FILED
June 3, 2025
INDIANA UTILITY
REGULATORY COMMISSION

VERIFIED DIRECT TESTIMONY

OF

DUSTIN J. ILLYES

ON BEHALF OF

INDIANAPOLIS POWER & LIGHT COMPANY

D/B/A AES INDIANA

Cause No. 46258

SPONSORING AES INDIANA ATTACHMENTS DJI-1.1 THROUGH DJI-3.1

VERIFIED DIRECT TESTIMONY OF DUSTIN J. ILLYES

ON BEHALF OF AES INDIANA

1. INTRODUCTION

Q1. Please state your name, employer, and business address.

A1. My name is Dustin J. Illyes. I am employed by AES US Services, LLC, ("AES Services", also "Service Company"), which is the service company that serves Indianapolis Power & Light Company d/b/a AES Indiana ("AES Indiana", "IPL", or "the Company"). The Service Company is located at One Monument Circle, Indianapolis, Indiana 46204.

Q2. What is your position with AES Services?

A2. I am the Treasurer of US Utilities. In that role, I serve as Treasurer of AES Indiana and The Dayton Power and Light Company d/b/a AES Ohio ("AES Ohio").

Q3. On whose behalf are you submitting this direct testimony?

A3. I am submitting this testimony on behalf of AES Indiana.

Q4. Please describe your duties as Treasurer.

A4. As Treasurer, I report to the Chief Financial Officer and have direct responsibility and oversight for treasury related activities for US Utilities, AES Indiana and AES Ohio. These responsibilities include but are not limited to capital markets financing activity, cash management, investor relations, interaction with rating agencies, and maintaining banking relationships.

Q5. Please summarize your education and professional qualifications.

A5. I received a Bachelor of Science in Business degree with a concentration in Finance from Indiana University in May 2007. I also received a Master of Business Administration degree with a concentration in Finance from Indiana University in May 2015.

Q6. Please summarize your prior work experience.

A6. From 2007-2009, I worked for The Bank of New York Mellon as a trust associate within their collateralized debt obligation group. From 2009-2015, I was an asset manager for PNC Bank in its commercial banking department. In 2015, I joined AES as a senior analyst within the treasury department focusing on the corporate finance efforts of AES's United States affiliates. In April 2018, I was promoted to Manager, Corporate Finance and then to Assistant Treasurer in April 2020. I was promoted to my current role in April 2022.

Q7. Have you testified previously before the Indiana Utility Regulatory Commission ("Commission") or any other regulatory agency?

A7. Yes. I testified in AES Indiana's most recent rate case, Cause No. 45911, and in its most recent financing petitions, Cause Nos. 45575 and 45954. Additionally, I testified on behalf of AES Ohio in support of its distribution rate cases, Case No. 20-1651-EL-AIR and Case No. 24-1009-EL-AIR, and the significantly excessive earnings Test, Case No. 21-0588-EL-UNC before the Public Utilities Commission of Ohio.

Q8. What is the purpose of your testimony in this proceeding?

A8. My testimony and accompanying attachments present the Company's capital structure and Weighted Average Cost of Capital ("WACC"), describe the forecasted financing activity through the end of the forward-looking Test Year, and describe the Company's credit ratings.

Q9. Are you sponsoring or co-sponsoring any financial exhibits or attachments?

A9. Yes. I sponsor or co-sponsor the following exhibits or attachments:

- AES Indiana Attachment DJI-1.1 & 1.2 – Moody's Investors Service ("Moody's") Report
- AES Indiana Attachment DJI-2.1 & 2.2 – S&P Global Ratings ("S&P") Report
- AES Indiana Attachment DJI-3.1 – Fitch Ratings ("Fitch") Report
- AES Indiana Financial Exhibit AESI-CC, Schedules CC1 (P1) & CC1 – Long-Term Debt
- AES Indiana Financial Exhibit AESI-CC, Schedules CC2 (P1) & CC2 – Weighted Average Cost of Capital

Q10. Did you submit any workpapers?

A10. Yes. AES Indiana is submitting workpapers in electronic format that supports the basic rate case schedules. I am sponsoring the workpapers that support the financial schedules that I sponsor.

Q11. Were these exhibits, attachments, or workpapers, or portions thereof, that you are sponsoring or co-sponsoring prepared or assembled by you or under your direction and supervision?

A11. Yes.

Q12. For ease of reference, please summarize the key terms utilized in the Company's filing.

A12. Key terms as defined by AES Indiana witness Peters include the following.[1] First, the per books twelve months ended December 31, 2024 is the Historical Base Period. Second, the forecasted twelve months ending December 31, 2025, is the Linking Period. Next, the unadjusted forward-looking test year for twelve months ending December 31, 2026, is the Unadjusted Forecast or Unadjusted Test Year. Finally, the adjusted forward-looking Test Year for the twelve months ending December 31, 2026, is the Adjusted Test Year.

2. CAPITAL STRUCTURE

Q13. What is the Historical Base Period capital structure and WACC?

A13. The Company's WACC was 6.77% with a regulatory capital structure of 53.34% long-term debt and 40.47% common equity as of December 31, 2024. This, and the investor-supplied capital structure are shown on MSFR 1-5-13(a)(3) Attachment 1.

Q14. What is the Linking Period capital structure and weighted average cost of capital WACC?

A14. The Company's WACC is forecasted to be 7.36% with a regulatory capital structure of 50.54% long-term debt and 43.85% common equity as of December 31, 2025. This, and the investor-supplied capital structure are shown on AES Indiana Financial Exhibit AESI-CC, Schedule CC2 (P1).

Q15. How is the Linking Period for capital structure and weighted average cost of capital ("WACC") developed?

A15. AES Indiana Financial Exhibit AESI-CC, Schedule CC2 (P1) depicts how these calculations are derived. The schedule computes the total cost of capital for AES Indiana,

[1] AES Indiana witness Peters, Q/A 13.

including common equity, long term debt, Accumulated Deferred Federal Income Taxes ("DFIT") and customer deposits. Line numbers one through three identify the investor-supplied capital, whereas line numbers four through seven are added to show the regulatory capital structure. AES Indiana's WACC is calculated by taking the cost of each capital component multiplied by its proportional weight and then summing those percentages. The cost of each line item in the capital structure is determined separately as explained herein.

Q16. What is the Adjusted Test Year capital structure and weighted average cost of capital WACC?

A16. The Company's WACC is forecasted to be 7.52% with a regulatory capital structure of 47.33% long-term debt and 46.48% common equity as of December 31, 2026, which is consistent with the Company's long-term targeted capital structure. This, and the investor-supplied capital structure are shown on AES Indiana Financial Exhibit AESI-CC, Schedule CC2.

Q17. How is the Adjusted Test Year for capital structure and weighted average cost of capital ("WACC") developed?

A17. AES Indiana Financial Exhibit AESI-CC, Schedule CC2 depicts how these calculations are derived. The schedule computes the total cost of capital for AES Indiana, including common equity, long-term debt, Accumulated DFIT and customer deposits. Line numbers one through three identify the investor-supplied capital, whereas line numbers four through seven are added to show the regulatory capital structure. AES Indiana's WACC is calculated by taking the cost of each capital component multiplied by its proportional weight and then summing those percentages. The cost of each line item in the capital structure is determined separately as explained herein.

Q18. Please describe the investor-supplied capital structure components and its impact on AES Indiana and its customers.

A18. The components of the investor-supplied capital structure consist of only long-term debt and common equity. AES Indiana targets a capital structure that allows it to maintain the financial strength of an investment grade utility so that we can deliver service at a reasonable cost to our customers. Maintaining an investment grade profile is important to ensure we have reliable access to the credit markets at attractive interest rates during all types of economic cycles, ultimately benefiting our customers. This in turn provides the ability to meet our financial obligations during periods of heavy capital expenditures which I will discuss later in my testimony.

Q19. Could AES Indiana's actual capital structure vary over time?

A19. Yes. The specific debt to equity ratio will vary over time, depending on numerous factors, including, among other things, the timing and size of capital investments, debt issuances, equity contributions, and earnings. Changes in the capital structure included in the forecast are due to these type of items while the capital structure could vary from time to time, it is the Company's intent to target an investor supplied capital structure of approximately 50% long-term debt and 50% common equity.

Q20. What is the basis for the common equity rate of 10.70% shown on <u>AES Indiana Financial Exhibit AESI-CC, Schedules CC2 (P1) and CC2</u>?

A20. The common equity rate of 10.70% has been developed and recommended by AES Indiana witness McKenzie.[2]

[2] AES Indiana witness McKenzie, Direct Testimony, Q/A 7

Q21. How was the cost rate for Customer Deposits as shown on AES Indiana Financial Exhibit AESI-CC, Schedules CC2 (P1) and CC2 developed?

A21. The cost rate for Customer Deposits is 6.00%, which is the interest rate on customer deposits as provided for in the Commission's rules.

Q22. Please discuss the long-term debt and cost included in the capital structure.

A22. The forecasted rates for long-term debt at the end of the Linking Period (December 31, 2025) and the end of the Adjusted Test Year (December 31, 2026) shown on AES Indiana Financial Exhibit AESI CC, Schedules CC1 (P1) and CC1, are 5.26% and 5.38% respectively. The calculation of these forecasted rates is shown in the supporting workpapers and is inclusive of all costs associated with long-term debt issuances. Interest rates on future debt issuances are forecasted by using forward treasury curve projections and applying an appropriate risk-premium spread based on current trading levels of AES Indiana's existing long-term debt and spread indications from its investments banks. Ultimately, the actual cost of debt achieved on the future debt issuances will be what is reflected in the WACC.

Q23. Please discuss whether AES Indiana plans to issue new long-term debt between filing of this basic rate case and the end of the Adjusted Test Year ending December 31, 2026?

A23. In 2025, AES Indiana plans to issue $340.0 million of first mortgage bonds. This will include the refinancing of two series of first mortgage bonds that have or will mature, totaling $80.0 million, with the remainder of the proceeds being used as part of the financing plans for the Company's ongoing capital investment program. Additionally, in 2026, AES Indiana plans to refinance its $30.0 million and $60.0 million tax-exempt first mortgage bonds that come due. The 2025 long-term debt issuance is included in _AES Indiana Financial Exhibit AESI-CC, Schedule CC1 (P1)_. Both the 2025 new long-term debt issuance and the 2026 refinancing are included in _AES Indiana Financial Exhibit AESI-CC, Schedule CC1_. The 2025 long-term debt issuance was authorized by the Commission in Cause No. 45954, on February 29, 2024. The Company expects to file a separate financing petition later this year for Commission approval of the 2026 refinancing.

Q24. Does AES Indiana's capital structure include any preferred stock?

A24. No, AES Indiana's capital structure does not include any preferred stock.

Q25. Do _AES Indiana Financial Exhibit AESI-CC, Schedules CC2 (P1) and CC2_ include capital structure components for purposes of determining AES Indiana's WACC other than the long-term debt, common equity, and customer deposits that have previously been discussed?

A25. Yes. The WACC also includes components for deferred income taxes and Post-1970 Investment Tax Credits ("ITC"). Deferred income taxes were included at zero cost. The Post-1970 ITC were included at the overall weighted required return on investor-supplied capital at 0% as of December 31, 2025 and 0% as of December 31, 2026. These balances were calculated and provided by AES Indiana witness Miller. Additionally, the WACC includes the net pre-paid pension asset as shown on _AES Indiana Attachment HMR-3_ and discussed by AES Indiana witness Roach.

Q26. Does the Company have an ongoing need to maintain its financial integrity and to attract additional capital?

A26. Yes. It is important to maintain financial strength to allow the Company to continue to provide adequate and reliable service and to attract capital on reasonable terms. The Company has future capital expenditures related to on-going investments to maintain and improve AES Indiana's utility systems that require the Company to access capital markets on a regular basis, including equity contributions from its ultimate parent companies, The AES Corporation ("AES") and La Caisse de dépôt et placement du Québec ("CDPQ"). A timely rate Order that provides a realistic opportunity for the Company to earn a fair return on and of its capital investments is important to the Company's shareholders and to the credit rating agencies.

Q27. How do you define financial integrity as you are using it in your testimony?

A27. I define financial integrity of a utility as having sufficient cash flow to: (a) pay all normal operating expenses and capital expenditures that are necessary to ensure safe and reliable electric service is provided to customers at a reasonable cost; (b) meet all contractual debt obligations on a timely basis; (c) maintain appropriate capitalization levels and investment grade credit ratings; (d) attract reasonably priced debt and equity capital during all economic cycles to finance capital investments and refinance maturing debt on time; and (e) have the opportunity to earn a reasonable rate of return.

3. CREDIT RATINGS

Q28. What are credit ratings?

A28. Credit ratings reflect a credit rating agency's independent judgment of the Company's credit worthiness and its ability to meet its debt obligations. Credit committees at each agency determine the ratings of a company based on certain quantitative and qualitative measures. These factors are used to assess the financial and business risks of fixed-income issuers. Both Fitch and S&P delineate investment grade as any rating equal to "BBB-" or above. Moody's delineates investment grade as any rating equal to "Baa3" or above. Non-investment grade ratings at Fitch and S&P are "BB+" or below and "Ba1" or below at Moody's.

Q29. Why are credit ratings important to AES Indiana and its customers?

A29. When AES Indiana issues debt, credit rating agencies rate it as to the safety of principal and interest based on the Company's ability to pay. Credit ratings are important to investors because the higher the rating, the safer the debt. But credit ratings are also important to issuers of debt because they may affect the cost of doing business and access to capital. The higher the credit rating, the less interest a company has to pay on its bonds because investors are willing to accept slightly lower interest for more safety. Also, the higher the credit rating, the more demand there is for a bond and the easier it is for a company to sell it. This is especially important to AES Indiana during our high periods of capital expenditures associated with transmission, distribution, storage system improvement charge ("TDSIC") projects and development of generation resources. This capital-intensive time requires AES Indiana to be out in the debt markets frequently. The ability to issue debt on reasonable terms is advantageous not only to AES Indiana but also to our customers.

