

COPY

FILED

APR 12 2011

INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF THE BOARD OF DIRECTORS)
 FOR UTILITIES OF THE DEPARTMENT OF PUBLIC)
 UTILITIES OF THE CITY OF INDIANAPOLIS, D/B/A)
 CITIZENS ENERGY GROUP, CWA AUTHORITY,)
 INC., THE CITY OF INDIANAPOLIS AND ITS)
 DEPARTMENT OF WATERWORKS AND ITS)
 SANITARY DISTRICT FOR APPROVALS IN)
 CONNECTION WITH THE PROPOSED TRANSFER)
 OF CERTAIN WATER UTILITY ASSETS TO THE)
 BOARD AND THE PROPOSED TRANSFER OF)
 CERTAIN WASTEWATER UTILITY ASSETS TO)
 THE AUTHORITY, INCLUDING: (A) APPROVAL OF)
 INITIAL RATES AND RULES FOR WATER AND)
 WASTEWATER SERVICE, AS WELL AS THE)
 TERMS OF CERTAIN AGREEMENTS FOR)
 WASTEWATER TREATMENT AND DISPOSAL)
 SERVICE; (B) APPROVAL OF AN ENVIRONMENTAL)
 COMPLIANCE PLAN UNDER IND. CODE 8-1-28 AND)
 AN ADJUSTMENT MECHANISM FOR)
 WASTEWATER RATES TO PROVIDE TIMELY)
 RECOVERY OF COSTS NECESSARY TO COMPLY IN)
 WHOLE OR IN PART WITH THE SAFE DRINKING)
 WATER ACT AND/OR CLEAN WATER ACT; (C))
 APPROVAL OF PROPOSED ALLOCATIONS OF)
 CORPORATE SUPPORT SERVICES COSTS AMONG)
 AFFECTED UTILITIES; (D) APPROVAL OF AN)
 OPERATING AGREEMENT BETWEEN CITIZENS)
 ENERGY GROUP AND CWA AUTHORITY, INC.; (E))
 APPROVAL OF DEPRECIATION RATES AND)
 OTHER ACCOUNTING MATTERS RELATED TO)
 THE WATER AND WASTEWATER ASSETS; AND (F))
 ANY OTHER APPROVALS NEEDED IN)
 CONNECTION THEREWITH)

CAUSE NO. 43936

**VERIFIED PETITION TO REOPEN THE RECORD AND FOR
 LEAVE TO SUBMIT A SETTLEMENT AGREEMENT AND EVIDENCE
 IN SUPPORT OF THE PROPOSED RESOLUTION OF ISSUES IN THIS CAUSE**

Joint Petitioners, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as trustee of a public charitable trust, d/b/a Citizens Energy Group, CWA Authority, Inc. and the Consolidated City of Indianapolis, Indiana, and its Department of

Waterworks and its Sanitary District, pursuant to 170 IAC 1-1.1-17 and 170 IAC 1-1.1-22, respectfully petition the Commission to reopen the record in this proceeding for the purpose of filing a Settlement Agreement and evidence in support of the Settling Parties' proposed resolution of issues presented in this Cause. In support thereof, Joint Petitioners state as follows:

1. The evidentiary hearings in this proceeding concluded on February 23, 2011 and the record was closed, subject to the filing of proposed orders, exceptions and replies.

2. Under the agreed post-hearing briefing schedule, as amended, Joint Petitioners were to file their Proposed Order on or before April 1, 2011. For the reasons set forth below, Joint Petitioners did not file their Proposed Order.

3. The Commission has not approved a final order in this Cause.

4. Following the conclusion of the hearings, Joint Petitioners began preparing their proposed order for filing with the Commission and also engaged in settlement discussions with the Indiana Office of the Utility Consumer Counselor ("OUCC") and the other Settling Parties. Those discussions resulted in the Settlement Agreement attached hereto as Exhibit A.

5. The evidence Joint Petitioners request leave to be offered will support the Settling Parties' proposed resolution of the issues presented in this Cause, will not be merely cumulative of evidence that is already in the record and could not have been reasonably foreseen prior to closing the record.

6. Joint Petitioners respectfully suggest that granting the relief requested in this verified petition to reopen the record is in the public interest and will assist the Commission in reaching a decision on the matters pending in this proceeding.

7. Joint Petitioners are authorized to represent that none of the parties to this proceeding object to the request to reopen the record as set forth herein.

WHEREFORE, Joint Petitioners respectfully petition the Commission to reopen the record, grant leave to file the attached Settlement Agreement and evidence in support of a proposed resolution of issues presented in this Cause and for all other appropriate relief.

Respectfully submitted,

The Consolidated City of Indianapolis, Indiana, the Department of Waterworks of the City of Indianapolis and the Sanitary District of the City of Indianapolis

By: _____

James R. Pope
Fred E. Schlegel
Regina M. Sharrow
Peter L. Hatton

BAKER & DANIELS
300 North Meridian Street, Suite 2700
Indianapolis, Indiana 46204-1782

The Board of Directors for Utilities of the Department of Public Utilities of the City, as trustee of a public charitable trust, d/b/a Citizens Energy Group and CWA Authority, Inc.

