. And, as Citizens completes its 125th year of service to the thriving capital of Indiana, sustainability remains the foundation of our vision to "fulfill the promise of the Trust to serve our customers and communities with unparalleled excellence and integrity."

To contribute to the sustainability of the community, Citizens is focused on:



- **Innovation** – We are being innovative and creative as we seek solutions or approaches to our business and environmental issues and opportunities, taking a proactive, analytical and long-term view.
- **Viability** – We are making responsible investments in our businesses to support their long-term viability.
- **Education** – We are strong advocates for environmental education and communication to support the development of a sustainability ethic in our community.

"These guiding principles for sustainability were central to our acquisition of the community's water and wastewater utilities in 2011," said Carey Lykins, Citizens' President and CEO. "These principles remain keys to the success of this transformational acquisition for the Trust and the communities we serve."

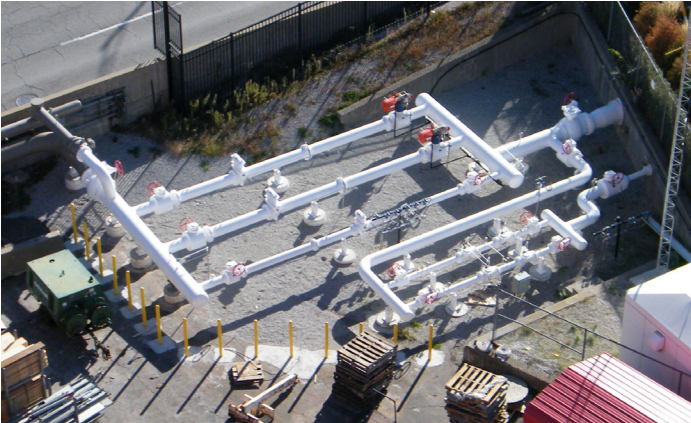
"Our efforts to sustain our environment are being achieved through unprecedented infrastructure investments such as DigIndy, a series of deep rock tunnels that will nearly eliminate combined sewer overflows

into area rivers and streams by the year 2025", said Jeff Harrison, Citizens' Senior Vice President of Engineering and Sustainability. "We also are sustaining our environment by maximizing the efficiency of our operations, so as to minimize our environmental footprint. Converting the primary engine of our thermal energy business, the Perry K Steam Plant, from coal to clean burning natural gas is a great example of increasing efficiency while lowering environmental impacts and ensuring business viability."

As Citizens continues to take steps in sustaining our business and environment, we are promoting a more sustainable community through conservation incentives to our customers, public outreach and education, and support of events and organizations such as the White River Cleanup and Earth Day Indiana. Although the achievement of our commitments will not be easy, Citizens is confident our commitments will make Indianapolis a more sustainable and better place to live.



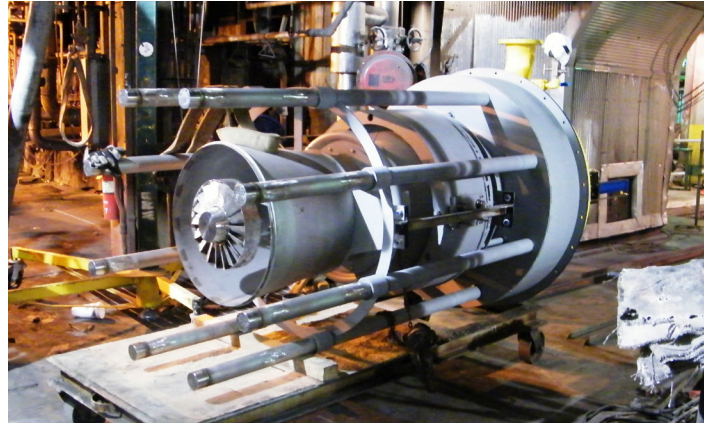
## Perry K's Natural Gas Conversion Update



*External piping modifications completed at Perry K for conversion to natural gas.*

Since July 2013, Citizens' Natural Gas Conversion Project has experienced plenty of activity. One major milestone was completed with the installation of the second natural gas feed to its Perry K Steam Plant. We now have two separate feeds that can supply all of the fuel needed to power the plant's boilers to maximum operation levels.