Q30. Please discuss the importance to the Company and its customers maintaining AES Indiana's investment grade rating.

A30. Financial integrity and flexibility provide the framework for operational effectiveness which is necessary to provide safe and reliable service to customers at a reasonable cost. Fixed income investors are limited in the amount of non-investment grade or "junk" securities they can hold and purchase. This potentially limits the universe of holders and purchasers of the Company's debt, serving to limit the Company's flexibility when pursuing a debt offering and increasing the cost. A non-investment grade rating would lead to an increase in overall financing costs and result in a higher cost of capital. Customers would be adversely affected because higher capital costs lead to higher rates for electric service and strain resources that could otherwise be utilized to meet our customers' ongoing need for reliable electric service.

Q31. Is regulatory treatment important to the rating agencies?

A31. Yes. Predictability, full and timely cost recovery, and a regulatory environment supportive of a utility's financial integrity are key credit considerations at all three credit rating agencies. A utility operating in a stable, reliable, and highly predictable regulatory environment will be scored higher than a utility that operates in an unstable, unreliable, or highly unpredictable regulatory environment.

Q32. Is the regulatory environment currently within Indiana viewed favorably by the rating agencies?

A32. Yes. As noted on page 2 of AES Indiana Attachment DJI-1.1, Moody's cites "fully regulated utility that operates in a credit supportive regulatory environment" as one of the Company's credit strengths. Within AES Indiana Attachment DJI-2.1, page 2, S&P states "We continue to assess AES Indiana's business risk as excellent reflecting its rate-regulated utility operations under a constructive regulatory environment." Further, on page 1 of AES Indiana Attachment DJI-3.1, Fitch references "IPALCO's ratings continue to benefit from the favorable regulatory environment in Indiana". While the credit rating agencies currently view the Indiana regulatory environment as supportive, they also point to any future deterioration or weakening in the supportiveness of the regulatory environment as one of the key factors that could lead to a downgrade for AES Indiana. Any negative change in the ratings of AES Indiana would have a negative impact on both the Company and its customers.

Q33. What were AES Indiana's credit ratings as of April 30, 2025?

A33. As of April 30, 2025, AES Indiana's credit ratings assigned by the credit rating agencies were as follows on Table DJI-1:

Table DJI-1: AES Indiana's Credit Rating

	Moody's Investors Service	**S&P Global Ratings**	**Fitch Ratings**
Corporate Credit Rating/Issuer Rating	Baa1	BBB	BBB+
Senior Secured Debt Rating*	A2	A-	A
*Ratings relate to AES Indiana's Senior Secured Bonds			

The ratings from S&P and Fitch have a stable outlook while the ratings from Moody's have a negative outlook. The ratings are substantiated in the reports which are included as AES Indiana Attachments DJI-1.1 through DJI-3.1.

Q34. What is the difference between a Corporate Credit/Issuer Rating and a Senior Secured Debt Rating?

A34. A Corporate Credit/Issuer Rating is the rating agency's opinion on a company's relative vulnerability to default on financial obligations. A Corporate Credit/Issuer rating is typically unenhanced and reflects a company's corporate credit risk. A Senior Secured

Debt Rating takes a targeted view of a specific security's relative vulnerability to default, considering any credit enhancement that may be applicable, including "security".

Q35. Have the credit ratings of AES Indiana changed since the Company's last rate case in Cause No. 45911 was filed?

A35. No, the ratings did not change; however, some of the outlooks did. In January 2024, S&P lowered their outlook from Positive to Stable, and in June 2024, Moody's outlook was lowered from Stable to Negative. Both agencies referenced temporary strain on financial metrics from elevated capital expenditure investments as their rationale for the downgrades.

4. SUMMARY

Q36. Please summarize your testimony.

A36. As shown in AES Indiana Financial Exhibit AESI-CC, Schedules CC2 (P1) and CC2, the Company's proposed WACC is 7.36% in December 31, 2025, and 7.52% in December 31, 2026. This is based on a proposed ROE of 10.70% as presented by AES Indiana witness McKenzie and a cost of debt of 5.38% as of December 31, 2026 (the end of the Adjusted Test Year). AES Indiana's regulatory capital structure, as of the end of the Adjusted Test Year, consists of 47.33% long-term debt and 46.48% common equity, among other components more fully described above and as depicted in AES Indiana Financial Exhibit AESI-CC, Schedule CC2. The Company's WACC and capital structure underpin its financial integrity and are key considerations given by the credit rating agencies, along with the regulatory environment, in determining the Company's credit ratings. Maintaining investment grade ratings is vital to both AES Indiana and its customers as it allows for the necessary flexibility to determine when and how to access the capital markets in order to achieve reasonable terms. A constructive outcome in this case that approves the Company's capital structure and WACC as filed would support the continued financial integrity of AES Indiana, allowing it to earn a reasonable rate of return, meet its financial obligations, and provide safe and reliable service to its customers.

Q37. Does this conclude your verified pre-filed direct testimony?

A37. Yes.

VERIFICATION

I, Dustin J. Illyes, Treasurer of AES US Services, LLC, affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

Dustin J. Illyes
Dated: May 30, 2025

CREDIT OPINION
3 July 2024

Update

Send Your Feedback

RATINGS

Indianapolis Power & Light Company

Domicile	Indianapolis, Indiana, United States
Long Term Rating	Baa1
Type	LT Issuer Rating
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Indianapolis Power & Light Company

Update to credit analysis

Summary

Indianapolis Power & Light Company's (IPL; trademark: AES Indiana) credit profile reflects its regulated vertically integrated electric utility operations that are subject to the Indiana Utility Regulatory Commission's (IURC) oversight. Our view that the regulatory environment is credit supportive considers (i) the utility's access to several riders and surcharges that allow cost recovery between rate cases and (ii) the IURC's approval, without modifications, of a unanimous settlement agreement entered into in November 2023. The April 2024 order completed IPL's rate case filed in June 2023, the first proceeding since the 2018 order.

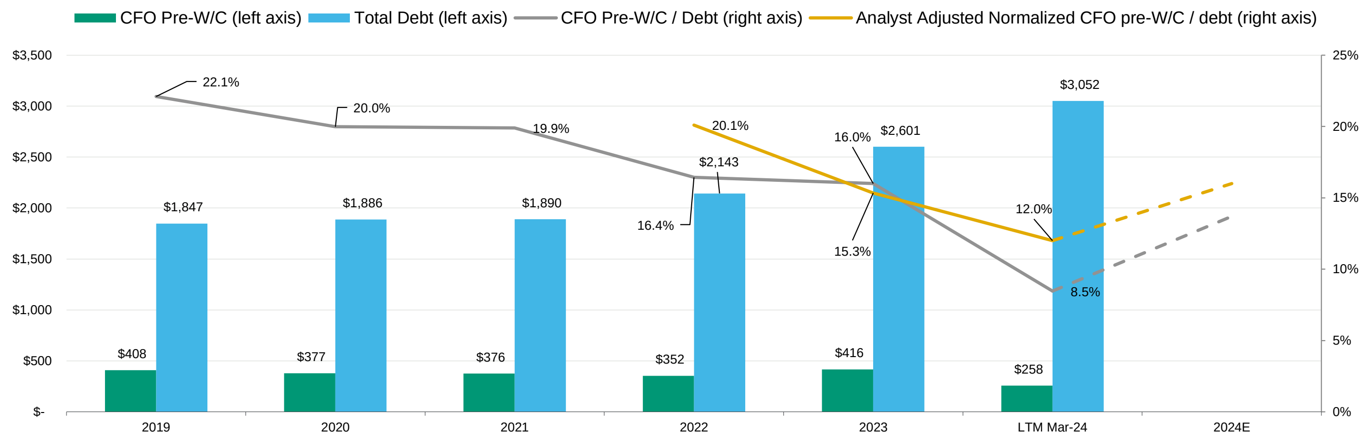
The deterioration in the IPL's financial metrics, which we expect to remain weak at least throughout 2025, tempers the ratings of both the utility and its parent company, IPALCO Enterprises, Inc. (IPALCO). Specifically, we expect IPL's ratio of CFO before changes in working capital (CFO pre-W/C) to debt to remain below 17% at least thought 2025, based on management's current planned 2025-2026 investments. This decline is being driven by the significant increase in debt to fund IPL's capital expenditures that are nearly doubling over last year's estimates, which offsets any benefits from the generally supportive outcome of the utility's 2023 rate case. Factors that could help improve financial metrics such that they become supportive of IPL and IPALCO's current ratings include a moderation in the utility's planned investments in 2026 as has been indicated by management in its disclosures.

IPL's dividend distributions and tax payments are the only source of cash flow to service IPALCO's $875 million of intermediate holding company debt. In the absence of material ringfencing provisions, these obligations limit both entities' financial flexibility and constrain the utility's credit quality, while also driving structural subordination risk at the parent. The current credit rating assumes that parent debt will remain steady at $875 million. IPL will use a combination of debt and equity contributions from the owners, including the ultimate parent company, AES Corp (The) (Baa3 stable), along with possible additional proceeds from tax equity partnerships, to fund its capital requirements. At year-end 2023, the ratio of IPALCO's holding company debt to consolidated debt was 25.2% down from 29% at year-end 2022. IPL's growing debt will cause the ratio to further decline such that it could fall below 25%, on a sustained basis.

Exhibit 1

IPL's normalized ratio of CFO pre-W/C to debt has deteriorated and will remain below 17% at lease throughout 2025

IPL's historical CFO Pre-W/C, Total Debt and CFO Pre-W/C to Debt [1] on a normalized and non-normalized basis is expected to remain below 17% during the 2023-2025 period



[1] We apply several analytical adjustments in our analysis of IPL's financial performance to normalize its 2022 and 2023 cash flow. In 2022, IPL's financial metrics were adversely impacted by deferred fuel costs and unrecovered costs associated with the extended outage at the Eagle Valley power plant. About $80 million was recovered during the 1Q2023 but lower than normal sales negatively affected its 2023 cash flow. During the 1Q2024, negative changes in regulatory assets and liabilities of $91 million along with the increased capex contributed to the weak ratios for the last twelve month period ended March 2024 (1QLTM2024). IPL's cash flow statements do not include a distinction between current versus non-current amounts. The calculations of IPL's 1QLTM2024 normalized ratio of CFO pre-W/C/debt assumes that these changes are largely related to current assets and liabilities. Also, the 1QLTM2024 and estimated 2024 pro-forma ratios assume that the $71 million rate base would have become effective on 1 January 2024 instead of May 2024. Despite these adjustments, IPL's normalized 1Q2024 and 2023 ratios of CFO pre-W/C to debt were still below 17%, our cited downgrade threshold.
[2] All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are fiscal year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Credit Strengths

» Fully regulated utility that operates in a credit supportive regulatory environment

» Rate case outcome in 2023 evidenced constructive stakeholder relationships

» Cost recovery mechanisms between rate cases aids cash flow amid elevated capex program

Credit Challenges

» Utility capital expenditures have increased considerably

» Leverage to fund this significant investment program is putting pressure on financial metrics

» Significant financial leverage of parent IPALCO constrains IPL's credit quality in the absence of ring-fencing provision

Rating Outlook

The negative outlooks of IPL and IPALCO reflect the deterioration in their financial metrics, which we expect to remain weak at least throughout 2025 owing to the significant increase in debt to fund IPL's material capital expenditures. Specifically, the negative outlook assumes that IPL's ratio of CFO pre-W/C to debt will remain below 17%, the ratio that we have cited for a downgrade of IPL's rating.

Factors that Could Lead to an Upgrade

An upgrade of IPL and IPALCO's ratings is unlikely given the negative outlooks. However, a stabilization of the ratings is possible if there is an improvement in their financial metrics. Specifically, if IPALCO and IPL are able to report a ratio of consolidated CFO pre-W/C to debt of 12%, and 17%, respectively both on a sustained basis.

Factors that Could Lead to a Downgrade

A downgrade of IPL and IPALCO's ratings is likely if they fail to show an improvement in their financial metrics in 2025 and if we do not expect the companies to generate ratios in line with their downgrade thresholds in 2026. Further increases in the utility's planned capital expenditures or a less credit supportive outcome of the next regulatory proceeding would also likely result in a downgrade. The ratings could also face downward pressure if there is an overall deterioration in the degree of regulatory support in Indiana.

Key Indicators

Exhibit 3
Indianapolis Power & Light Company

	2019	2020	2021	2022	2023	LTM Mar-24
CFO Pre-W/C + Interest / Interest	5.5x	5.2x	5.4x	4.6x	4.7x	3.1x
CFO Pre-W/C / Debt	22.1%	20.0%	19.9%	16.4%	16.0%	8.5%
CFO Pre-W/C – Dividends / Debt	13.4%	12.1%	11.6%	10.4%	10.6%	4.3%
Debt / Capitalization	51.9%	52.0%	48.3%	48.9%	53.0%	57.0%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. They do not include any normalization adjustments. Periods are fiscal year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Corporate Profile

Indianapolis Power & Light Company (IPL; trademark: AES Indiana) is a vertically integrated utility with around 523,000 customers in the city of Indianapolis and neighboring areas within the state of Indiana. IPL's service territory covers about 528 square miles with a population of approximately 975,000. Based on IPL's 2023 rate case outcome, IPL's rate base aggregates around $3.5 billion.