By: _____

Michael E. Allen
CITIZENS ENERGY GROUP
2020 N. Meridian Street
Indianapolis, IN 46202

Michael B. Cracraft
Steven W. Krohne
Philip B. McKiernan
HACKMAN HULETT & CRACRAFT, LLP
111 Monument Circle, Suite 3500
Indianapolis, IN 46204-2030

VERIFICATION


I, Michael E. Allen, do hereby swear and affirm under the penalties of perjury, that the representations set forth herein are true and correct to the best of my knowledge, information and belief.

A handwritten signature in black ink, appearing to read 'M E Allen', written over a horizontal line.

Michael E. Allen
Citizens Energy Group

VERIFICATION

I, James R. Pope, do hereby swear and affirm under the penalties of perjury, that the representations set forth herein are true and correct to the best of my knowledge, information and belief.



James R. Pope
Baker & Daniels

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Verified Petition was served upon the following by delivering a copy thereof electronically or by U.S. Mail, postage prepaid, this 12th day of April, 2011:

Indiana Office of Utility Consumer Counselor

A. David Stippler
Daniel LeVay
Randall C. Helmen
Lorraine Hitz-Bradley
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street, Suite 1500S
Indianapolis, IN 46204
dstippler@oucc.in.gov
dlevay@oucc.in.gov
rhelmen@oucc.in.gov
lhitzbradley@oucc.in.gov
infomgt@oucc.in.gov

The Indianapolis Water Service Advisory Board

John M. Davis
CHURCH, CHURCH, HITTLE & ANTRIM
938 Conner Street
P.O. Box 10
Noblesville, Indiana 46060
davis@cchalaw.com

Citizens Action Coalition of Indiana, Inc.

Jerome E. Polk
POLK & ASSOCIATES, LLC
101 W. Ohio St., Ste. 2000
Indianapolis, IN 46204
jpolk@polk-law.com

The Indianapolis Water/Sewer Industrial Group

Bette J. Dodd
Timothy L. Stewart
LEWIS & KAPPES
2500 One American Square
Box 82053
Indianapolis, IN 46282-0003
bdodd@lewis-kappes.com
tstewart@lewis-kappes.com

United Water Services Indiana LLC

Michael E. Terrell (Atty. No. 2124-49)
Donald C. Biggs (Atty. No. 3680-49)
TAFT STETTINIUS & HOLLISTER LLP
One Indiana Square, Suite 3500
Indianapolis, IN 46204
mterrell@taftlaw.com
dbiggs@taftlaw.com

Veolia Water Indianapolis, LLC

Teresa Morton
T. Joseph Wendt
BARNES AND THORNBURG, LLP
11 South Meridian Street
Indianapolis, IN 46204
tmorton@btlaw.com
jwendt@btlaw.com

Town of Pittsboro, Indiana

Larry J. Wallace

James A. L. Buddenbaum

Timothy L. Karns

**PARR RICHEY OBREMSKEY FRANSEN &
PATTERSON LLP**

201 N. Illinois Street, Suite 300

Indianapolis, IN 46204

lwallace@parrlaw.com

jbuddenbaum@parrlaw.com

tkarns@parrlaw.com



An Attorney for Joint Petitioner
Citizens Energy Group

James R. Pope

Fred E. Schlegel

Regina M. Sharrow

Peter L. Hatton

BAKER & DANIELS

300 North Meridian Street, Suite 2700

Indianapolis, Indiana 46204-1782

Michael E. Allen

CITIZENS ENERGY GROUP

2020 N. Meridian Street

Indianapolis, IN 46202

Michael B. Cracraft

Steven W. Krohne

Philip B. McKiernan

HACKMAN HULETT & CRACRAFT, LLP

111 Monument Circle, Suite 3500

Indianapolis, IN 46204-2030

*The Consolidated City of Indianapolis,
Indiana, the Department of Waterworks of
the City of Indianapolis and the Sanitary
District of the City of Indianapolis*

*The Board of Directors for Utilities of the
Department of Public Utilities of the City, as
trustee of a public charitable trust, d/b/a
Citizens Energy Group and CWA Authority,
Inc.*

**BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION**

**JOINT PETITION OF THE BOARD OF DIRECTORS FOR)
UTILITIES OF THE DEPARTMENT OF PUBLIC UTILITIES OF)
THE CITY OF INDIANAPOLIS, D/B/A CITIZENS ENERGY)
GROUP, CWA AUTHORITY, INC., THE CITY OF)
INDIANAPOLIS AND ITS DEPARTMENT OF WATERWORKS)
AND ITS SANITARY DISTRICT FOR APPROVALS IN)
CONNECTION WITH THE PROPOSED TRANSFER OF)
CERTAIN WATER UTILITY ASSETS TO THE BOARD AND)
THE PROPOSED TRANSFER OF CERTAIN WASTEWATER)
UTILITY ASSETS TO THE AUTHORITY, INCLUDING: (A))
APPROVAL OF INITIAL RATES AND RULES FOR WATER)
AND WASTEWATER SERVICE, AS WELL AS THE TERMS OF)
CERTAIN AGREEMENTS FOR WASTEWATER TREATMENT)
AND DISPOSAL SERVICE; (B) APPROVAL OF AN)
ENVIRONMENTAL COMPLIANCE PLAN UNDER IND. CODE)
8-1-28 AND AN ADJUSTMENT MECHANISM FOR)
WASTEWATER RATES TO PROVIDE TIMELY RECOVERY)
OF COSTS NECESSARY TO COMPLY IN WHOLE OR IN PART)
WITH THE SAFE DRINKING WATER ACT AND/OR CLEAN)
WATER ACT; (C) APPROVAL OF PROPOSED ALLOCATIONS)
OF CORPORATE SUPPORT SERVICES COSTS AMONG)
AFFECTED UTILITIES; (D) APPROVAL OF AN OPERATING)
AGREEMENT BETWEEN CITIZENS ENERGY GROUP AND)
CWA AUTHORITY, INC.; (E) APPROVAL OF DEPRECIATION)
RATES AND OTHER ACCOUNTING MATTERS RELATED TO)
THE WATER AND WASTEWATER ASSETS; AND (F) ANY)
OTHER APPROVALS NEEDED IN CONNECTION)
THEREWITH)**

