

Citizens Energy Acquisition of Indianapolis Water & Wastewater Utilities

Presented to New Orleans Water Task Force
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Citizens Energy Group Overview

- Founded in 1887
Utilities held in Public Trust
 - Vision of the founders
 - Dedicated to community service
 - Efficiency & innovation of private sector
 - Free of partisan politics and private interests
 - Promise of the Trust



Citizens Today

- Natural gas utility serving Indianapolis
- Nation's second largest steam & chilled water utility serving downtown Indy
- Largest water and wastewater utilities in Indiana
- Other utility related businesses



City Utility Challenges

- Inefficient, short-term management under political control
- Water & wastewater infrastructure failing
- Rising utility rates
- High levels of debt (75-80% of costs)
- Difficulty retaining qualified staff, high levels of outsourcing
- City underfunding other infrastructure – streets, bridges, abandoned homes



Utility Transfer Rationale

- Better Utilities for a Better City
 - Utilities kept under public ownership
 - Non-profit business model
 - Non-partisan governance
 - Operational savings
 - Smaller rate increases
 - Excellent customer service
 - \$425 million in proceeds to City to fund other hard infrastructure



Transaction at a Glance

Total Value of Assets:

- Value of water system \$916 million
- Value of wastewater system \$789 million
- Total value of assets \$1.7 billion

Existing Debt Assumed by Citizens:

- Water system debt \$916 million
 - Wastewater system debt \$527 million
- Total existing debt to Citizens \$1.44 billion

Net value of systems after debt: \$262.6 million



Transaction Proceeds

Total Proceeds to City of Indianapolis

- Cash to City \$262.6 million*
- PILOT bond issue \$140 million
- Wastewater general fund \$50 million

Maximum proceeds to City \$452.6 million*

*Equals value of assets less existing debt. Paid in two installments -- \$170.6 million at closing and \$92 million on Oct. 1, 2011.

*Contingencies prior to closing could reduce amount to \$425 million.



Utility Transaction Approval Process

- Three Keys to approval
 - Customer/Public Support
 - Political/Regulatory Approval
 - Financing Approval
- 75 public meetings
- Meetings with ratings agencies
- Full City Council – July 26, 2010
- Citizens Board of Directors – Aug. 2, 2010
- IURC – July 13, 2011
- Citizens assumed operations Aug. 26, 2011



Utility Integration Process

- Veolia contract terminated, employees absorbed – 2011
- United Contract terminated, operations employees absorbed – 2016
- Cross functional integration planning involving new employees
- Creation of shared field services



Benefits of Utility Transfer

- Operational savings exceed \$80M per year
- Capital project savings \$400M since 2011
- Rates now fund 75-100% of costs
- Sound debt coverage ratios
- Consent decree projects ahead of schedule and below budget
- Both systems more operationally sound
- Solid customer satisfaction despite rate increases

Questions