IPL accounts for over 99% of IPALCO's consolidated revenues, cash flows and assets. In 2014, AES Corporation (AES, Baa3 stable), IPALCO's majority shareholder, set up AES US Services, LLC to provide services to all of its US subsidiaries, including IPALCO and IPL. Also in 2014, the Canadian fund Caisse de Dépôt et Placement du Québec (CDPQ) became IPALCO's minority shareholder. Its current direct and indirect ownership approximates 30% and consists of a 17.65% direct interest in IPALCO and a 12.5% indirect ownership in IPALCO via AES US Investments (which owns 82.35% of IPALCO). We estimate that IPALCO accounts for less than 15% of AES' EBITDA and CFO, on a proportionally consolidated basis.

IPL is a member of the Midcontinent Independent System Operator, Inc (MISO). At year-end 2023, IPL's winter net electric generation consisted only of fossil-fuel generation with an aggregated capacity of 3,070 MW (summer: 2,925 MW). This considers the early retirement of the 415 MW coal-fired Petersburg Unit 2 in June 2023 (230 MW Unit 1 retired in May 2021).

As part of IPL's 2022 integrated resource plan (IRP), in March 2024, IPL requested regulatory approval to convert the last two coal-fired units of Petersburg (Unit 3 and 4) facility to natural gas by year-end 2026. If approved (decision expected before year-end 2024), the conversion will further grow IPL's fleet of natural gas generation capacity that aggregated 1,955 MW at year-end 2023, including the 719 MW Eagle Valley Generating Station.

IPL's preferred portfolio included in the 2022 IRP incorporates plans to add up to 1,300 MW of wind, solar and battery energy storage by 2027. In January 2024, the IURC approved IPL's acquisition of the 106 MW Hoosier wind-farm (vintage: 2009). IPL had previously contracted the windfarm's output under a power purchase agreement. In addition, its 195 MW Hardy Hills solar project achieved commercial operation in May 2024. As of June 2024, IPL had two assets under development. Supply chain challenges affecting the sector contributed to the postponement of the 250 MW Petersburg Energy Center completion, which includes a 45 MW battery storage (180 MWh), from 2024 to 2025. In May 2023, the IURC approved the revised project schedule and increased costs. In addition, IPL expects the 200 MW Pike County batter energy storage system (800 MWh) to commence operations before year-end 2024. In December 2023, IPL entered into a tax equity partnership with a third-party investor, also known as Class A member, in connection with the Hardy Hills project. This partnership, approved by the IURC, allows IPL to monetize the investment tax credit and accelerated depreciation associated with this asset and reduce the impact on its investments on customers' bills. The Class A member's contribution aggregated nearly $80 million in 2023.

Detailed Credit Considerations

Increased capital expenditures putting pressure on financial metrics

Factors contributing to the deterioration in IPL's financial metrics during 2023 (see Exhibit 1) include: (i) lower sales; (ii) regulatory lag due to the lengthy rate case stay-out period; (iii) incremental debt to fund growing capital expenditures of nearly $950 million, up from almost $500 million at year-end 2022. We note that the group's actual capital expenditures in 2023 were nearly $200 million, or 26%, higher than the $751 million of planned investments for the year that were disclosed in the year-end 2022 financial statements. The ratio of capex to depreciation and amortization (D&A) of 3.2x, up from 1.8x at year-end 2022, underscores the materiality of these investments, although we acknowledge that some of the investments initially planned to be undertaken in 2022 were postponed to 2023 and 2024.

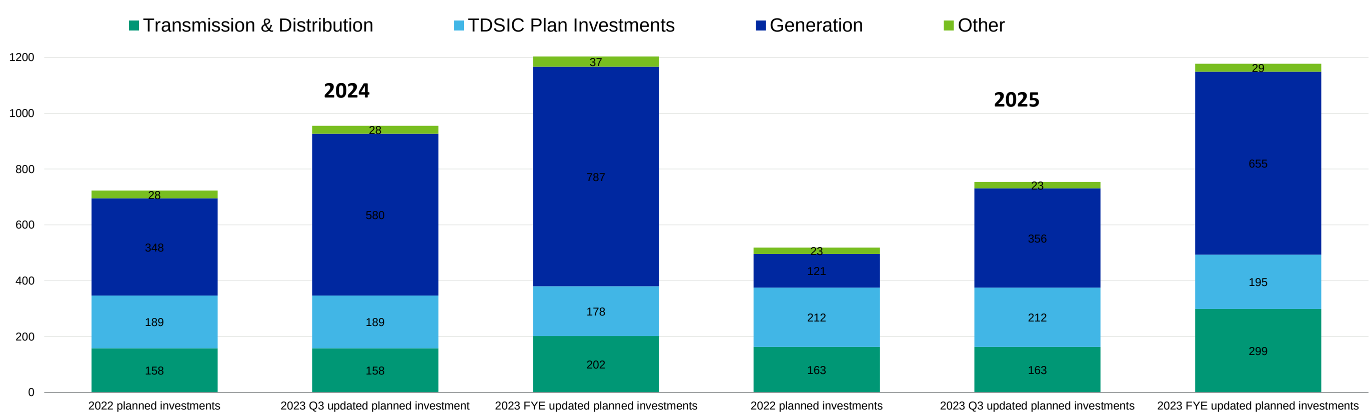
During the 1Q2024, IPL's sales improved compared to the 1Q2023 but the negative impact of regulatory lag and incremental debt to fund its investments further weakened IPL's financial metrics. Our analysis considers certain analytical adjustments (See Exhibit 1) but IPL's normalized ratio CFO pre-W/C to debt (see Exhibit1) was still weak at year-end 2023 and 1QLTM2024.

In February 2024, IPL updated its planned capital expenditures for the 2024-2025 period and they now aggregate nearly $2.4 billion. As depicted in Exhibit 3, this represented the second significant step-up in its planned investments over the last twelve months. The exhibit compares the planned investments for 2024 and 2025 included in the financial statements at year-end 2022 and the updated capex plans for these years included in the September 2023 and year-end 2023 financial statements. As a point of reference, IPL's planned 2024-2025 investments disclosed in February 2023 were only $1.3 billion, about half of the current level. The utility's capital investments started to increase materially beginning in 2023 with the ratio of capital expenditures to depreciation and amortization (D&A) spiking to 3.3x at year-end 2023 compared to below 2.0x during the entire 2018-2022 period. Assuming no additional increases in IPL's capital investments, we estimate that this ratio will range between 3.4-3.7x during the 2024-2025 period.

We note that the IURC authorized an increase in IPL's authorized regulatory equity layer to 44.3% in April 2024 (equal to a financial ratio of 47.4%) from 37.33% (equal to a financial ratio of 44%). However, this equity layer is still relatively thin compared to peers, driving IPL's higher reliance on debt to fund its investments. In addition, IPL's new base rates, that became effective in May 2024, are premised on a historical test year ended 2022, as filed by IPL despite forward test year filings being allowed in Indiana. IPL's rate base was adjusted to reflect fixed, known and measurable changes as of 24 November 2023, which partly mitigates the effect of the historical test year. As explained below, it also has access to several riders to recover costs and investments between rate cases. Nevertheless, IPL's cash flows are still exposed to regulatory lag, another factor contributing to our expectation that IPL's ratio of CFO pre-W/C to debt will remain below 17% during the 2024-2025 period, which is weak compared to most other Baa1 rated vertically integrated utilities.

Exhibit 4

IPL has significantly increased its 2024-2025 investments, particularly in generation



Source: Company's filings, Moody's Ratings

IPL's 2024-2025 planned investments in transmission and distribution assets increased by $165 million compared to the 2022 plans for the same period. However, incremental investments in power generation account for most of the step-up in the updated forecasted capex during the 2024-2025 period. We understand that these are largely related to three solar and battery storage assets currently under development, the conversion of the last Peterburg's units to natural gas and the acquisition of the Hoosier windfarm (see Profile). The conversion of the two coal-fired units and the battery storage capacity will help IPL to maintain its long power position, a credit positive because it reduces the exposure of its cash flow and customer bills to the price volatility that results from procuring capacity and power in the market.

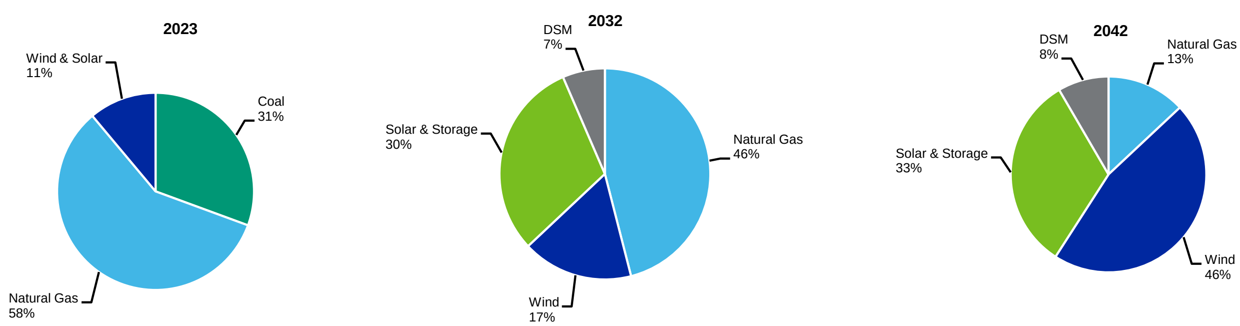
IPL's planned investments in 2026 currently aggregate $824 million. This assumed moderation in IPL's planned capital expenditures in 2026 could result in the ratio of capital expenditures to D&A dropping to around 2.0x. A combination of higher cash flow from previous investments and a moderation in utility debt growth could help to improve the group's financial metrics and support IPL and IPALCO's current ratings. Specifically, for IPL, this includes generating a ratio of CFO pre-W/C to debt of around 17% in 2026.

A decline in planned investments earmarked for generation assets largely explains the lower planned capex in 2026, compared to the planned investments of nearly $1.2 billion in 2025. However, additional investments are possible. As mentioned earlier, IPL disclosed plans to add up to 1,300 MW of wind, solar and battery storage by 2027. Moreover, utilities in Indiana file IRPs every three years with the filing of IPL's next plan expected in 2025. This could result in additional changes to IPL's resource portfolio and investment plans.

As depicted in Exhibit 4, IPL's coal-fired generation accounted for 36% to its generated output in 2023, down from 58% at year-end 2022, due to the retirement of the Petersburg Unit 2 (June 2023) and further declining capacity factors of its last two units. In contrast, in 2023, IPL's natural gas fleet increased their contribution to 64%, up from 58% at year-end 2022. Power procured under agreements primarily with solar (94.8 MW) and wind assets (300 MW), including the Hoosier windfarm that IPL rate based in 2024, and some purchases in the wholesale market, accounted for the balance of the supplied power.

Exhibit 5

Comparison between IPL's actual energy mix in 2023 and expected development based on its preferred resource portfolio proposed under the 2022 IRP



In 2023, includes power procured though contracts, included the 106 MW Hoosier windfarm that IPL will ratebase in 2024.
Source: Company's filings

IPL's 2023 rate case outcome evidences a constructive relationship with stakeholders

According to Indiana SB560, utilities are authorized to implement temporary rates, equal to 50% of the proposed rate increase, if the IURC fails to act within 360 days (including a 60-day extension for good cause) after the filing date. That said, the IURC has a track record of completing rate cases within one year, which is relatively timely and predictable. Examples include the April 2024 approval, without modifications, of IPL's unanimous multi-party settlement agreement it entered into in 22 November 2023. The utility filed this rate case on 28 June 2023, IPL's first rate case since the last order in October 2018.

The IURC authorized an increase in IPL's revenue requirements by $73 million (+4.6%) to around $1.6 billion, which equates to nearly 53% of its initial ask of around $131 million (net of adjustments to reflect updates to fuel costs embedded in base rates).

Credit positive aspects of the rate case and the order include authority to increase the annual recovery of vegetation management costs by $10.2 million to $25 million, a credit positive from a cash and reliability perspective. Examples that evidence IPL's credit supportive relationship with the IURC include that, in the April 2024 order, the Commission dismissed with prejudice a July 2023 joint petition filed by some intervenors. The intervenors requested that the IURC open an investigation into IPL's practices and procedures regarding storm outage restoration in the aftermath of the severe weather that affected IPL's service territory end of June 2023. In the order, the IURC concluded that IPL's response to the storm was equal or better than the response provided by other utilities with same the same priorities used to guide each utility's restoration efforts.

The new base rates are premised on a rate base of around $3.5 billion that compares well with the rate base amount included in IPL's June 2023 filings. It includes investments in reliability and reliance improvements, key drivers of the rate case. Filings based on future test years are allowed in Indiana, but IPL chose to file its 2023 rate case based on a historical test year, including investments placed in service in 2022, a credit negative from a cash flow lag perspective. An exception are the capital outlays associated with enhancements to customer systems with the settled amounts reflecting investments placed into service through November 2023. That said, we understand that these investments are still facing some scrutiny after the customer systems experienced some challenges upon their initial implementation.

As mentioned earlier, the rate case include authority to increase IPL's allowed regulatory equity layer to 44.36% (requested: 44.69%) up from 37.33% in place since 2018, a credit positive. The difference between these regulatory layers and the financial equity ratio of 47.4% (previously: 45%) is that IPL's regulatory capitalization includes deferred income taxes and customer deposits and excludes prepaid pension assets in line with IPL's authorized rate base, a credit negative. However, the equity layer of less than 50% is still thin compared to utility peers.