CAUSE NO. 43936

SETTLEMENT AGREEMENT

This Settlement Agreement, which includes the stipulations and conditions set forth in Attachment 1 attached hereto and incorporated herein by reference ("Attachment 1"), (the main body hereof and Attachment 1 collectively the "Settlement Agreement"), is made as of the 11th day of April, 2011, and entered into by and among the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group (the "Board" or "Citizens"), CWA Authority, Inc. (the "Authority"), the City of Indianapolis (the "City") and its Department of Waterworks ("DOW") and its Sanitary District ("Sanitary District"), the Indianapolis Water Service Advisory Board, the Indiana Office of Utility Consumer Counselor (the "OUCC") and the Indianapolis Water/Sewer Industrial Group (the

“Industrial Group”¹) (collectively the “Settling Parties”). Citizens, the Authority and the City are sometimes referred to collectively herein as the “Joint Petitioners.”

WHEREAS, on August 11, 2010, in Cause No. 43936, the Joint Petitioners filed their Verified Joint Petition requesting approvals from the Indiana Utility Regulatory Commission (“Commission”) relating to the proposed acquisition of certain water utility assets by the Board from the City and DOW pursuant to an asset purchase agreement that was admitted into evidence in Cause No. 43936 and identified as Petitioners’ Exhibit CBL-6 (the “Water APA”) and the proposed acquisition of certain wastewater utility assets by the Authority from the City and Sanitary District pursuant to an asset purchase agreement that was admitted into evidence in Cause No. 43936 and identified as Petitioners’ Exhibit CBL-7 (the “Wastewater APA”);

WHEREAS, on October 29, 2010, the City, the DOW, Citizens and Veolia Water Indianapolis, LLC (“Veolia”) submitted for the Commission’s approval an agreement that was admitted into evidence in Cause No. 43936 and identified as Settling Parties’ Exhibit 1 (the “Veolia Transition Agreement”), which, among other purposes, is intended to ensure the transition of the City’s water utility system to Citizens in a safe, thoughtful and organized fashion;

WHEREAS, the Settling Parties have engaged in communications and exchanged information relating to the relief requested by Joint Petitioners in the Verified Joint Petition and other matters; and

WHEREAS, as a result of such communications and negotiations, the Settling Parties agree that the terms and conditions set forth in this Settlement Agreement represent a fair, just and reasonable resolution of the issues raised in this Cause;

NOW THEREFORE, subject to the Commission’s approval of this Settlement Agreement in its entirety without modification or imposition of any other term or condition that may be unacceptable to any Settling Party, the Settling Parties agree as follows:

1. Agreement of Settling Parties to Support Commission Approval of Settlement Agreement. The Settling Parties agree that the Commission’s timely entry of an Order approving this Settlement Agreement will assist in facilitating achievement of the benefits of the proposed acquisitions at the earliest opportunity and that time therefore is of the essence. Accordingly, the Settling Parties will cooperate to expeditiously prepare and submit for the Commission’s consideration an agreed proposed order and testimony in support of approving this Settlement Agreement as in the public interest.

2. Non-Precedential Effect of Settlement Agreement. The Settling Parties agree that an Order approving this Settlement Agreement shall not be used as an admission by any Settling Party or used as precedent against any Settling Party except to the extent necessary to enforce the

¹ The Industrial Group comprises Eli Lilly & Company, National Starch, LLC, Rolls-Royce Corporation and Vertellus Agriculture & Nutrition Specialties, Inc.

terms of the Settlement Agreement. This Settlement Agreement is solely the result of compromise in the settlement process and except as provided herein is without prejudice to and shall not constitute a waiver of any position that any Settling Party may take with respect to any or all of the issues resolved herein in any future proceeding.

3. Submission of Settlement Agreement, Supporting Evidence and Proposed Order. All evidence supporting the Settlement Agreement shall be reviewed and agreed upon by the Settling Parties prior to submission to the Commission. The Settling Parties agree to waive cross examination of any witness offering evidence in support of the Settlement Agreement that has been prepared in accordance with this Paragraph. The Settling Parties stipulate that the evidence submitted in support of the Settlement Agreement constitutes substantial evidence and provides an adequate evidentiary basis upon which the Commission can make necessary findings of fact and conclusions of law for the approval of the Settlement Agreement as consistent with the public interest and grant any relief contemplated herein. The form of agreed proposed order shall include, among other things, (a) specific language regarding the relief being authorized in this proceeding; and (b) language to instill confidence to bond rating agencies that the water and wastewater utilities under Citizens' and the Authority's ownership, respectively, will have rates sufficient to meet their ongoing debt service coverage requirements.