In addition to Perry K's external plant piping modifications, the internal gas piping installation has been completed to all of the boilers. To help minimize contractor mobilization costs and overall project costs, a project schedule was developed to keep the installation contractors on-site for the entire nine-month project.



*New gas burner is ready for installation.*

On October 1, 2013, the first boiler was removed from service for conversion from coal to natural gas. Demolition of the boiler's coal equipment took several weeks to complete, making room for the new natural gas fuel equipment and burners. By April 2014, two more boilers will be converted with the final boiler scheduled for conversion in June 2014.

Perry K produces the steam needed for heating many large buildings and industries in downtown Indianapolis. The steam is distributed to Citizens' customers through its district steam system, which is the second largest in the U.S.



*New gas burners being installed into boiler at Perry K.*



## Citizens Proudly Serves New Eskenazi Hospital through Chiller-Boiler Plant

In July 2010, the Health and Hospital Corporation (HHC) of Marion County that operates the newly-opened Sidney & Lois Eskenazi Hospital, and Eskenazi Health campus entered into an agreement with Citizens Energy Group to connect the new campus to the company's district energy heating and cooling systems. The agreement also called for Citizens to build, own and operate a Chiller-Boiler Plant (CBP) for the purpose of providing primary back-up chilled water and steam. Citizens also uses the new CBP as a secondary supply source for the steam system. The CBP was completed in the fall of 2012, on time and under the estimated budget.

The new, 1.2 million square foot Eskenazi Health campus sits on 37 acres along the northern end of the IUPUI campus, and replaces the old Wishard Memorial Hospital, located less than a quarter-of-a-mile away. Instead of being named the New Wishard Memorial Hospital, the facility was named in recognition of the \$40 million contribution of Sidney and Lois Eskenazi toward the new hospital campus.

December 7, 2013 marked the official opening of Eskenazi Hospital, when workers moved patients from Wishard to the new facility. The date also marked the final day of operations for Wishard, which was founded in 1855.

Citizens is privileged to provide Eskenazi Health with the required heating and cooling to operate its in-patient hospital,



*Citizens' Chiller-Boiler Plant with Eskenazi Hospital in the background.*

out-patient clinic, emergency room, women's health clinic and administrative office facilities.

The CBP has 6,000 tons of cooling capacity, which can be expanded to 9,000 tons and three boilers with a capacity of 70,000 pounds-per-hour, while burning either natural gas or Number 2 fuel oil. The CBP can be remotely monitored and controlled from both Citizens' West Street Chilled Water Plant and the Perry "K" Steam Plant.

"Connecting Eskenazi Health with our

heating and cooling systems, provides a win-win situation for both HHC and Citizens, said Bob Purdue, Director of Thermal Operations. "HHC benefits by avoiding capital expenditures on utility infrastructure, and can instead focus on providing quality healthcare; while connecting to a very reliable heating and cooling source. And, Citizens benefits by adding heating and cooling supply capabilities near some of our largest customers, and improved energy reliability for the entire IUPUI campus."

## Citizens Ranked Highest Gas Utility in Midwest for Customer Satisfaction



For the third year in a row, customers rated Citizens Energy Group the highest mid-size gas utility in the Midwest for customer satisfaction, according to an annual study by J.D. Power. Citizens announced it received the coveted J.D. Power Award on September 19, 2013.

"Achieving this honor for the third

Mike Strohl, Senior Vice President, Customer Relationships and Corporate Affairs, added that the J.D. Power Award is "indicative of the unwavering dedication and commitment Citizens employees have to preserving the utility's 125 year reputation for outstanding customer service."

The J.D. Power study, now in its 12th year, measures residential customer satisfaction with gas companies across six factors (listed in order of importance): billing and payment; price; corporate citizenship; communications; customer service; and field service. This is the fourth J.D. Power Award for Citizens.

Citizens' recognition came about a month after the second anniversary of the company's acquisition of the community's water and wastewater utilities. "We are confident that ongoing improvements like monthly meter reading for all customers and our new mobile website have raised overall customer satisfaction," Lykins said.