Around 24% of the gap (about $60 million) between IPL's requested (June 2023) $131 million increase (+8.5%) and the authorized step up in IPL's revenue requirements is attributable to the 70 basis points lower return on equity (RoE). The settled RoE of 9.9% is also lower than IPL's previous 9.99% RoE, authorized in 2018. This a credit negative, particularly considering the material interest rate increases experienced during the 2022-2023 period. However, it still compares relatively well to recently authorized RoE's in other jurisdictions.

From a cash perspective, other credit negative aspects of the settlement (accounting for around 11% of the gap) include IPL's agreement to extend the amortization period of certain regulatory assets to four years from the request of three years, and adjustments to the regulatory asset balance for Petersburg Unit 1 and Unit 2. The utility also accepted the intervenors' proposed use of the assets average service life methodology (ALG procedure) to determine the rate of annual depreciation which results in a $24.8 million reduction in the depreciation expense included in customer rates, which accounts for 41% of the difference between the settled and requested rate increase. The utility also agreed to adjust certain operational and maintenance costs downward.

Credit supportive regulatory environment allows for recovery mechanisms between rate case

Our view that the regulatory environment in Indiana is credit supportive considers the cash benefits associated with legislative-backed surcharges and riders that adjust rates to earn a return on and of certain investments between rate cases, subject to IURC review and reconciliation proceedings. The IURC website discloses that IPL's authorized trackers made up about 11.3% of a residential customer's typical electric bill as of January 2024. However, these mechanisms do not fully insulate IPL's cash flows from regulatory lag.

Adjustment mechanisms allow the utility to also recover changes in MISO costs as well as changes in net capacity sales (based on an annual benchmark of +/-$11.3 million) and in off-system sales, reflecting changes in the wholesale margins (based on an annual benchmark: +/-$16.3 million). Other key recovery mechanisms, based on projected amounts and subject to true-up based on historical actuals, include the Environmental Compliance Cost Recovery Adjustment (ECCRA-tracker) and the TDSIC.

The utility files for annual adjustments related to the ECCRA tracker, in connection with environmental compliance investments for items such as the Mercury and Air Toxics Standard at the end of November for the period extending from March through February. The adjustments typically become effective in March, subject to subsequent reconciliations during the third quarter of the year. We understand that renewable and storage projects (e.g. Hardy Hills, Petersburg Energy and Pike County storage) are recoverable through this tracker.

In contrast, the TDSIC, associated with investments in transmission, distribution and storage systems, is subject to semi-annual filings (typically in June and December). The TDSIC statute required the utility to file a seven-year investment plan in 2020, which authorized investments of $1.2 billion from 2020 to 2026. By the end of 2023, the remaining balance for the 2024-2026 period aggregated $529 million, which is roughly 44% of the total investment initially authorized. IPL's audited financial statements at year-end 2023 disclosed that the TDSIC investments account for about 16% of its total planned investments for the 2024-2026 period. The utility manages the investments to comply with annual increase limits of no more than 2% of total retail revenues. These increases are typically implemented during the fourth quarter. The approved revenue requirement aggregated $56.5 million for the twelve-month period ending October 2024 (through October 2023: $34.3 million).

On a negative note, the semiannual rate adjustments associated with the TDSIC mechanism reflect only 80% of the revenue requirements. The utility is authorized to seek relief of the deferred balance in a rate case proceeding that exposes its cash flows to regulatory lag, a credit negative. At year-end 2023, IPL's non-current regulatory asset associated with the deferred TDSIC aggregated $36 million, up from $18.5 million at year-end 2022. The utility also reported current regulatory assets, net of regulatory liabilities, associated with under-collections of rate riders of $56 million, up from $11 million (also net of over-recovered amounts) at year-end 2022, with the recovery pending specific rate orders.

IPL's recovery of changes in fuel and purchased power costs to meet its retail load requirements is subject to quarterly adjustments of the fuel adjustment clause (FAC). This reflects IPL's estimated fuel and purchased power costs in future periods while the utility is allowed to recoup (or credit back to customers) any under/(over) recovered amounts, typically through quarterly adjustments. This helps to limit the utility's cash flow exposure to deferred balances, an important credit consideration following the material spike in commodity costs during 2022. At year-end 2023, IPL reported regulatory assets (non-current) associated with deferred fuel costs that totaled $4.3 million down from the material balance of $100.4 million reported at year-end 2022 (including nearly $80 million in current regulatory assets).

From credit perspective, the absence of a decoupling mechanism in Indiana is a weakness because it exposes the utility's cash flow to sales volatility. For example, during 2023, IPL's volume sold to retail customers shrunk by nearly 6% largely due to less favorable weather conditions (on a weather adjusted basis: -2%). The typical non-volumetric rate design of large industrial and commercial customers mitigates the impact of their power demand volatility. However, the volumetric rates of residential and small C&I customers were reduced, a credit negative in terms of cash flow visibility as evidenced by the impact of their reduced demand of 9.5% (residential) and 5.5% (small C&I) during 2023 on IPL's cash flow. During the 1Q2024, IPl reported an increase in total retail sales by nearly 3% but the weather-adjusted sales remained relatively weak with a decrease of 0.5%, both compared to the volumes sold during the 1Q2023.

Elevated parent company debt constrains IPL's credit quality and drive structural subordination risk

We note that there was a slight decrease in IPALCO's holding company debt to $875 million from $880 million in April 2024. The notes due in 2030 ($475 million) and 2034 ($400 million) are secured by IPALCO's pledge of its outstanding common stock in IPL. These debt obligations constrain the utility's credit quality, since IPL is the only source of cash to meet IPALCO's dividend and debt service obligations.

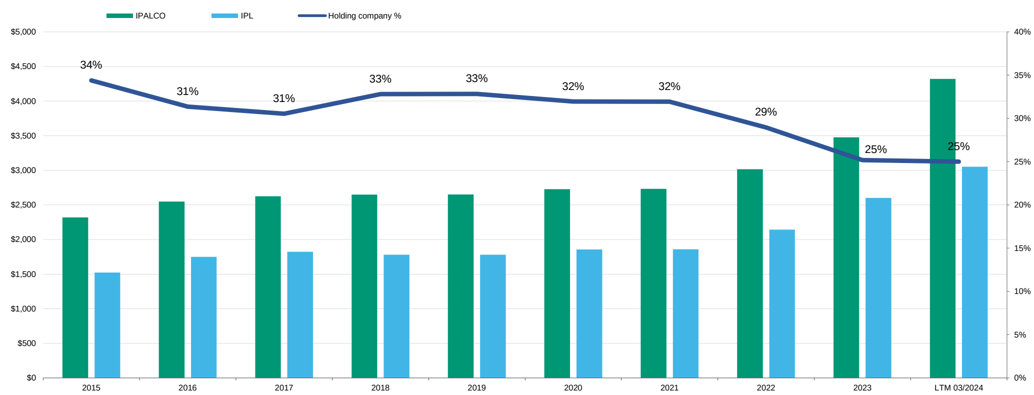
Management plans to maintain IPALCO's debt at current levels until at least the two debt series mature in 2030 and 2034. IPL will use a combination of debt and equity contributions from its owners, along with possible additional proceeds from tax equity partnerships, to fund its capital requirements.

At year-end 2023, the ratio of IPALCO's holding company debt to consolidated debt was 25.2% down from 29% at year-end 2022. IPL's growing debt will cause the ratio to decline further such that it could fall below 25% on a sustained basis. This is a credit positive because it helps reduce IPL's exposure to double leverage on a relative basis, and somewhat enhances its financial flexibility. However, the deterioration in the group's financial metrics tempers IPL and IPALCO's credit quality.

Exhibit 6

IPALCO's holding company debt as a % of consolidated debt

Debt in $ Million



Source: IPALCO's financial statements and Moody's Ratings

Despite the increase in IPL's authorized equity layer, IPALCO, through IPL, is likely to continue to rank as one of AES' largest sources of cash flow. It's upstreamed cash flow includes payments under a tax sharing agreement subject to the current 21% corporate tax rate. Both companies reported elevated dividend payout ratios exceeding 100% at year-end 2023 (compared to industry average in the 60-70% range) amid IPL's relatively thin authorized equity layer. This aggressive dividend policy also constrains credit quality.

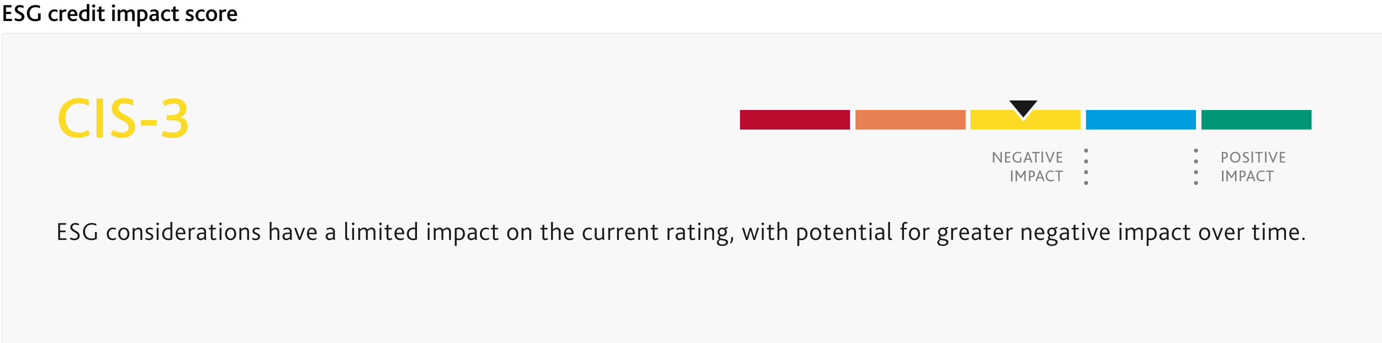
IPL's ability to dividend cash is somewhat limited under the amended Articles of Incorporation, the mortgage and deed of trust, as well as its credit facility (where there is a requirement to record total debt to total capitalization not greater than 67%). The Articles of Incorporation, amended after CDPQ became IPALCO's minority shareholder, also limit IPALCO's ability to make intercompany loans and dividend distributions to AES. These are subject to the company recording debt to adjusted capitalization of no greater than 67% and interest coverage below 2.5x, respectively. However, all of these restrictions are relatively lenient. This is evidenced by IPALCO's track record of complying with these covenants despite its extremely thin capitalization.

ESG considerations

Indianapolis Power & Light Company's ESG credit impact score is CIS-3

Exhibit 7

ESG credit impact score



Source: Moody's Ratings

Indianapolis Power & Light Company's (IPL; trademark: AES Indiana) **CIS-3** indicates that ESG considerations have limited impact on the current rating with potential for greater negative impact over time. This reflects high environmental risk, moderate social risks related to affordability and adverse regulatory or political decisions, along with neutral to low governance risks.

Exhibit 8
ESG issuer profile scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-4	S-3	G-2

Source: Moody's Ratings

Environmental

IPL's **E-4** issuer profile score reflects its high carbon transition risk due to its reliance on fossil fuels. This exposure is balanced against IPL's growing wind, solar and battery storage rate base. IPL expects to complete the conversion to natural gas of the last two Peterburg's units by 2026 which will reduce the risks of waste management and pollution. Additionally, IPL's exposure to physical climate risk is moderate, mostly in the form of extreme weather patterns that cause operational disruptions or unexpected increases in commodity prices.

Social

IPL' **S-3** issuer profile score reflects the risk, common to all regulated utilities, that social pressures or public concern over affordability, the utility's reputation or environmental issues could lead to adverse regulatory or political intervention. Elevated natural gas prices, particularly in a high inflationary environment, could increase social risks. In turn, these pressures could result in adverse political intervention into utility operations or regulatory changes.

Governance

IPL's **G-2** issuer profile score is broadly in line with other utilities and does not pose a particular risk. Our assessment reflects the direct parent, IPALCO Enterprises Inc., and indirect majority owner, AES Corporation (The), financial policies and the regulatory construct that determines the utility's authorized capital structure that is maintained by management.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity Analysis

IPL maintains an adequate liquidity profile. As of 31 March 2024, IPL had $195 million available under its 5-year $350 million revolving credit facility. The facility, scheduled to expire in December 2027, includes a $150 million accordion feature (subject to lenders' approval). Its single financial covenant requires a maximum total debt to total capitalization of 67%. The ratio was 58% at year-end 2023 (2022: 52%), and we assume that it will remain well in compliance with this covenant. Failure to comply could cause an event of default that would also limit IPL's ability to distribute dividends.

IPALCO does not maintain its own credit facility and the organization relies solely on IPL's revolving credit facilities for external financing, a credit and liquidity weakness.

IPL used the net proceeds raised in connection with the issuance of a 30-year $650 million first mortgage bond, completed in March 2024, to repay a 364-day $300 million term loan that the utility entered into in November 2023 and for general corporate purposes. In March 2024, IPL repaid the $92 million short-term loan it received from AES in February 2024. IPL's next debt maturity consists of $40 million of FMB's due in December 2024 followed by another $40 million FMB due in August 2025. In March 2024, IPALCO issued $400 million of 10-year senior notes. It used the proceeds and cash on hand for the early redemption of the $405 million notes due in September 2024. IPALCO's next debt maturity consists of $475 million of notes that will become due in May 2030.

We expect that IPL will fund its capital requirements including its investments and dividend distributions (as a point of reference, at year-end 2023: $104 million) with internally generated operating cash flow (2023: $392 million), borrowings under IPL's credit facility and long-term debt issuances, shareholders' equity contributions to help IPL maintain its authorized equity layer. It is also possible that IPL will enter into new tax equity partnerships in connection with new renewable projects.

During 2023 and 1Q2024, AES and CDPQ made no equity contributions to IPALCO (total during the 2021-2022 period: $528 million). IPL is IPALCO's main source of cash flow used to meet its financial obligations including distributions to AES (dividends and up-streamed cash flow under a tax sharing agreement) and interest payments on its holding company debt of around $43 million p.a.