4. Effect of Submission of Settlement Agreement. The terms and conditions set forth in the Settlement Agreement are supported by the evidence introduced during hearings before the Commission in December 2010, January 2011 and February 2011 and, based on the Settling Parties' independent review of the evidence and additional evidence filed in support of the Settlement Agreement by the Settling Parties, represent a fair, reasonable and just resolution of all the issues in this Cause, subject to their incorporation in a Final Order without modification or further condition. If the Commission does not accept and approve the Settlement Agreement in its entirety, without change or condition, and issue a Final Order in this Cause acceptable to each Settling Party, any Settling Party can withdraw from the Settlement Agreement and, notwithstanding Paragraph five (5) below or any other provision herein, exercise any right it has to appeal or request rehearing or reconsideration of such Final Order.

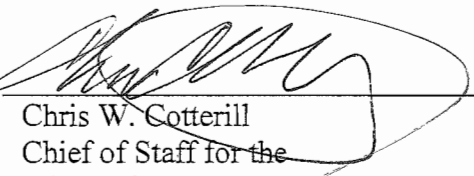
5. Appeal of Order Approving Settlement Agreement. The Settling Parties shall not individually or jointly appeal or seek rehearing, reconsideration or a stay of a Final Order that accepts and approves the Settlement Agreement in its entirety and incorporates its terms and conditions without modification or further condition. Any of the Settling Parties may, and Citizens, the Authority and the City shall, support such a Final Order in the event of an appeal or a request for rehearing, reconsideration or a stay by any person.

[Signature pages follow]

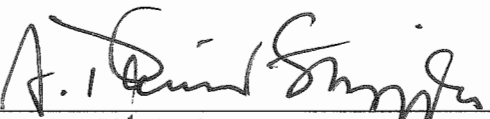
[Signature page to the April 2011 Settlement Agreement in Cause No. 43936]

The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of the designated Settling Parties who will be bound thereby.

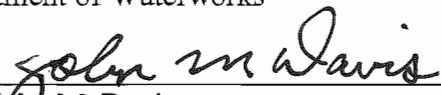
The Consolidated City of Indianapolis,
Indiana, the Department of Waterworks of
the City of Indianapolis and the Sanitary
District of the City of Indianapolis

By: 
Chris W. Cotterill
Chief of Staff for the
Office of Mayor Gregory A. Ballard
City of Indianapolis, Indiana


Indiana Office of Utility Consumer
Counselor

By: 
A. David Stippler
Indiana Utility Consumer Counselor

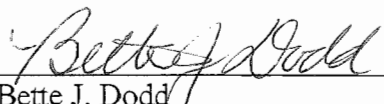
Service Advisory Board of the
Department of Waterworks

By: 
John M. Davis
Attorney for the
Service Advisory Board of the
Department of Waterworks

The Board of Directors for Utilities of the
Department of Public Utilities of the City, as
trustee of a public charitable trust, d/b/a
Citizens Energy Group and CWA Authority,
Inc.

By: 
Carey B. Lykins
President and Chief Executive Officer
Citizens Energy Group and
CWA Authority, Inc.

The Indianapolis Water/Sewer Industrial Group

By: 
Bette J. Dodd
Attorney for the Indianapolis
Water/Sewer Industrial Group

Attachment 1 to the April 2011 Settlement Agreement in Cause No. 43936

STIPULATIONS AND CONDITIONS

Ratemaking Approvals and Future Rate Increases

1. The Settling Parties agree that the Commission's approval of the relief requested in this Cause shall not decrease the Commission's discretion to disallow future requests by Citizens or the Authority to recover in rates any costs the Commission finds unreasonable, imprudent, unlawful or excessive, or otherwise not conforming with Indiana ratemaking principles. Neither Citizens nor the Authority shall ever contest the Commission's authority to regulate its rates and charges and terms and conditions for water or wastewater utility service. Approval of this Settlement Agreement will constitute approval and authority for Citizens and the Authority to seek and obtain recovery in future Commission proceedings of:

(a) debt service payments for the assumption or replacement of the Assumed Debt Obligations (as that term is defined in Section 2.04 of the Water APA and Section 2.04 of the Wastewater APA);

(b) debt service payments for Citizens' assumption or replacement of debt the DOW issues in accordance with Paragraph 7.C.5.b of the Final Order in Cause No. 43645.

(c) payments to the City to satisfy the Authority's obligation under Section 2.04(e) of the Wastewater APA;

(d) debt service payments for debt issued to fund the Purchase Price as that term is defined in the Wastewater APA;

(e) debt service payments for debt issued to fund the costs of issuances and debt service reserve requirements associated with the foregoing debt issuances;

(f) debt service payments for debt issued to fund transaction costs incurred to consummate the transactions (e.g., fees paid to consultants, attorneys and financial advisors in connection with the acquisitions); provided, however, the total transaction costs shall not exceed seven million dollars (\$7M) for the water utility and seven million dollars (\$7M) for the wastewater utility; and

(g) the annual amount of PILOT Payments in accordance with Section 3.05 of the Wastewater APA, subject to Stipulation and Condition No. 3 below.

