

**MINUTES OF THE JOINT MEETING  
OF THE BOARDS OF DIRECTORS OF  
CITIZENS ENERGY GROUP AND CWA AUTHORITY, INC.  
HELD SEPTEMBER 26, 2018**

Pursuant to notice duly given and posted as required by law, a joint meeting of the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group and the Board of Directors of CWA Authority, Inc. (jointly referred to as the "Board" unless otherwise noted) convened at 9:50 a.m., EST, Wednesday, September 26, 2018, at the offices of Citizens Energy Group ("Citizens"), 2150 Dr. Martin Luther King, Jr. Street, Indianapolis, Indiana.

All Board members were present at the meeting: Daniel C. Appel (Chair), Moira M. Carlstedt, Jeffrey E. Good, Christia Hicks, J.A. Lacy, Anne Nobles, Maria M. Quintana, Phillip A. Terry and Joseph E. Whitsett.

Present from Citizens: President and Chief Executive Officer, Jeffery A. Harrison; Senior Vice President and Chief Financial Officer, John R. Brehm; Senior Vice President and General Counsel, Jennett M. Hill; Senior Vice President and Chief Customer Officer, Michael D. Strohl; Vice President and Controller, Sabine Karner; Vice President of Customer Operations, Curtis Popp; Vice President of Regulatory and External Affairs, LaTona Prentice; Vice President of Human Resources and Chief Diversity Officer, Jodi Whitney; Vice President of Water Operations, Jeffrey A. Willman; Director of Corporate Affairs, Jeff Brown; Directors of Regulatory Affairs, Debi Bardhan and Korlon L. Kilpatrick.

Also present at the meeting were Michael B. Cracraft, partner with the law firm of Ice Miller LLP and David Wathen, Director and Executive Compensation Practice Leader with Willis Towers Watson.

The meeting was called to order by the Chair of the Board.

The Chair requested Board members to recuse themselves from any action items on the agenda if they identified a conflict. No items or conflicts were identified.

The Board considered the minutes of its last meeting. Upon a motion duly made and seconded, the Board unanimously approved the minutes of the joint meeting of the Boards of Directors of Citizens Energy Group and CWA Authority, Inc., held August 15, 2018. Thereafter, and upon a motion duly made

and seconded, the Board of Directors of CWA Authority, Inc. (the "CWA Board") unanimously approved the minutes of the meeting of the Board of Directors of CWA Authority, Inc. held August 29, 2018.

The Chair certified that the subjects discussed during the Executive Session of the Board held on September 26, 2018 was limited solely to the items set forth in the Public Notice, attached as Exhibit "A".

The Chair invited Ms. Prentice to provide a report on regulatory activities for consideration by the Board. Ms. Prentice then requested that the CWA Board authorize the wastewater utility to file a general rate case with the Indiana Utility Regulatory Commission. She highlighted some of the primary purposes of this rate case, chief among which was the need to recover the debt service associated with the federally-mandated Consent Decree which includes the implementation of a Long-Term Control Plan to curb the movement of combined sewer overflows into the city's waterways. Ms. Prentice also noted that the case seeks support for the Low-Income Customer Assistance Program proposed by CWA Authority Inc. ("CWA") that is designed to address growing issues of affordability in a city with rising poverty levels. Following discussion, and upon a motion duly made and seconded, the CWA Board unanimously approved the following:

**WHEREAS**, CWA Authority, Inc. ("CWA" or "Utility"), is an Indiana nonprofit corporation established pursuant to Indiana Code 23-17, 36-1-7 and 8-1-11.1 and the "Interlocal Cooperation Agreement for the Provision of Utility Services (Wastewater)" (the "Interlocal Agreement") among the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group ("Citizens Energy Group"), the City of Indianapolis (the "City") and the Sanitary District of the City, acting by and through the Board of Public Works (the "Sanitary District"); and

**WHEREAS**, pursuant to an Asset Purchase Agreement consummated on August 26, 2011, CWA acquired the wastewater utility assets formerly owned by the City and the Sanitary District; and

**WHEREAS**, the persons who are members of the Citizens Energy Group Board of Directors constitute the Board of Directors of CWA (the "CWA Board") pursuant to the provisions of the Interlocal Agreement and CWA's Articles of Incorporation; and

**WHEREAS**, pursuant to the Interlocal Agreement, Citizens Energy Group delegated to and vested in CWA all of Citizens Energy Group's powers that are necessary, useful or appropriate to acquiring, owning and operating the wastewater utility system; and

**WHEREAS**, the CWA Board has the statutory powers of Citizens Energy Group to adopt rates and charges and terms and conditions for the provision of utility service under Indiana Code Section 8-1-11.1-3(c)(9); and