Rating Methodology and Scorecard Factor

Moody's evaluates the financial performance of IPL and IPALCO relative to the standard business risk grid under the Regulated Electric and Gas Utilities Methodology published in June 2017. As depicted in the grid below, IPL's scorecard-indicated outcome based on historical credit metrics is Baa1, the same as its actual assigned rating, which remains tempered by IPALCO's material holding company debt.

Exhibit 9
Rating factors
Indianapolis Power & Light Company

Regulated Electric and Gas Utilities Industry	Current LTM Mar-24		Moody's 12-18 Month Forward View	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	4.4x	Baa	3.5x - 4.5x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	14.7%	Baa	13% - 16%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	8.9%	Ba	4% - 6%	Ba
d) Debt / Capitalization (3 Year Avg)	52.2%	Baa	48% - 54%	Baa
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		Baa1		Baa1
HoldCo Structural Subordination Notching		0	0	0
a) Scorecard-Indicated Outcome		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. LTM = Last 12 months. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 10

Peer comparison

Indianapolis Power & Light Company

	Indianapolis Power & Light Company Baa1 Negative			Cleco Power LLC A3 Stable			Duquesne Light Company A3 Stable			Indiana Michigan Power Company A3 Stable			Puget Energy, Inc. Baa3 Stable		
(in $ millions)	FY Dec-22	FY Dec-23	LTM Mar-24	FY Dec-22	FY Dec-23	LTM Mar-24	FY Dec-21	FY Dec-22	FY Dec-23	FY Dec-22	FY Dec-23	LTM Mar-24	FY Dec-22	FY Dec-23	LTM Mar-24
Revenue	1,792	1,650	1,566	1,621	1,257	1,220	1,017	1,154	1,203	2,670	2,536	2,540	4,221	4,817	4,830
CFO Pre-W/C	352	416	258	374	378	386	372	394	419	856	818	773	831	1,224	1,002
Total Debt	2,143	2,601	3,052	2,081	2,037	2,029	1,458	1,562	1,752	3,493	3,506	3,506	7,444	7,967	8,014
CFO Pre-W/C + Interest / Interest	4.6x	4.7x	3.1x	4.9x	4.6x	4.7x	7.1x	6.9x	6.3x	7.4x	6.4x	6.4x	3.3x	4.1x	3.5x
CFO Pre-W/C / Debt	16.4%	16.0%	8.5%	18.0%	18.5%	19.0%	25.5%	25.2%	23.9%	24.5%	23.3%	22.1%	11.2%	15.4%	12.5%
CFO Pre-W/C – Dividends / Debt	10.4%	10.6%	4.3%	12.9%	13.9%	12.4%	20.8%	18.1%	18.5%	21.4%	17.3%	15.8%	10.9%	14.1%	10.6%
Debt / Capitalization	48.9%	53.0%	57.0%	42.7%	41.5%	41.8%	39.2%	40.6%	42.3%	45.6%	44.9%	44.2%	55.7%	57.5%	57.5%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 11

Moody's-adjusted cash flow metrics

Indianapolis Power & Light Company

(in $ millions)	2019	2020	2021	2022	2023	LTM Mar-24
FFO	**409.9**	**390.2**	**388.8**	**377.7**	**380.9**	**392.7**
+/- Other	(1.6)	(13.2)	(12.7)	(25.5)	35.2	(134.4)
CFO Pre-WC	**408.2**	**377.0**	**376.2**	**352.2**	**416.1**	**258.3**
+/- ΔWC	11.2	(44.6)	(130.0)	11.1	(2.4)	(47.7)
CFO	**419.5**	**332.4**	**246.2**	**363.3**	**413.7**	**210.7**
- Div	160.6	149.2	157.3	128.7	140.2	125.8
- Capex	213.6	235.7	317.8	488.3	933.6	1,049.5
FCF	**45.2**	**(52.5)**	**(228.9)**	**(253.7)**	**(660.1)**	**(964.6)**
(CFO Pre-W/C) / Debt	22.1%	20.0%	19.9%	16.4%	16.0%	8.5%
(CFO Pre-W/C - Dividends) / Debt	13.4%	12.1%	11.6%	10.4%	10.6%	4.3%
FFO / Debt	22.2%	20.7%	20.6%	17.6%	14.6%	12.9%
RCF / Debt	13.5%	12.8%	12.2%	11.6%	9.3%	8.7%
Revenue	1,481.6	1,353.0	1,426.1	1,791.7	1,649.9	1,566.3
Interest Expense	91.0	89.4	85.9	97.4	112.8	121.3
Net Income	165.0	139.2	134.6	111.8	109.3	106.0
Total Assets	4,918.4	4,952.4	5,223.0	5,551.8	6,115.8	6,557.1
Total Liabilities	3,486.9	3,497.6	3,501.8	3,614.6	4,206.9	4,649.4
Total Equity	1,431.5	1,454.8	1,721.2	1,937.2	1,908.9	1,907.7

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Ratings

Exhibit 12

Category	Moody's Rating
INDIANAPOLIS POWER & LIGHT COMPANY	
Outlook	Negative
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Secured	A2
ULT PARENT: AES CORPORATION, (THE)	
Outlook	Stable
Senior Unsecured	Baa3
Jr Subordinate	Ba1
Commercial Paper	P-3
PARENT: IPALCO ENTERPRISES, INC.	
Outlook	Negative
Senior Secured	Baa3

Source: Moody's Ratings

REPORT NUMBER 1412821

CREDIT OPINION
3 July 2024

Update

Send Your Feedback

RATINGS

IPALCO Enterprises, Inc.

Domicile	Indianapolis, Indiana, United States
Long Term Rating	Baa3
Type	Senior Secured - Dom Curr
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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IPALCO Enterprises, Inc.

Update to credit analysis

Summary

IPALCO Enterprise Inc's (IPALCO) credit profile reflects the structural subordination of its debt vis-a-vis the debt outstanding at its regulated vertically integrated subsidiary, Indianapolis Power & Light Company (IPL; trademark: AES Indiana). In the absence of material ring-fencing provisions, the utility's distributions and tax payments are the only source of cash flow to service the holding company debt.

In the absence of material ringfencing provisions, these obligations limit both entities' financial flexibility and constrain the utility's credit quality. The current credit rating assumes that parent debt will remain steady at $875 million. IPL will use a combination of debt and equity contributions from its owners, including its ultimate parent company AES Corp (The) (Baa3 stable), along with possible additional proceeds from tax equity partnerships, to fund its capital requirements. At year-end 2023, the ratio of IPALCO's holding company debt to consolidated debt was 25.2% down from 29% at year-end 2022. IPL's growing debt will cause the ratio to further decline such that it could fall below 25%, on a sustained basis.

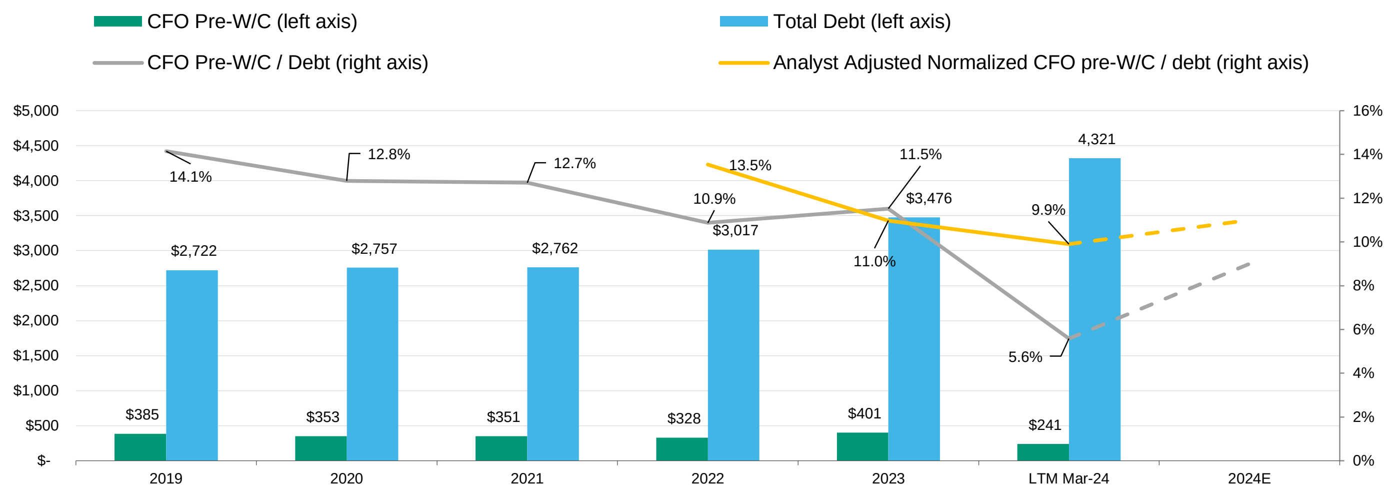
Our view that the regulatory environment in Indiana is credit supportive considers (i) IPL's access to several riders and surcharges that allow cost recovery between rate cases and (ii) the IURC's approval, without modifications, of a unanimous settlement agreement entered into in November 2023. The April 2024 order completed IPL's rate case filed in June 2023, the first proceeding since the 2018 order.

The deterioration in IPALCO's financial metrics, which we expect to remain weak at least throughout 2025, tempers the ratings of both IPALCO and IPL. Specifically, we expect IPALCO's ratio of CFO before changes in working capital (CFO pre-W/C) to debt to remain below 12% at least thought 2025, based on management's current planned 2025-2026 investments. This decline is being driven by the significant increase in debt to fund IPL's capital expenditures that are nearly doubling over last year's estimates. This offsets any benefits from the generally supportive outcome of the utility's 2023 rate case. Factors that could help improve financial metrics such that they become supportive of IPALCO and IPL's current ratings include a moderation in the utility's planned investments in 2026 as has been indicated by management in its disclosures.

Exhibit 1

IPALCO's normalized ratio of CFO pre-W/C to debt has deteriorated and will remain below 12% at lease throughout 2025

IPALCO's historical CFO Pre-W/C, Total Debt and CFO Pre-W/C to Debt [1] on a normalized and non-normalized basis is expected to remain below 12% during the 2023-2025 period



[1] We apply several analytical adjustments in our analysis of IPALCO's financial performance to normalize its 2022 and 2023 cash flow. In 2022, IPALCO's financial metrics were adversely impacted by deferred fuel costs and unrecovered costs associated with the extended outage at the Eagle Valley power plant. About $80 million was recovered during the 1Q2023 but lower than normal sales negatively affected its 2023 cash flow. During the 1Q2024, negative changes in regulatory assets and liabilities along with the increased capex contributed to the weak ratios for the last twelve month period ended March 2024 (1QLTM2024). IPALCO's cash flow statements do not include a distinction between current versus non-current amounts. The calculations of IPALCO's 1QLTM2024 normalized ratio of CFO pre-W/C/debt assumes that these changes are largely related to current assets and liabilities and the redemption of the $405 million notes (due in September 2024) in March 2024, instead of April 2024. Also, the 1QLTM2024 and estimated 2024 pro-forma ratios assume that the $71 million base rate increase would have become effective on 1 January 2024 instead of May 2024. Despite these adjustments, IPALCO's normalized 1Q2024 and 2023 ratios of CFO pre-W/C to debt were still below 12%, our cited downgrade threshold.
[2] All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are fiscal year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Credit Strengths

» Parent company of IPL, whose fully regulated operations enhance its dividend visibility in the absence of ring-fencing provision

» Cost recovery mechanisms and rate case outcome in 2023 evidenced constructive stakeholder relationships

Credit Challenges

» Leverage to fund significant investment program puts pressure on financial metrics

» Significant financial leverage at the holding company drives structural subordination

Rating Outlook

The negative outlooks of IPALCO and IPL reflect the deterioration in their financial metrics, which we expect to remain weak at least throughout 2025 owing to the significant increase in debt to fund IPL's material capital expenditures. Specifically, the negative outlook assumes that IPALCO's ratio of CFO pre-W/C to debt will remain below 12%, the ratio that we have cited for a downgrade of IPALCO's rating.

Factors that Could Lead to an Upgrade

An upgrade of IPALCO and IPL's ratings is unlikely given the negative outlooks. However, a stabilization of the ratings is possible if there is an improvement in their financial metrics. Specifically, if IPALCO and IPL are able to report a ratio of consolidated CFO pre-W/C to debt of 12%, and 17%, respectively both on a sustained basis.

Factors that Could Lead to a Downgrade

A downgrade of IPALCO and IPL's ratings is likely if they fail to show an improvement in their financial metrics in 2025 and if we do not expect the companies to generate ratios in line with their downgrade thresholds in 2026. Further increases in the utility's planned capital expenditures or a less credit supportive outcome of the next regulatory proceeding would also likely result in a downgrade. The ratings could also face downward pressure if there is an overall deterioration in the degree of regulatory support in Indiana.

Key Indicators

Exhibit 2

IPALCO Enterprises, Inc.

	2019	2020	2021	2022	2023	LTM Mar-24
CFO Pre-W/C + Interest / Interest	4.1x	3.7x	3.8x	3.3x	3.6x	2.5x
CFO Pre-W/C / Debt	14.1%	12.8%	12.7%	10.9%	11.5%	5.6%
CFO Pre-W/C – Dividends / Debt	9.1%	8.8%	7.9%	7.4%	8.5%	3.3%
Debt / Capitalization	76.8%	76.9%	71.2%	68.4%	70.2%	74.5%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are fiscal year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Corporate Profile

Indianapolis Power & Light Company (IPL; trademark: AES Indiana) is a vertically integrated utility with around 523,000 customers in the city of Indianapolis and neighboring areas within the state of Indiana. IPL's service territory covers about 528 square miles with a population of approximately 975,000. Based on IPL's 2023 rate case outcome, IPL's rate base aggregates around $3.5 billion.