Commission approval of this Settlement Agreement will also constitute approval and authority for Citizens and the Authority to implement (i) the rates and charges in effect for the water utility at the time of Closing and the rates and charges in effect for the wastewater utility at the time of Closing, including implementation of increases by the wastewater utility of 10.75 percent annually in 2012 and 2013; and (ii) the Authority's proposed adjustment mechanism for wastewater rates and charges to provide timely recovery of costs incurred to comply in whole or

in part with the Safe Drinking Water Act and/or Clean Water Act in accordance with Stipulation and Condition No. 5 below.

2. The Authority shall file a general rate case for the wastewater utility no earlier than one (1) full year following commencement of operations by the Authority. Notwithstanding the foregoing, the Authority's first rate case shall be filed no later than January 1, 2014. The Authority will file a cost-of-service study in its first rate case and discuss with the OUCC and Industrial Group the preliminary results of such study as soon as reasonably practicable in advance of filing the study in the rate case. As soon as reasonably practicable after Closing but no later than six (6) months prior to the anticipated filing of the Authority's first rate case, the Authority will begin discussing with and seeking input from the OUCC and Industrial Group regarding rate design and cost-of-service issues related to the wastewater utility.

3. The Settling Parties recommend the Commission approve the Authority's agreement to make the PILOT Payments in accordance with Section 3.05 of the Wastewater APA as reasonable and in the public interest. The Settling Parties agree that the PILOT Payments the Authority has agreed to make to the City each year pursuant to Section 3.05 of the Wastewater APA will act as both a floor and a ceiling for purposes of rate recovery. The Authority will not be precluded by this Settlement Agreement from requesting recovery in rates of any additional PILOT or property tax payments not covered by the PILOT agreement that may be imposed and lawfully due and that will be paid to taxing authorities; provided, however, the Settling Parties reserve the right to challenge any such request.

4. The Settling Parties agree that no ratemaking treatment will be requested in the future as a result of any acquisition adjustment recorded in connection with the Authority's purchase of the wastewater utility or Citizens' purchase of the water utility assets.

5. The Settling Parties recommend the Commission authorize the Authority to implement an adjustment mechanism for wastewater rates and charges as proposed by the Authority to allow recovery of costs incurred to comply with the Authority's Environmental Compliance Plan ("ECP") outside of a general rate case; provided, however, only debt service payments for debt issued to fund capital expenditures incurred under the approved ECP and the costs of issuances and debt service reserve requirements associated with such debt issuances shall be recoverable through the ECP adjustment mechanism. The Settling Parties agree the mechanism shall not include a reconciliation component.

After Closing, the Authority will commence discussions with the OUCC and Commission regarding the specific procedures that will govern Commission proceedings relating to the proposed ECP adjustment mechanism. More specifically, within sixty (60) days of a final Order in this Cause, the Authority will participate in a series of technical conferences with the Commission, the OUCC and any other Settling Parties to establish such procedures. If the Authority and the Settling Parties have not agreed to procedures that will govern Commission proceedings related to establishing a process for the ECP adjustment mechanism by June 1, 2012, the Authority will petition the Commission for a formal proceeding and hearing to establish the procedures that will govern Commission proceedings relating to the proposed ECP

adjustment mechanism. The OUCC and any intervenors shall have no less than ninety (90) days to respond to the case-in-chief testimony filed by the Authority in any such proceeding.

6. The Settling Parties recommend the Commission authorize Citizens to use, for ratemaking purposes, a two (2) percent depreciation rate for water utility plant in service until such time as the Commission orders a different depreciation rate for ratemaking purposes.

7. The Settling Parties recommend the Commission authorize the Authority to use, for ratemaking purposes, a 2.5 percent depreciation rate for wastewater utility plant in service until such time as the Commission orders a different depreciation rate for ratemaking purposes.

Reporting of Savings

8. (a) For a period of four (4) years from the date of Closing, Citizens will document the savings it generates as a result of the acquisitions and provide reports to the Commission, the OUCC and other Settling Parties showing the savings that are directly attributable to the acquisitions. With respect to the foregoing documentation of savings, Citizens will provide reports as set forth in (i) and (ii) below:

(i) Within sixty (60) days from the date of Closing the proposed acquisitions, Citizens shall submit a report to the Commission and the OUCC that specifies the metrics that Citizens proposes to use to track savings realized from the consolidation of the gas, steam, water and wastewater utilities. These metrics shall include, among other possible items, a comparison of actual operation and maintenance expenses to an indexed operation and maintenance baseline for corporate shared services, customer service, design and engineering, technical and field services and supply chain, or such other categories that the parties deem more relevant. For purposes of measuring capital expenditures savings these metrics shall include, among other possible items, average unit costs for key procurement categories and actual capital spend for planned projects versus projected capital spend.

(ii) Within one hundred-eighty (180) days from the date of Closing the proposed acquisitions, Citizens shall commence submission of semi-annual reports to the Commission, the OUCC and other Settling Parties that provide the status of the implementation of consolidation and the savings realized by categories consistent with Joint Petitioners' Exhibit TJF-2. The reports will describe steps taken to achieve savings. The reports should explain both successes and impediments encountered to achieve savings. The reports should also list all costs incurred to achieve savings. The reports should compare actual savings to projected savings and explain why the projected savings were not achieved.