Strohl congratulated all Citizens employees for their role in achieving another J.D. Power Award. "At Citizens, all employees contribute in some way to serving our customers. Every employee at Citizens should take great pride in this achievement. I am confident this honor will deepen our commitment to our vision -- to fulfill the promise of the trust to serve our customers and communities with unparalleled excellence and integrity."

straight year is extraordinary given the sweeping changes to customer service that we implemented last fall, such as combined billing, a combined call center and combined meter reading for gas, water and wastewater customers. We greatly appreciate the patience our customers have had with us, and we are grateful for their continued loyalty," said Carey Lykins, President & CEO of Citizens Energy Group.

## Citizens Awaits Response to Filed Petition for Steam Rate Increase

Increase would pay for steam plant conversion to natural gas and help ensure financial stability



On June 6, 2013, Citizens Energy Group filed a petition with the Indiana Utility Regulatory Commission (IURC) to increase revenues for its steam distribution system by an average of 12.9 percent. Impacts on individual customers will vary.

"In today's increasingly competitive economy, Citizens is working hard to keep your utility costs as low as possible," said Carey Lykins, President and CEO of Citizens Energy Group. "Unfortunately, there are factors beyond our control, such as increasing federal clean air mandates, which make an increase in steam rates unavoidable."

The steam rate increase is necessary to ensure the financial stability of the steam utility and to recover debt service on new bonds. The new bonds will allow Citizens to convert the Perry K Steam Plant from coal to natural gas,

pay off an existing line of credit, and finance a necessary system expansion.

Converting Perry K to clean burning natural gas will significantly improve the air quality in Downtown Indianapolis and will allow Citizens to meet the new federal air emissions standards for boilers. Once completed in 2015, the conversion will provide \$15 million in capital savings and \$5 million in annual operating costs savings, allowing lower overall rates than if the utility continued to burn coal. Finally, natural gas provides a more stable fuel source than coal because gas production is increasing across North America, and Citizens has access to multiple gas supply basins through four interstate pipeline connections.

The rate increase will go into effect once approved by the IURC.

## Employee Spotlight — Bill Petty



Bill Petty

Bill Petty is the Manager of Market Development for Citizens Energy Group. One of Bill's duties is to be the primary contact for current Steam and Chilled Water customers. Please call him at 317-924-4742 if you any have questions or concerns. Bill also works with potential new customers to install steam and chilled water in their buildings downtown.

Bill joined Citizens in 2003, and has over 40 years of experience in the utility field.

Bill enjoys playing golf, traveling and spending time with his family. He is a big fan of the Colts, Pacers and the Ohio State Buckeyes.

Steam and Chilled Water Service  
Telephone Numbers

John Eddington,  
Superintendent, Facility Operations  
317-236-6710 (office)  
317-695-0688 (cell)

Bob Purdue,  
Director, Thermal Operations  
317-693-8701 (office)  
317-695-0512 (cell)

Bob Asher,  
Manager Customer Services  
& Distribution  
317-693-8704 (office)  
317-225-9602 (cell)

David Stewart,  
Marketing Sales Assistant  
317-261-8794

Bob Taber, Foreman,  
Customer Service & Metering  
317-693-8883 (office)  
317-27-1608 (cell)

Toll Free Number - Customer  
Service & Billing  
877-313-2467

Bob Anderson,  
Manager Operations & Maintenance  
317-693-8753 (office)  
812-946-6373 (cell)

Todd Fuller, Facilities Manager  
(Chilled Water Operations)  
317-236-6702 (office)  
317-695-2099 (cell)

Joe Ray,  
Operations Supervisor  
Chilled Water Operations  
317-236-6703 (office)  
317-431-2541 (cell)

Other telephone numbers:  
Marketing - Steam and Chilled Water

Bill Petty,  
Manager Market Development  
317-927-4742 (office)  
317-431-3358 (cell)

Steam and Chilled Water Service  
Emergency Contacts  
In the event of a steam or chilled water  
emergency, Citizens Thermal can be  
reached at the following numbers:

Steam Plant Operations  
Emergency 24-Hour Number  
(Steam Operations Control Room)  
317-261-8804

Shift Supervisor's Office  
317-261-8819

Ron Pinkins,  
Operations Supervisor  
317-693-8807 (office)  
317-431-4414 (cell)

Chris Braun,  
Vice President, Energy Operations  
317-927-4604 (office)  
317-508-1188 (cell)

Chilled Water Plant Operations  
Emergency 24-Hour Number  
(Chilled Water Control Room)  
317-236-6700