IPL accounts for over 99% of IPALCO's consolidated revenues, cash flows and assets. In 2014, AES Corporation (AES, Baa3 stable), IPALCO's majority shareholder, set up AES US Services, LLC to provide services to all of its US subsidiaries, including IPALCO and IPL. Also in 2014, the Canadian fund Caisse de Dépôt et Placement du Québec (CDPQ) became IPALCO's minority shareholder. Its current direct and indirect ownership approximates 30% and consists of a 17.65% direct interest in IPALCO and a 12.5% indirect ownership in IPALCO via AES US Investments (which owns 82.35% of IPALCO). We estimate that IPALCO accounts for less than 15% of AES' EBITDA and CFO, on a proportionally consolidated basis.

IPL is a member of the Midcontinent Independent System Operator, Inc (MISO). At year-end 2023, IPL's winter net electric generation consisted only of fossil-fuel generation with an aggregated capacity of 3,070 MW (summer: 2,925 MW). This considers the early retirement of the 415 MW coal-fired Petersburg Unit 2 in June 2023 (230 MW Unit 1 retired in May 2021).

As part of IPL's 2022 integrated resource plan (IRP), in March 2024, IPL requested regulatory approval to convert the last two coal-fired units of Petersburg (Unit 3 and 4) facility to natural gas by year-end 2026. If approved (decision expected before year-end 2024), the conversion will further grow IPL's fleet of natural gas generation capacity that aggregated 1,955 MW at year-end 2023, including the 719 MW Eagle Valley Generating Station.

IPL's preferred portfolio included in the 2022 IRP incorporates plans to add up to 1,300 MW of wind, solar and battery energy storage by 2027. In January 2024, the IURC approved IPL's acquisition of the 106 MW Hoosier wind-farm (vintage: 2009). IPL had previously contracted the windfarm's output under a power purchase agreement. In addition, its 195 MW Hardy Hills solar project achieved commercial operation in May 2024. As of June 2024, IPL had two assets under development. Supply chain challenges affecting the sector contributed to the postponement of the 250 MW Petersburg Energy Center completion, which includes a 45 MW battery storage (180 MWh), from 2024 to 2025. In May 2023, the IURC approved the revised project schedule and increased costs. In addition, IPL expects the 200 MW Pike County batter energy storage system (800 MWh) to commence operations before year-end 2024. In December 2023, IPL entered into a tax equity partnership with a third-party investor, also known as Class A member, in connection with the Hardy Hills project. This partnership, approved by the IURC, allows IPL to monetize the investment tax credit and accelerated depreciation associated with this asset and reduce the impact on its investments on customers' bills. The Class A member's contribution aggregated nearly $80 million in 2023.

Detailed Credit Considerations

Elevated parents company debt constrains IPL's credit quality and drive structural subordination risk

We note that there was a slight decrease in IPALCO's holding company debt to $875 million from $880 million in April 2024. The notes due in 2030 ($475 million) and 2034 ($400 million) are secured by IPALCO's pledge of its outstanding common stock in IPL. These debt obligations constrain the utility's credit quality, since IPL is the only source of cash to meet IPALCO's dividend and debt service obligations.

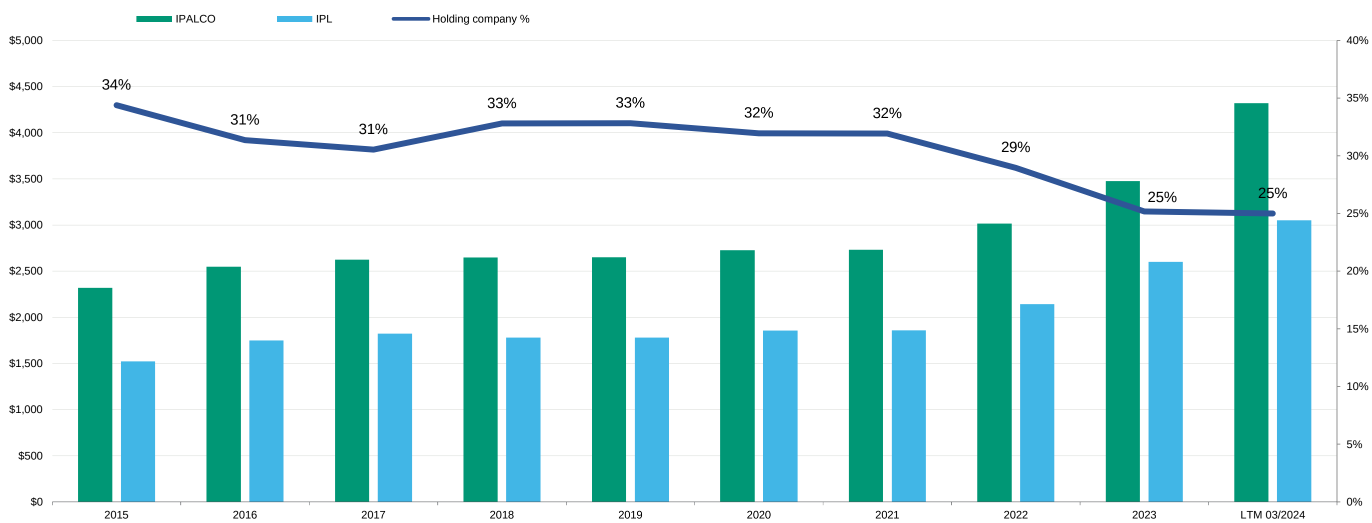
Management plans to maintain IPALCO's debt at current levels until at least the two debt series mature in 2030 and 2034. IPL will use a combination of debt and equity contributions from its owners, along with possible additional proceeds from tax equity partnerships, to fund its capital requirements.

At year-end 2023, the ratio of IPALCO's holding company debt to consolidated debt was 25.2% down from 29% at year-end 2022. IPL's growing debt will cause the ratio to decline further such that it could fall below 25% on a sustained basis. This is a credit positive because it helps reduce IPL's exposure to double leverage on a relative basis, and somewhat enhances its financial flexibility. However, the deterioration in the group's financial metrics tempers IPL and IPALCO's credit quality.

Exhibit 3

IPALCO's holding company debt as a % of consolidated debt

Debt in $ Millions



Source: IPALCO's financial statements and Moody's Ratings

Despite the increase in IPL's authorized equity layer, IPALCO, through IPL, is likely to continue to rank as one of AES' largest sources of cash flow. It's upstreamed cash flow includes payments under a tax sharing agreement subject to the current 21% corporate tax rate. Both companies reported elevated dividend payout ratios exceeding 100% at year-end 2023 (compared to industry average in the 60-70% range) amid IPL's relatively thin authorized equity layer. This aggressive dividend policy also constrains credit quality.

IPL's ability to dividend cash is somewhat limited under the amended Articles of Incorporation, the mortgage and deed of trust, as well as its credit facility (where there is a requirement to record total debt to total capitalization not greater than 67%). The Articles of Incorporation, amended after CDPQ became IPALCO's minority shareholder, also limit IPALCO's ability to make intercompany loans and dividend distributions to AES. These are subject to the company recording debt to adjusted capitalization of no greater than 67% and interest coverage below 2.5x, respectively. However, all of these restrictions are relatively lenient. This is evidenced by IPALCO's track record of complying with these covenants despite its extremely thin capitalization.

Increased capital expenditures putting pressure on financial metrics

Factors contributing to the deterioration in IPALCO's financial metrics during 2023 (see Exhibit 1) include: (i) lower sales; (ii) regulatory lag due to the lengthy rate case stay-out period; (iii) IPL's incremental debt to fund growing capital expenditures of nearly $950 million, up from almost $500 million at year-end 2022.

We note that the group's actual capital expenditures in 2023 were nearly $200 million, or 26%, higher than the $751 million of planned investments for the year that were disclosed in the year-end 2022 financial statements. The ratio of capex to depreciation and amortization (D&A) of 3.2x, up from 1.8x at year-end 2022, underscores the materiality of these investments, although we acknowledge that some of the investments initially planned to be undertaken in 2022 were postponed to 2023 and 2024.

During the 1Q2024, IPALCO's sales improved compared to the 1Q2023 but the negative impact of regulatory lag and incremental debt to fund its investments further weakened the consolidated financial metrics. Our analysis considers certain analytical adjustments (See Exhibit 1) but IPALCO's normalized ratio CFO pre-W/C to debt (see Exhibit1) was still weak at year-end 2023 and 1QLTM2024.

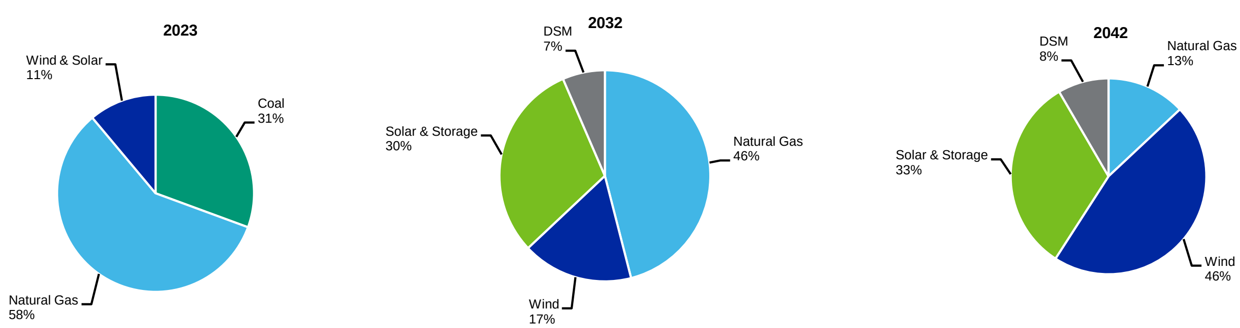
As explained in IPL's credit opinion, in February 2024, the utility updated its planned capital expenditures for the 2024-2025 period and they now aggregate nearly $2.4 billion. This represented the second significant step-up in its planned investments over the last twelve months.

We note that the IURC authorized an increase in IPL's authorized regulatory equity layer to 44.3% in April 2024 (equal to a financial ratio of 47.4%) from 37.33% (equal to a financial ratio of 44%). However, this equity layer is still relatively thin compared to peers, driving IPL's higher reliance on debt to fund its investments. In addition, IPL's new base rates, that became effective in May 2024, are premised on a historical test year ended 2022, as filed by IPL despite forward test year filings being allowed in Indiana. IPL's rate base was adjusted to reflect fixed, known and measurable changes as of 24 November 2023, which partly mitigates the effect of the historical test year. As explained below, it also has access to several riders to recover costs and investments between rate cases. Nevertheless, IPL's cash flows are still exposed to regulatory lag, another factor contributing to our expectation that IPL's ratio of CFO pre-W/C to debt will remain below 17% during the 2024-2025 period, which is weak compared to most other Baa1 rated vertically integrated utilities.

IPL's planned investments in 2026 currently aggregate $824 million. A combination of higher cash flow from previous investments and a moderation in utility debt growth could help to improve the group's financial metrics and support IPL and IPALCO's current ratings. Specifically, for IPL, this includes generating a ratio of CFO pre-W/C to debt of around 12% in 2026.

Exhibit 4

Comparison between IPL's actual energy mix in 2023 and expected development based on its preferred resource portfolio proposed under the 2022 IRP



In 2023, includes power procured though contracts, included the 106 MW Hoosier windfarm that IPL will ratebase in 2024.
Source: Company's filings

As depicted in Exhibit 4, IPL's coal-fired generation accounted for 36% to its generated output in 2023, down from 58% at year-end 2022, due to the retirement of the Petersburg Unit 2 (June 2023) and further declining capacity factors of its last two units. In contrast, in 2023, IPL's natural gas fleet increased their contribution to 64%, up from 58% at year-end 2022. Power procured under agreements primarily with solar (94.8 MW) and wind assets (300 MW), including the Hoosier windfarm that IPL rate based in 2024, and some purchases in the wholesale market, accounted for the balance of the supplied power.

IPL's 2023 rate case outcome evidences a constructive relationship with stakeholders

According to Indiana SB560, utilities are authorized to implement temporary rates, equal to 50% of the proposed rate increase, if the IURC fails to act within 360 days (including a 60-day extension for good cause) after the filing date. That said, the IURC has a track record of completing rate cases within one year, which is relatively timely and predictable. Examples include the April 2024 approval, without modifications, of IPL's unanimous multi-party settlement agreement it entered into in 22 November 2023. The utility filed this rate case on 28 June 2023, IPL's first rate case since the last order in October 2018.

The IURC authorized an increase in IPL's revenue requirements by $73 million (+4.6%) to around $1.6 billion, which equates to nearly 53% of its initial ask of around $131 million (net of adjustments to reflect updates to fuel costs embedded in base rates).

As explained in IPL's credit opinion, credit positive aspects of the rate case and the order include authority to increase the annual recovery of vegetation management costs by $10.2 million to $25 million, a credit positive from a cash and reliability perspective. Examples that evidence IPL's credit supportive relationship with the IURC include that, in the April 2024 order, the Commission dismissed with prejudice a July 2023 joint petition filed by some intervenors. The intervenors requested that the IURC open an investigation into IPL's practices and procedures regarding storm outage restoration in the aftermath of the severe weather that affected IPL's service territory end of June 2023. In the order, the IURC concluded that IPL's response to the storm was equal or better than the response provided by other utilities with same the same priorities used to guide each utility's restoration efforts.