(b) Citizens and the Authority will participate in a series of technical conferences with the Commission, the OUCC and any other Settling Parties to determine whether Citizens' proposed metrics and proposed reporting on the status of implementation are appropriate.

(c) In the first two (2) rate cases filed subsequent to the Closing by the Authority and each of Citizens' regulated utilities, the Authority or Citizens, as applicable, will present

testimony describing the savings achieved from the proposed transactions and how such savings have affected the proposed rate increase. Citizens shall continue to report such savings in future rate cases for all regulated entities until a steady state of annual savings has been achieved.

9. Citizens and the Authority will continually analyze the currently approved CSO projects detailed in the Long Term Control Plan in order to identify and implement design efficiencies and costs savings. Savings realized as a result of such efforts will be described in the periodic reports submitted pursuant to Stipulation and Condition No. 8 above.

10. Citizens will describe in the periodic reports submitted pursuant to Stipulation and Condition No. 8 above its compliance with any ongoing commitments or obligations set forth in this Settlement Agreement.

Accounting Issues

11. The Settling Parties agree that pursuant to GAAP, Citizens and the Authority will have one (1) year from the date of Closing to finalize the respective opening balance sheets for the water utility and wastewater utility. For those assets that Citizens and the Authority conclude are correctly recorded on the books and records of the DOW and Sanitary District, assets will be recorded in the same detail, both classification and value, as reflected in the DOW's and Sanitary District's books and records at Closing, to the extent practicable. Citizens and the Authority shall reduce to writing and explain any adjustments that modify the amounts on DOW or DPW's records at Closing and provide this detail to the Settling Parties at the end of the first year of ownership. In their respective rate cases, Citizens and the Authority shall be able to provide detailed general ledger transactions for the test year and each month subsequent to the test year through the OUCC's pre-filing date in an electronic format that is searchable and able to be sorted. In their respective next rate cases, for any business unit from which costs are allocated, Citizens and the Authority shall provide detailed general ledger transactions for the test year and each month subsequent to the test year through the OUCC's pre-filing date in an electronic format that is searchable and able to be sorted. Citizens represents that the detailed general ledger information provided may be produced via a query of the general ledger system and notes there is some level of risk of inaccuracy inherent in such query.

12. Citizens will record and amortize at the depreciation rate described in Paragraph 6 above Contributions in Aid of Construction ("CIAC") on the DOW's balance sheet at the date of Closing, subject to Citizens' verification that such CIAC was properly recorded on the DOW's books and records.

13. Citizens will record and amortize plant and cash contributed to the water system in accordance with NARUC guidelines. System Development Charges shall continue to be recorded as CIAC.

14. (a) The Authority will record and amortize CIAC it receives after Closing at the depreciation rate described in Paragraph 7 above in accordance with NARUC guidelines. The Authority shall maintain records that can be reviewed by the Commission and the OUCC.

(b) The Authority's "Connection Fees" shall be recorded as CIAC. The Authority shall determine the amount of "Connection Fees" collected by the Sanitary District from January 1, 2006 to the date of Closing and shall record such amounts as CIAC.

15. Subject to Stipulation and Condition No. 4, Citizens and the Authority will (a) record any acquisition adjustment resulting from acquisition of the wastewater utility assets or water utility assets in accordance with the NARUC Uniform System of Accounts; and (b) amortize any such acquisition adjustment according to GAAP.

Intergovernmental Agreements; Advisory Groups

16. The Settling Parties recommend the Commission authorize the assignment to Citizens of any franchise rights held by the DOW and any Intergovernmental Agreements to which the DOW is a party.

17. Citizens will maintain the Service Advisory Board and will honor the commitments set forth in the Intergovernmental Agreements the DOW is a party to, including the water utility's obligation to treat communities inside and outside Marion County with substantial similarity in a nondiscriminatory fashion, particularly in offering non-preferential rates.

18. The Settling Parties recommend the Commission authorize the assignment to the Authority of any franchise rights held by the Sanitary District and any interlocal agreements the Sanitary District is a party to with respect to the treatment or disposal of wastewater.

19. Citizens and the Authority will continue to participate in and seek input from technical advisory groups, environmental groups and other organizations interested in water and wastewater issues. As part of their respective first rate cases, Citizens and the Authority shall report on the current status of their participation in such groups.

In meetings in which Citizens' Board conducts business affecting the water and wastewater utilities, Citizens and the Authority shall provide notice of the meetings in accordance with I.C. § 5-14-1.5-5 or any successor statute. Citizens and the Authority shall post any agendas for Board meetings and maintain memoranda of meetings in accordance with I.C. § 5-14-1.5-4 or any successor statute. In addition to complying with I.C. §§ 5-14-1.5-4 and 5-14-1.5-5 or any successor statutes, for the first eight (8) years following Closing, Citizens shall provide the following information to water and wastewater customers regarding meetings of the Citizens and Authority Boards: (a) Citizens shall include on its home page a clearly marked hyperlink to a notice of the date, time, and location of its regularly scheduled Board Meetings; (b) once each year, Citizens' shall include in a billing insert for water and wastewater customers a tentative schedule of its regularly scheduled Board meetings; and (c) each month, Citizens shall include on water and wastewater customer bills or in a billing insert a statement that the time and location of regularly scheduled meetings of the Citizens and Authority Boards can be found on the Citizens web site.