**WHEREAS**, such rates and charges and terms and conditions adopted pursuant to Indiana Code Section 8-1-11.1-3(c)(9) “shall be in effect only after the rules and rates have been filed with and approved by the Commission” and “only after determining compliance of the rates of service with IC 8-1.5-3-8 and IC 8-1.5-3-10”; and

**WHEREAS**, the existing rates and charges for wastewater service of CWA were placed into effect on September 1, 2017, following the issuance of the Commission’s Order in CWA’s last rate case in Cause No. 44685 and a debt service true-up compliance filing CWA submitted to the Commission on August 21, 2017; and

**WHEREAS**, a System Integrity Adjustment (“SIA”) for CWA was implemented on January 1, 2018, following the issuance of the Commission’s Order approving CWA’s SIA petition in Cause No. 44990; and

**WHEREAS**, on September 17, 2018, CWA filed a petition with the Commission proposing revised SIA rates to become effective on January 1, 2019; and

**WHEREAS**, management of CWA has completed accounting and other reports analyzing the Utility’s annual revenue requirements, as well as a cost-of-service study by customer class, and has recommended to the CWA Board that it approve revised rates and charges for wastewater service to be implemented in three phases, and revised terms and conditions for wastewater service; and

**WHEREAS**, based upon its consideration of the foregoing information, the CWA Board now finds that: (i) the existing schedule of rates and charges for wastewater service does not produce revenues sufficient to provide for all the legal and other necessary expenses incident to the operation of the wastewater utility (including, but not limited to, maintenance costs, operating charges, upkeep, repairs, depreciation and interest charges on bonds or other obligations, including leases), to provide a sinking fund for the liquidation of bonds or other obligations, to provide a debt service reserve for bonds or other obligations, to provide adequate money for working capital, to provide adequate money for making extensions and replacements in excess of depreciation, and to provide funds for the payment of taxes and, therefore, such rates and charges are not “reasonable and just rates and charges for service” within the meaning of Indiana Code Section 8-1.5-3-8; (ii) CWA’s schedule of rates and charges for wastewater service needs to be revised in order to recover each of the revenue requirements allowed under Indiana Code Section 8-1.5-3-8; (iii) CWA’s schedule of rates and charges needs to be further adjusted to more accurately reflect cost of service by customer class and move each customer class closer to the cost to serve that class while promoting the principle of “gradualism” through rate design and other techniques; (iv) the schedule of rates and charges for wastewater service should include new Rider C, a Low-Income Customer Assistance Program; and (v) CWA’s proposed rates and charges for Phase 1, Phase 2, and Phase 3 are designed to be sufficient to meet the revenue requirement elements of Indiana Code Section 8-1.5-3-8 and produce total annual operating revenues of approximately \$308 million in Phase 1, \$323 million in Phase 2, and \$334 million in Phase 3; and

**WHEREAS**, the CWA Board authorizes and directs management of CWA to file with the Commission a Verified Petition and the Direct Testimony and Exhibits constituting CWA's case-in-chief, and take such additional action as deemed necessary and desirable, in support of the Commission granting the relief set forth above.

**NOW, THEREFORE, BE IT RESOLVED**, that pursuant to Indiana Code Sections 8-1.5-3-8 and 8-1-11.1-3.1, the attached revised schedule of rates and charges for Phase 1, Phase 2, and Phase 3 and terms and conditions of wastewater service are hereby approved by the CWA Board, subject to approval thereof by the Commission.

The Chair addressed management's request to approve the filing set forth in System Integrity Adjustment (SIA) 2. Upon a motion duly made and seconded, the CWA Board unanimously approved the following:

**WHEREAS**, on September 28, 2017, CWA Authority, Inc. ("CWA") filed a petition with the Indiana Utility Regulatory Commission ("IURC") in Cause No. 44990 seeking approval to implement a System Integrity Adjustment ("SIA") pursuant to Ind. Code § 8-1-31.5-12; and,

**WHEREAS**, the SIA in accordance with Ind. Code § 8-1-31.5-1 *et seq.* is designed to recover from or credit to customers an adjustment amount by which a utility's actual revenues for a twelve-month period differ from a utility's authorized revenues for the same twelve-month period; and,

**WHEREAS**, on December 28, 2017, the IURC approved CWA's proposed SIA and corresponding SIA 1 Rate, which CWA implemented on January 1, 2018; and,

**WHEREAS**, pursuant to Ind. Code § 8-1-31.5-13 and the Order in Cause No. 44990, CWA is required to file a petition for a change in its SIA amount prior to October 28, 2018; and,

**WHEREAS**, CWA management and staff determined the actual revenues for the twelve months ending July 2018 are less than the authorized revenues for the same period, which results in a changed SIA amount of \$9,949,843 and an SIA 2 Rate of \$0.4461 per 1,000 gallons; and,