The new base rates are premised on a rate base of around $3.5 billion that compares well with the rate base amount included in IPL's June 2023 filings. It includes investments in reliability and reliance improvements, key drivers of the rate case. Filings based on future test years are allowed in Indiana, but IPL chose to file its 2023 rate case based on a historical test year, including investments placed in service in 2022, a credit negative from a cash flow lag perspective. An exception are the capital outlays associated with enhancements to customer systems with the settled amounts reflecting investments placed into service through November 2023. That said, we understand that these investments are still facing some scrutiny after the customer systems experienced some challenges upon their initial implementation.

As mentioned earlier, the rate case include authority to increase IPL's allowed regulatory equity layer to 44.36% (requested: 44.69%) up from 37.33% in place since 2018, a credit positive. The difference between these regulatory layers and the financial equity ratio of 47.4% (previously: 45%) is that IPL's regulatory capitalization includes deferred income taxes and customer deposits and excludes prepaid pension assets in line with IPL's authorized rate base, a credit negative. However, the equity layer of less than 50% is still thin compared to utility peers.

Around 24% of the gap (about $60 million) between IPL's requested (June 2023) $131 million increase (+8.5%) and the authorized step up in IPL's revenue requirements is attributable to the 70 basis points lower return on equity (RoE). The settled RoE of 9.9% is also lower than IPL's previous 9.99% RoE, authorized in 2018. This a credit negative, particularly considering the material interest rate increases experienced during the 2022-2023 period. However, it still compares relatively well to recently authorized RoE's in other jurisdictions.

From a cash perspective, other credit negative aspects of the settlement (accounting for around 11% of the gap) include IPL's agreement to extend the amortization period of certain regulatory assets to four years from the request of three years, and adjustments to the regulatory asset balance for Petersburg Unit 1 and Unit 2. The utility also accepted the intervenors' proposed use of the assets average service life methodology (ALG procedure) to determine the rate of annual depreciation which results in a $24.8 million reduction in the depreciation expense included in customer rates, which accounts for 41% of the difference between the settled and requested rate increase. The utility also agreed to adjust certain operational and maintenance costs downward.

Credit supportive regulatory environment allows for recovery mechanisms between rate case

Our view that the regulatory environment in Indiana is credit supportive considers the cash benefits associated with legislative-backed surcharges and riders that adjust rates to earn a return on and of certain investments between rate cases, subject to IURC review and reconciliation proceedings. The IURC website discloses that IPL's authorized trackers made up about 11.3% of a residential customer's typical electric bill as of January 2024. However, these mechanisms do not fully insulate IPL's cash flows from regulatory lag.

Adjustment mechanisms allow the utility to also recover changes in MISO costs as well as changes in net capacity sales (based on an annual benchmark of +/-$11.3 million) and in off-system sales, reflecting changes in the wholesale margins (based on an annual benchmark: +/-$16.3 million). Other key recovery mechanisms, based on projected amounts and subject to true-up based on historical actuals, include the Environmental Compliance Cost Recovery Adjustment (ECCRA-tracker) and the TDSIC.

The utility files for annual adjustments related to the ECCRA tracker, in connection with environmental compliance investments for items such as the Mercury and Air Toxics Standard at the end of November for the period extending from March through February. The adjustments typically become effective in March, subject to subsequent reconciliations during the third quarter of the year. We understand that renewable and storage projects (e.g. Hardy Hills, Petersburg Energy and Pike County storage) are recoverable through this tracker.

In contrast, the TDSIC, associated with investments in transmission, distribution and storage systems, is subject to semi-annual filings (typically in June and December). The TDSIC statute required the utility to file a seven-year investment plan in 2020, which authorized investments of $1.2 billion from 2020 to 2026. By the end of 2023, the remaining balance for the 2024-2026 period aggregated $529 million, which is roughly 44% of the total investment initially authorized. IPL's audited financial statements at year-end 2023 disclosed that the TDSIC investments account for about 16% of its total planned investments for the 2024-2026 period. The utility manages the investments to comply with annual increase limits of no more than 2% of total retail revenues. These increases are typically implemented during the fourth quarter. The approved revenue requirement aggregated $56.5 million for the twelve-month period ending October 2024 (through October 2023: $34.3 million).

On a negative note, the semiannual rate adjustments associated with the TDSIC mechanism reflect only 80% of the revenue requirements. The utility is authorized to seek relief of the deferred balance in a rate case proceeding that exposes its cash flows to regulatory lag, a credit negative. At year-end 2023, IPL's non-current regulatory asset associated with the deferred TDSIC aggregated $36 million, up from $18.5 million at year-end 2022. The utility also reported current regulatory assets, net of regulatory liabilities, associated with under-collections of rate riders of $56 million, up from $11 million (also net of over-recovered amounts) at year-end 2022, with the recovery pending specific rate orders.

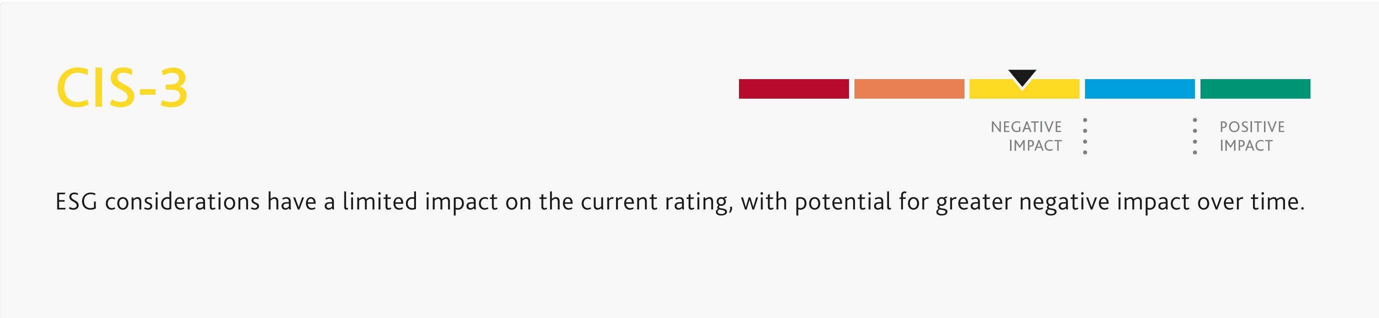
IPL's recovery of changes in fuel and purchased power costs to meet its retail load requirements is subject to quarterly adjustments of the fuel adjustment clause (FAC). This reflects IPL's estimated fuel and purchased power costs in future periods while the utility is allowed to recoup (or credit back to customers) any under/(over) recovered amounts, typically through quarterly adjustments. This helps to limit the utility's cash flow exposure to deferred balances, an important credit consideration following the material spike in commodity costs during 2022. At year-end 2023, IPL reported regulatory assets (non-current) associated with deferred fuel costs that totaled $4.3 million down from the material balance of $100.4 million reported at year-end 2022 (including nearly $80 million in current regulatory assets).

From credit perspective, the absence of a decoupling mechanism in Indiana is a weakness because it exposes the utility's cash flow to sales volatility. For example, during 2023, IPL's volume sold to retail customers shrunk by nearly 6% largely due to less favorable weather conditions (on a weather adjusted basis: -2%). The typical non-volumetric rate design of large industrial and commercial customers mitigates the impact of their power demand volatility. However, the volumetric rates of residential and small C&I customers were reduced, a credit negative in terms of cash flow visibility as evidenced by the impact of their reduced demand of 9.5% (residential) and 5.5% (small C&I) during 2023 on IPL's cash flow. During the 1Q2024, IPl reported an increase in total retail sales by nearly 3% but the weather-adjusted sales remained relatively weak with a decrease of 0.5%, both compared to the volumes sold during the 1Q2023.

ESG considerations

IPALCO Enterprises, Inc.'s ESG credit impact score is CIS-3

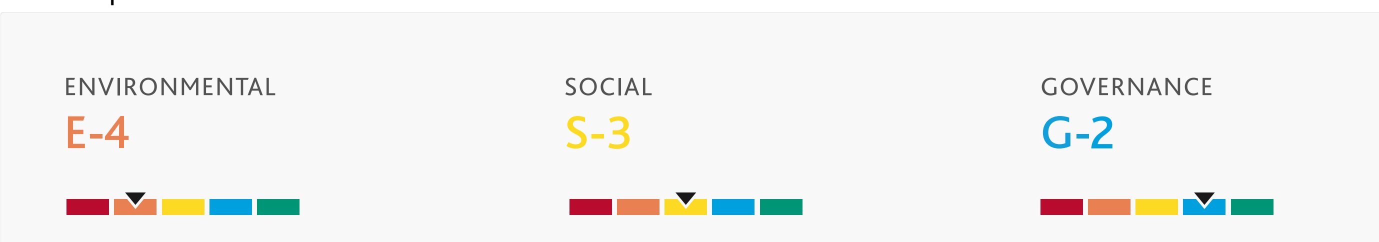
Exhibit 5
ESG credit impact score



Source: Moody's Ratings

IPALCO Enterprises Inc.'s (IPALCO) **CIS-3** indicates that ESG considerations have limited impact on the current rating with potential for greater negative impact over time. This reflects high environmental risk, moderate social risks related to affordability and adverse regulatory or political decisions, along with neutral to low governance risks.

Exhibit 6
ESG issuer profile scores



Source: Moody's Ratings

Environmental
IPALCO's **E-4** issuer profile score reflects its high carbon transition risk due to its reliance on fossil fuels. This exposure is balanced against the group's growing wind, solar and battery storage rate base. IPALCO's subsidiary, Indianapolis Power & Light Company, expects to complete the conversion to natural gas of the last two Peterburg's units by 2026 which will reduce the risks of waste management and pollution. Additionally, IPALCO's exposure to physical climate risk is moderate, mostly in the form of extreme weather patterns that cause operational disruptions or unexpected increases in commodity prices.

Social
IPALCO's **S-3** issuer profile score reflects the risk that arises through subsidiary IPL, common to all regulated utilities, that social pressures or public concern over affordability, the utility's reputation or environmental issues could lead to adverse regulatory or political intervention. Elevated natural gas prices, particularly in a high inflationary environment, could increase social risks. In turn, these pressures could result in adverse political intervention into utility operations or regulatory changes.

Governance
IPALCO's **G-2** issuer profile score is broadly in line with other utilities and does not pose a particular risk. Our assessment reflects the financial policies of majority parent company, AES Corporation (The). It also considers the regulatory construct that determines the utility's authorized capital structure that is maintained by management.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity Analysis

IPALCO does not maintain its own credit facility and the organization relies solely on IPL's revolving credit facilities for external financing, a credit and liquidity weakness.

IPL maintains an adequate liquidity profile. As of 31 March 2024, IPL had $195 million available under its 5-year $350 million revolving credit facility. The facility, scheduled to expire in December 2027, includes a $150 million accordion feature (subject to lenders' approval). Its single financial covenant requires a maximum total debt to total capitalization of 67%. The ratio was 58% at year-end 2023 (2022: 52%), and we assume that it will remain well in compliance with this covenant. Failure to comply could cause an event of default that would also limit IPL's ability to distribute dividends.

IPL used the net proceeds raised in connection with the issuance of a 30-year $650 million first mortgage bond, completed in March 2024, to repay a 364-day $300 million term loan that the utility entered into in November 2023 and for general corporate purposes. In March 2024, IPL repaid the $92 million short-term loan it received from AES in February 2024. IPL's next debt maturity consists of $40 million of FMB's due in December 2024 followed by another $40 million FMB due in August 2025. In March 2024, IPALCO issued $400 million of 10-year senior notes. It used the proceeds and cash on hand for the early redemption of the $405 million notes due in September 2024. IPALCO's next debt maturity consists of $475 million of notes that will become due in May 2030.

We expect that the group will fund the capital requirements including IPL's investments and dividend distributions with internally generated operating cash flow, borrowings under IPL's credit facility and long-term debt issuances, shareholders' equity contributions to help IPL maintain its authorized equity layer. It is also possible that IPL will enter into new tax equity partnerships in connection with new renewable projects.

During 2023 and 1Q2024, AES and CDPQ made no equity contributions to IPALCO (total during the 2021-2022 period: $528 million). IPL is IPALCO's main source of cash flow used to meet its financial obligations including distributions to AES (dividends and up-streamed cash flow under a tax sharing agreement) and interest payments on its holding company debt of around $43 million p.a.

Rating Methodology and Scorecard Factors

Moody's evaluates the financial performance of IPALCO and IPL relative to the standard business risk grid under the Regulated Electric and Gas Utilities Methodology published in June 2017. As depicted in the grid below, IPALCO's scorecard-indicated outcome based on projected credit metrics is Baa3, the same as its actual assigned rating, which remains tempered by IPALCO's material holding company debt.

Exhibit 7

Rating factors

IPALCO Enterprises Inc.

Regulated Electric and Gas Utilities Industry	Current LTM Mar-24		Moody's 12-18 Month Forward View	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	3.2x	Baa	3x - 3.5x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	9.7%	Ba	9% - 23%	Ba
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	6.4%	Ba	3.5% - 4.5%	Ba
d) Debt / Capitalization (3 Year Avg)	71.8%	B	60% - 65%	B
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		Baa2		Baa2
HoldCo Structural Subordination Notching		-1		-1
a) Scorecard-Indicated Outcome		Baa3		Baa3
b) Actual Rating Assigned		Baa3		Baa3

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. LTM = Last 12 months. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 8

Peer comparison

IPALCO Enterprises, Inc.