Affiliate Relationships; Cost Allocations

20. The Settling Parties recommend the Commission approve Citizens' proposal to allocate ten (10) percent of shared corporate support services ("CSS") costs to the Authority.

21. Citizens and the Authority agree to conduct a review every three (3) years of the methodology used to allocate CSS costs among the regulated utilities and unregulated entities and determine whether the methodology continues to be appropriate. Citizens shall submit reports to the Commission, the OUCC and other Settling Parties regarding such reviews.

22. Citizens and the Authority agree to equitably allocate water meter reading costs between the water and wastewater utilities.

23. The Settling Parties agree that the Affiliate Guidelines and Cost Allocation Guidelines approved in Cause No. 43963, and as amended, shall be construed to apply to the water and wastewater operations. Citizens and the Authority agree each shall comply with the terms of the Affiliate Guidelines and Cost Allocation Guidelines to ensure that neither would be able to subsidize its respective Affiliates or non-regulated operations. In the case of a contract for goods or services from any for-profit Affiliate, Citizens or the Authority, as the case may be, shall support the Affiliate contract by providing the OUCC and the other Settling Parties with documentation and explanation establishing why the terms constitute "Competitive Terms" under the Affiliate Guidelines.

Environmental and Conservation Issues

24. The Settling Parties recommend the Commission approve the Authority's proposed environmental compliance plan pursuant to Indiana Code § 8-1-28-7.

25. The Settling Parties acknowledge that septic tank elimination projects, in addition to those the Authority and City agreed to as set forth in Section 2.04(d) of the Wastewater APA, will be completed by the Authority, subject to the adequacy of rates and charges to fund the cost of such projects. The Authority will make reasonable efforts to obtain grants and other sources of funding, giving due consideration to the terms and conditions associated with the acceptance of such grants or other sources of funding, to offset the amount required to be funded in rates for septic tank elimination projects. The Settling Parties further acknowledge that the prioritization of and the terms and conditions relating to the elimination of septic tanks and connection of septic tank users to the sanitary sewer system involve a number of public policy issues that require input from numerous stakeholders. The Authority agrees to collaborate with the Commission and the OUCC to establish a framework and process to solicit input from interested stakeholders and consider those issues. The Authority will make information about the septic tank elimination projects available to the public utilizing the Citizens website and other communication media.

26. The Settling Parties acknowledge conservation planning can promote the maintenance of a safe and reliable water supply. Citizens will develop a water conservation plan using the 2009

Water Conservation Plan developed by Veolia and will present its plan to the Commission, the OUCC and other interested parties within twelve (12) months of the date of Closing. Citizens will commence discussions regarding water conservation with the OUCC, other Settling Parties and Commission Staff no later than three (3) months prior to the submission of its proposed water conservation plan to the Commission. Further, in accordance with Finding Paragraph No. 6.D.4 of the Final Order in Cause No. 43645, Citizens shall pursue the following near-term water conservation measures: (1) establish a lead for conservation program coordination; (2) undertake a conservation rate study; (3) undertake an automatic metering reading (“AMR”) study; (4) establish a voluntary maximum daily reduction load shifting program with large customers; (5) implement additional conservation messaging on water bills; (6) implement a water main replacement program; and (7) implement enhanced well monitoring to enhance supply availability. Citizens will commence discussions regarding a conservation rate study with the OUCC, other Settling Parties and Commission Staff no later than three (3) months prior to the submission of such study to the Commission. In its next general rate case, Citizens shall update the Commission on the implementation of these measures.

27. The Settling Parties acknowledge the complexities associated with drought response planning and the need to coordinate with numerous regulatory agencies and stakeholders, including the Commission, the OUCC, the City and the Indiana Department of Natural Resources. Citizens will develop a drought response plan and present its plan to the Commission, the OUCC and other interested parties within twenty-four (24) months of the date of Closing.

Rules and Regulations; Tariff Issues

28. The City, Citizens and the Authority agree that any liability for customer deposits by the DOW or Sanitary District at Closing will be duly accounted for and either be refunded or transferred to Citizens or the Authority and recorded as customer deposits.

29. Subject to the changes identified in this section below, the Settling Parties recommend the Commission authorize Citizens and the Authority to implement the Terms and Conditions for water and wastewater utility service proposed by Joint Petitioners in their case-in-chief testimony, until such time as the Commission approves revised Terms and Conditions for service. Citizens and the Authority will request that the Commission initiate a series of technical conferences with Commission Staff, the OUCC, and any other interested Settling Parties to address recommended revisions to the water and wastewater utilities’ Terms and Conditions for service, including but not limited to the non-residential deposit terms for both the water and wastewater utilities, and the customer deposit interest rate for both water and wastewater utilities as set forth in Paragraph 29(e) below. If the Settling Parties agree on proposed changes to Terms and Conditions for service, Citizens and the Authority shall file the revised Terms and Conditions for Service with the Commission for approval using the Commission’s thirty (30)-day filing process. If the Settling Parties are unable to agree to revised terms by March 1, 2012, Citizens and the Authority shall so notify the Commission and initiate a docketed proceeding for the purpose of establishing the Terms and Conditions for service outside a general rate case.