**WHEREAS**, on September 17, 2018, CWA filed a petition with the IURC in Cause No. 44990 SIA 2 for approval to implement the changed SIA amount and SIA 2 Rate.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF CWA AUTHORITY, INC. (the "Board"), THAT:**

**SECTION 1.** The foregoing recitals are incorporated herein by reference and are ratified, confirmed, and approved.

**SECTION 2.** The filing of the proposed rates in Cause No. 44990 SIA 2 with the IURC for approval to implement a rate schedule to establish a System Integrity Adjustment rate of \$0.4461 per 1,000 gallons (\$0.3346 per CCF) ("SIA 2 Rate") that will

be applicable to Sewer Rate No. 1, Sewer Rate No. 4, and Sewer Rate No. 6, is hereby ratified, confirmed, and approved, subject to approval thereof by the IURC.

**SECTION 3.** The Board authorizes management and staff to modify the rates in accordance with the terms and the Order in Cause No. 44990 SIA 2, subject to and upon approval by the IURC.

The Chair also addressed management's request to approve the filing set forth in Gas Cost Adjustment (GCA) 139. Upon a motion duly made and seconded, the Board of Directors of Citizens Energy Group unanimously approved the following:

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS FOR UTILITIES OF THE DEPARTMENT OF PUBLIC UTILITIES OF THE CITY OF INDIANAPOLIS** that the updated filing of the proposed GCA rates in Cause No. 37399 GCA 139 with the IURC for the months of September, October and November 2018 is hereby confirmed, approved, and ratified. Pursuant to the terms of the monthly GCA mechanism, the management and staff hereby are authorized to modify the GCA rates for each of the months September, October and November 2018 in accordance with the terms of the GCA75 Order and the Order in Cause No. 37399 GCA 139, which was approved by the IURC on August 29, 2018.

The Chair then addressed management's request to approve the filing set forth in Fuel Cost Adjustment (FAC) 51. Upon a motion duly made and seconded, the Board of Directors of Citizens Energy Group unanimously approved the following:

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS FOR UTILITIES OF THE DEPARTMENT OF PUBLIC UTILITIES OF THE CITY OF INDIANAPOLIS** that the FAC 51 rate of \$0.44816, subject to approval by the IURC, is hereby confirmed, and approved with an effective date of November 1, 2018.

Next, the Chair invited Mr. Terry to provide a report from the Compensation and Finance Committee (the "Committee"). Mr. Terry asked Mr. Wathen to present Willis Towers Watson's ("WTW") executive compensation benchmarking analysis for fiscal year 2019. Following Mr. Wathen's report and taking the analysis into consideration, Mr. Terry reviewed for the Board the Committee's recommendations. He then proposed resolutions consistent with the Committee's recommendation and the WTW report for the Board's consideration and approval. Following discussion, and upon a motion duly made and seconded, the Board unanimously approved the following:

**WHEREAS**, by statute, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis (the "Board") has the "exclusive government,

management, regulation and control of all public utilities consisting of any waterworks, gasworks . . . heating and power plants of any kind [owned and] operated [by the Board] ... within the city, or outside the city . . .” IC 8-1-11.1-3(a); and

**WHEREAS**, the Board also has the statutory power to “employ such managers . . . and other employees necessary for the proper carrying on and operation of any such utility plant or plants . . . and to fix the compensation of all such employees” and in so doing “shall consider character, training, and general expert and executive fitness and experience for the position in the particular utility to which such [executive] is to be assigned as the necessary requirements . . . .” IC 8-1-11.1-3(c)(4); and

**WHEREAS**, the Board has periodically reviewed and made necessary changes in the base pay and other compensation for executives employed by the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group based upon the recommendations of the Compensation and Finance Committee of the Board (the “Committee”) and its consideration of an analysis of executive compensation performed by a third-party compensation expert and other factors, such as the current level of compensation in the primary market for executive talent necessary to perform the duties of each executive position within Citizens Energy Group; and

**WHEREAS**, the Committee engaged leading compensation consultant Willis Towers Watson to prepare for its consideration and the Board’s information a competitive benchmarking analysis for certain executive positions within Citizens Energy Group; and

**WHEREAS**, on September 26, 2018, Mr. David Wathen of Willis Towers Watson presented to the Committee the executive compensation benchmarking analysis for fiscal year 2019 and the Committee indicated that it would take the information in the analysis under advisement in making recommendations to the Board for its use in setting executive compensation for the fiscal year beginning October 1, 2018; and

**WHEREAS**, based upon the recommendation of the Committee, input from officers of Citizens Energy Group who are responsible for the delivery of utility services provided by seven regulated utilities, and consideration of other factors, the Board has determined that (a) the primary market for talent for the officers of Citizens Energy Group consists of a blended peer group of public power utilities and investor owned utilities with annual revenues between one-half to two times the annual revenues of Citizens Energy Group, (b) the secondary market reference point for an officer performing a functional role should be general industry, (c) the targeted market pay position should be the market 50<sup>th</sup> percentile, and (d) the targeted market pay component should be target total direct compensation; and