Citizens and the Authority agree that the following changes should be made effective upon Closing unless otherwise indicated:

(a) Reclassify the water utility's "Connection Charge" included on page 102B (Water Rate No. 2) and reflect them in Appendix A;

(b) Revise the water utility's bad check charge to be consistent with the bad check charge imposed by Citizens Gas and the Authority;

(c) Revise Section 12 of the Authority's Terms and Conditions and Appendix A to make clear its reconnection charge will only be assessed to "sewer only" customers;

(d) Offer a deferred late payment program to all senior citizens water and wastewater utility customers within six (6) months of Closing; and

(e) Revise the customer deposit interest rate to six (6) percent per annum.

Transfer of Water Systems Outside Marion County

30. Citizens shall not, without the approval of the Commission, transfer the Harbour Water System or the Morgan County Water System to another entity or convert either to a for-profit operation.

Responsibilities Flowing from the Final Order in Cause No. 43645

31. Citizens shall conduct an Equivalent Meter Factor analysis according to generally accepted cost of service study practices. In the course of conducting such analysis, Citizens shall collaborate with the Settling Parties. The results of such analysis will be utilized in Citizens' next base rate case. Citizens will endeavor to determine if historical meter cost data can be constructed from existing records.

32. Within six months of Closing, Citizens shall determine how it will collect the necessary data to perform a current capacity factor analysis for submission in its next base rate case and notify the Commission of its determination.

33. For its first general rate case of the water utility, in accordance with Finding Paragraph 10 of the Final Order in Cause No. 43645, unless Citizens converts the water utility's operations to monthly meter reading, it shall complete a study that reviews various estimating methods and provide a recommendation regarding the best estimating practice.

34. Citizens shall make semi-annual compliance filings providing an update on the fulfillment of the water utility's Capital Improvement Program. Such compliance filings shall explain the reasons for any differences between the Capital Improvement Program being pursued by Citizens and the Capital Improvement Plan approved by the Commission in Cause No. 43645. In conjunction with the compliance filings, Citizens shall provide reports detailing the cost of the actual capital

improvements implemented during the year which is the subject to the report, separated by project. The duration of this requirement will be until Citizens' first rate order.

35. DOW represents that it intends to issue the debt contemplated by Finding Paragraph No. 7.C.5.c. of the Final Order in Cause No. 43645. To the extent it is unable to issue such debt within one-hundred-twenty (120) days from the date of the Order, either DOW or Citizens (depending on the date of Closing) shall file a request with the Commission seeking appropriate relief. Within twenty (20) days after issuing such debt, either DOW or Citizens (depending on the date of Closing) shall file a true-up report as required by Finding No. 7.C.5.c and Ordering Paragraph 3 of the Final Order in Cause No. 43645. Nothing herein shall be construed to prohibit another Settling Party from challenging the substance of such relief sought.

36. Citizens agrees to meet with the OUCC to develop a process for discussing future debt issuances by Citizens for the water system. However, Citizens' agreement to engage in this process shall not be construed as agreement to limit in any way Citizens' statutory authority to issue debt.

37. Within ninety (90) days of Closing, Citizens shall identify all requirements of the Final Order in Cause No. 43645, not otherwise specified in this Settlement Agreement, that the DOW was required to complete and state how and when the DOW satisfied the requirement. For any such requirements not satisfied by the DOW, Citizens shall indicate whether it has satisfied the condition or explain why the condition should not apply to Citizens. Citizens shall comply with this requirement by filing a report with the Commission and providing a copy to the Settling Parties.

Other provisions

38. Citizens and the Authority maintain that the Asset Purchase Agreements prohibit them from selling Acquired Assets, except for Surplus Property. In addition, Citizens and the Authority hereby agree that neither Citizens nor the Authority will sell or seek to sell the Acquired Assets, except for Surplus Property, without first seeking and receiving authority from the Commission. The Settling Parties agree that whether a sale is in the public interest is affected by the purchase price and the rate impact of any such proposed transaction.

39. System Development Charges and Connection fees collected by Citizens and the Authority shall be used for growth-related capital purposes, including either retiring debt or constructing facilities related to system growth, which would include, for example, capital costs related to the Septic Tank Elimination Program. (This restriction should not be construed as a requirement that Citizens or the Authority, as the case may be, should segregate such funds.) Notwithstanding the foregoing, the Settling Parties agree that funds from System Development Charges and Connection Fees are revenue for purposes of debt service coverage calculations.

40. Citizens and the Authority agree that regulated utility revenues and funds from their respective water and wastewater operations, including proceeds from the sale of surplus property, shall be retained and used to operate, improve and expand that respective utility, or retire outstanding debt of the utility, and otherwise to maintain that utility in a sound physical and financial condition necessary to render adequate and efficient service. Citizens and the

Authority's commitment to this provision shall expire upon termination of the ECP described in Paragraph 5 of the Stipulations and Conditions above. Nothing herein shall be construed to modify the powers of the Commission as set forth in Title 8 of the Indiana Code.

41. The Settling Parties recommend the Commission approve without modification (a) the Settlement Agreement to Transition Management & Operations of the City of Indianapolis Water System From Veolia Water; and (b) the Agreement Pertaining to the Agreement for the Operation of the Operation and Maintenance of the Advanced Wastewater Treatment Facilities and Wastewater and Stormwater Collection Systems.