**WHEREAS**, the Board understands that in compliance with the Indiana Utility Regulatory Commission’s (“Commission”) directive in the last CWA Authority, Inc. (“CWA”) rate case Order in Cause No. 44685, CWA will file with the Commission a municipal-only compensation study along with its case-in-chief and will explain in its testimony in support of reasonable and just rates and charges for services why it disagrees with the use of that study in the determination of compensation for officers of Citizens Energy Group, given that it is the Board’s duty and prerogative by statute “to fix compensation of all such employees” IC 8-1-11.1-3(c)(4); and

**WHEREAS**, it has been over four years since the Committee and the Board have reviewed the design of the compensation programs for Citizens Energy Group and the Committee and the Board believe that changes in program design are necessary to align the Board's current compensation programs with the competitive market for executive talent; and

**WHEREAS**, based upon the recommendation of Willis Towers Watson, the Committee's recommendations to the Board, and the results of its own consideration of the comparison of the mix in base pay and incentive pay to market practice, the Board determines that it is necessary and appropriate to adopt the following design changes to the compensation program for officers of Citizens Energy Group: (i) implement a tiered target Short-Term Incentive Pay ("STIP") Plan effective FY2019 (i.e., CEO = 50 percent, Officers = 35 percent) for all officers to ensure target cash compensation is competitive with the market medium, and (ii) remove the cap on STIP award levels to allow maximum award opportunity of 150% of target STIP.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS FOR UTILITIES OF THE DEPARTMENT OF PUBLIC UTILITIES OF THE CITY OF INDIANAPOLIS (the "Board"), that:**

**SECTION 1.** The foregoing recitals are incorporated herein by reference and are ratified, confirmed, and approved.

**SECTION 2.** After consultation with Willis Towers Watson, review of the Willis Towers Watson ("WTW") Executive Compensation Benchmarking Analysis for FY2019 dated September 26, 2018 (a copy of which is attached hereto as Exhibit "B") and Committee's recommendations to the Board, the Board hereby adopts the compensation set forth in Exhibit "C" for each of the listed officers for the fiscal year beginning October 1, 2018.

**SECTION 3.** The Board, having considered the necessary and appropriate measures for inclusion in the Short-Term Incentive Plan for fiscal year 2019, hereby adopts the following design changes: (i) implement a tiered target STIP award opportunity structure (i.e., CEO = 50 percent, Officers = 35 percent) for all officers to ensure target cash compensation is competitive with the market medium, and (ii) remove the cap on STIP award levels to allow maximum award opportunity of 150% of target STIP.

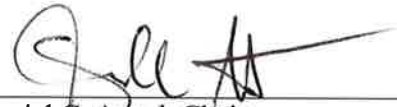
Mr. Terry acknowledged that the Committee was satisfied with the proposed 2019 budget and long range forecast for Citizens and CWA (the Citizens Energy Group and CWA Authority, Inc. Fiscal Year 2109 Budget and 2018 – 2023 Forecast) and recommended approval to the Board. The Board acknowledged management's continued dedication to the delivery of safe, reliable and quality services as it focused on containing the costs of managing these businesses. Following discussion, and upon a motion duly made and seconded, the Board unanimously approved the Citizens Energy Group and CWA

Authority, Inc. Fiscal Year 2109 Budget and 2018 – 2023 Forecast. Thereafter, and upon a motion duly made and seconded, the Citizens Energy Group Board unanimously approved the following:

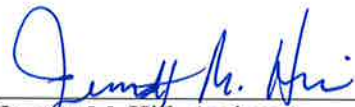
**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS FOR UTILITIES OF THE DEPARTMENT OF PUBLIC UTILITIES OF THE CITY OF INDIANAPOLIS (the “Board”), that the necessary and appropriate officers of Citizens Energy Group are hereby authorized and directed to file a gas rate decrease to reflect the Customer Benefit Policy distribution approved by the Board, which represents an overall decrease of \$410,000 for 2019.**

Mr. Brehm also reviewed and recommended approval for the proposed Disposition of Funds – Estimate for Fiscal Year Ended September 30, 2019 for Citizens Energy Group and CWA Authority, Inc. Following discussion, and upon a motion duly made and seconded, the Board unanimously approved the Citizens Energy Group and CWA Authority, Inc. Disposition of Funds – Estimate for Fiscal Year Ended September 30, 2019, attached as Exhibit “D”.

The Chair then invited public comment. There being no public comment and no further business, the meeting was adjourned.



Daniel C. Appel, Chair  
Board of Directors



Jennett M. Hill, Assistant Secretary  
Board of Directors