	IPALCO Enterprises, Inc. Baa3 Negative			Cleco Power LLC A3 Stable			Duquesne Light Company A3 Stable			Indiana Michigan Power Company A3 Stable			Puget Energy, Inc. Baa3 Stable		
(in $ millions)	FY Dec-22	FY Dec-23	LTM Mar-24	FY Dec-22	FY Dec-23	LTM Mar-24	FY Dec-21	FY Dec-22	FY Dec-23	FY Dec-22	FY Dec-23	LTM Mar-24	FY Dec-22	FY Dec-23	LTM Mar-24
Revenue	1,792	1,650	1,566	1,621	1,257	1,220	1,017	1,154	1,203	2,670	2,536	2,540	4,221	4,817	4,830
CFO Pre-W/C	328	401	241	374	378	386	372	394	419	856	818	773	831	1,224	1,002
Total Debt	3,017	3,476	4,321	2,081	2,037	2,029	1,458	1,562	1,752	3,493	3,506	3,506	7,444	7,967	8,014
CFO Pre-W/C + Interest / Interest	3.3x	3.6x	2.5x	4.9x	4.6x	4.7x	7.1x	6.9x	6.3x	7.4x	6.4x	6.4x	3.3x	4.1x	3.5x
CFO Pre-W/C / Debt	10.9%	11.5%	5.6%	18.0%	18.5%	19.0%	25.5%	25.2%	23.9%	24.5%	23.3%	22.1%	11.2%	15.4%	12.5%
CFO Pre-W/C – Dividends / Debt	7.4%	8.5%	3.3%	12.9%	13.9%	12.4%	20.8%	18.1%	18.5%	21.4%	17.3%	15.8%	10.9%	14.1%	10.6%
Debt / Capitalization	68.4%	70.2%	74.5%	42.7%	41.5%	41.8%	39.2%	40.6%	42.3%	45.6%	44.9%	44.2%	55.7%	57.5%	57.5%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 9

Moody's-adjusted cash flow metrics

IPALCO Enterprises, Inc.

(in $ millions)	2019	2020	2021	2022	2023	LTM Mar-24
FFO	**387.0**	**359.9**	**359.2**	**345.7**	**358.4**	**368.4**
+/- Other	(1.9)	(7.3)	(8.2)	(17.8)	42.3	(127.2)
CFO Pre-WC	**385.1**	**352.6**	**351.0**	**328.0**	**400.6**	**241.2**
+/- ΔWC	11.2	(58.8)	(127.4)	8.6	(22.4)	(63.4)
CFO	**396.2**	**293.8**	**223.6**	**336.5**	**378.2**	**177.8**
- Div	138.0	110.3	133.1	103.6	104.3	99.7
- Capex	213.6	235.7	317.8	488.8	934.1	1,049.9
FCF	**44.6**	**(52.2)**	**(227.2)**	**(255.9)**	**(660.2)**	**(971.8)**
(CFO Pre-W/C) / Debt	14.1%	12.8%	12.7%	10.9%	11.5%	5.6%
(CFO Pre-W/C - Dividends) / Debt	9.1%	8.8%	7.9%	7.4%	8.5%	3.3%
FFO / Debt	14.2%	13.1%	13.0%	11.5%	10.3%	8.5%
RCF / Debt	9.1%	9.1%	8.2%	8.0%	7.3%	6.2%
Revenue	1,481.6	1,353.0	1,426.1	1,791.7	1,649.9	1,566.3
Interest Expense	123.9	131.5	127.3	141.1	156.7	165.5
Net Income	140.1	105.0	103.3	78.2	76.2	74.1
Total Assets	4,928.7	4,969.9	5,239.8	5,581.0	6,167.8	7,002.5
Total Liabilities	4,379.5	4,419.0	4,415.3	4,497.2	5,102.2	5,939.0
Total Equity	549.2	550.9	824.5	1,083.8	1,065.6	1,063.5

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are fiscal year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Ratings

Exhibit 10

Category	Moody's Rating
IPALCO ENTERPRISES, INC.	
Outlook	Negative
Senior Secured	Baa3
PARENT: AES CORPORATION, (THE)	
Outlook	Stable
Senior Unsecured	Baa3
Jr Subordinate	Ba1
Commercial Paper	P-3
INDIANAPOLIS POWER & LIGHT COMPANY	
Outlook	Negative
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Secured	A2

Source: Moody's Ratings

REPORT NUMBER 1412817

S&P Global Ratings

RatingsDirect®

Indianapolis Power & Light Co.

July 17, 2024

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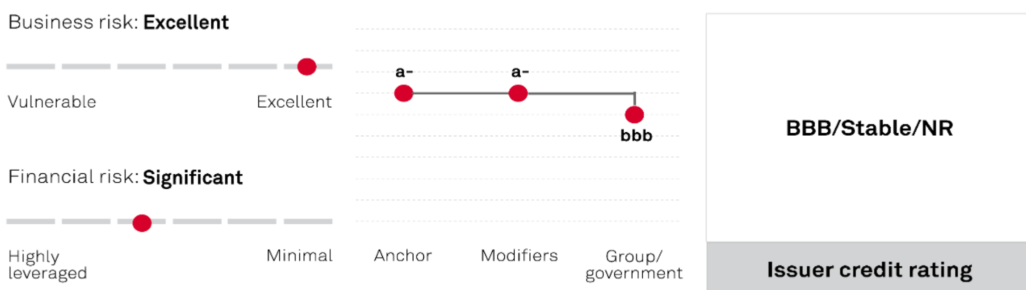
Ratings Score Snapshot



Credit Highlights

Overview

Key strengths	Key risks
Largely predictable cash flows resulting from fully rate-regulated utility operations.	Lack of regulatory and geographic diversity.
Effective management of regulatory risk through use of constructive regulatory mechanisms.	Midsize scale and somewhat elevated exposure to commercial and industrial customers.
Our view of intermediate parent IPALCO Enterprises Inc. as an insulated subsidiary of AES Corp. allows us to currently rate Indianapolis Power & Light Co. (d/b/a AES Indiana) above ultimate parent AES.	AES Indiana's coal-fired generation exposes it to environmental risks.

We continue to expect robust capital expenditures (capex) to be counterbalanced by credit-supportive funding. AES Indiana's three-year capital expenditure (capex) plan of about $3.2 billion will result in consistent negative discretionary cash flow indicating a need for external funding. The elevated capex reflects generation investments, including converting AES Indiana's two remaining coal units at Petersburg to natural gas by the end of 2026. AES Indiana also plans to add up to 1,300 megawatts (MW) of wind, solar, and battery energy storage by 2027. Under our current base case we expect funds from operations (FFO) to debt to be consistently 15% to 17% through 2026. We also expect that parent IPALCO's FFO to debt to be consistently 10% to 12% through 2026. This reflects our expectation that operating cash flows on average would fund about 50% of the company's capex needs, and that IPALCO will fund cash flow deficits in a balanced manner resulting in financial measures that our consistent with our 'BBB' rating on parent IPALCO.

We continue to assess AES Indiana's business risk as excellent reflecting its rate-regulated utility operations under a constructive regulatory environment. We view AES Indiana's ability to manage regulatory risk as enhanced by credit-supportive regulation under the Indiana Utility Regulatory Commission (IURC), which makes for generally stable cash flows. IPALCO benefits from numerous rate riders, allowing for timely cost recovery of its fuel expenses and the majority of its incremental environmental capital spending. Additionally, the company received approval for its Transmission, Distribution, and Storage System Improvement Charge (TDSIC) plan, which outlines investments of about $1.2 billion and permits the company to earn a tracked return of and on capital spent between 2020 and 2026. Furthermore, Indiana has incentives for clean energy projects that allows projects to be put into rates in between rate cases. We also view the company's ability to settle rate cases as credit supportive. In November 2023, AES Indiana reached a settlement to increase base rates by $71 million. The settlement was approved by the commission in April 2024 with rates effective May 2024.

However, our business risk assessment is somewhat constrained by AES Indiana's large industrial exposure and lack of revenue decoupling mechanism, which exposes the company to cash flow volatility. Also, AES Indiana generates about a third of its electricity from coal-fired units.

Our rating on AES Indiana is in line with our rating on parent IPALCO. We currently assess AES Indiana's stand-alone credit profile as 'a-'. However, we base our issuer credit rating on AES Indiana on the consolidated group credit profile (GCP) of its parent IPALCO and the application of our group rating methodology. We rate AES Indiana in line with IPALCO because we assess a lack of measures in place to insulate AES Indiana form the GCP. Our lower assessment of the GCP reflects a weaker financial risk profile than that of AES Indiana.

We deem that parent IPALCO to be a moderately strategic subsidiary of the AES Corp. (AES). We rate IPALCO 'BBB', one notch higher than the 'bbb-' consolidated GCP of its ultimate parent AES due to the cumulative value of structural protections that we view insulates IPALCO from AES and the strength of its stand-alone credit profile.

Outlook

The stable outlook on AES Indiana reflects our stable outlook on its parent IPALCO. The stable outlook on IPALCO reflects our expectations that IPALCO's stand-alone FFO to debt will reflect 10%-12% over the next three years, IPALCO will continue to effectively manage regulatory risk, and majority owner, AES, will maintain its generally consistent financial policies toward IPALCO.

Downside scenario

We could lower our rating on AES Indiana if we lower our rating on IPALCO. We could lower our rating on IPALCO if its stand-alone FFO to debt consistently weakens to below 9%, or IPALCO's business risk materially increases.

Upside scenario

We could raise our rating on AES Indiana if we raise our rating on IPALCO. We could raise our ratings on IPALCO if its stand-alone financial measures improve, reflecting FFO to debt consistently greater than 13% without a significant increase to business risk or a downgrade to parent ultimate parent AES.

Company Description

AES Indiana is an energy service holding company owned by IPALCO, which is 70% owned by AES and 30% by minority investor Caisse de dépôt et placement du Québec (CDPQ). AES Indiana, generates, transmits, distributes, and sells electricity to about 520,000 customers in Indianapolis and surrounding areas. The company operates four generating stations with a combined capacity of about 2,925 megawatts, 35% of which it derives from coal.

Group Influence

S&P Global Ratings bases its rating on AES Indiana on the consolidated group credit profile of its parent IPALCO and the application of our group rating methodology. We deem IPALCO to be a moderately strategic subsidiary of AES, and consider AES Indiana a core entity, integral to IPALCO. We rate IPALCO 'BBB', one notch higher than the 'bbb-' consolidated group credit profile of ultimate parent AES due to the cumulative value of structural protections that insulate IPALCO from AES and the strength of its stand-alone credit profile.

These protections include:

- IPALCO is a separate legal entity with its own capital structure, maintains its own records, and does not commingle funds, assets, or cash flows with the rest of the AES group.
- IPALCO and AES Indiana have their own debt arrangements and operations that are separate from the rest of the AES group.
- We believe there is a strong economic basis for the AES group to preserve the credit strength of IPALCO, reflecting IPALCO's low-risk, profitable, and regulated operations.
- CDPQ is a significant minority shareholder of IPALCO and has an active economic interest with board member representation.
- Put-option ability of CDPQ to be able to sell back its shares of IPALCO to AES if CDPQ's nominated directors vote against major board decisions, which include changes to the dividend policy or commencement of a voluntary bankruptcy filing.
- Anti-dilutive measures in place to ensure that CDPQ can maintain its economic interest at current levels.

There are no cross-default provisions between the rest of the AES group and IPALCO or its AES' other subsidiaries including IPALCO's intermediary holding company) and the minority shareholder's governance rights supports our opinion that a default at AES would not directly lead to a default at IPALCO or its subsidiaries.

While we assess the above structural insulating measures as sufficient to insulate the ratings on IPALCO from the group credit profile (GCP) by as many as two notches, the issuer credit rating (ICR) is currently only one notch above the GCP because it is limited by the SACP on IPALCO. We rate AES Indiana in line with IPALCO because we consider it to be an integral and fully supported subsidiary of IPALCO with a lack of measures in place for ratings to be further insulated from the GCP.

Issue Ratings--Recovery Analysis

Key analytical factors

- We assign recovery ratings to first-mortgage bonds (FMBs) issued by U.S. utilities, which can result in issue ratings notched above an issuer credit rating on a utility depending on the rating category and the extent of the collateral coverage.
- AES Indiana's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating two notches above the issuer credit rating.

Rating Component Scores

Foreign currency issuer credit rating	**BBB/Stable/NR**
Local currency issuer credit rating	**BBB/Stable/NR**
Business risk	**Excellent**
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**a-**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**a-**

Related Criteria

- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019

- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

Ratings Detail (as of July 17, 2024)*	
Indianapolis Power & Light Co.	
Issuer Credit Rating	BBB/Stable/NR
Senior Secured	A-
Issuer Credit Ratings History	
24-Jan-2024	BBB/Stable/NR
07-Jun-2021	BBB/Positive/NR
16-Mar-2018	BBB/Stable/NR
Related Entities	
AES Andes S.A.	
Issuer Credit Rating	BBB-/Stable/--
Junior Subordinated	BB
Senior Unsecured	BBB-
AES Argentina Generacin S.A.	
Issuer Credit Rating	CCC/Stable/--
Senior Unsecured	CCC
AES Corp. (The)	
Issuer Credit Rating	BBB-/Stable/A-3
Commercial Paper	
Local Currency	A-3
Junior Subordinated	BB
Senior Secured	BBB-
Senior Unsecured	BBB-
AES Espana B.V.	
Issuer Credit Rating	B+/Stable/--
Senior Unsecured	B+
Dayton Power & Light Co.	
Issuer Credit Rating	BB/Stable/NR
Senior Secured	BBB

Ratings Detail (as of July 17, 2024)*	
DPL Inc.	
Issuer Credit Rating	BB/Stable/NR
Senior Unsecured	BB
IPALCO Enterprises Inc.	
Issuer Credit Rating	BBB/Stable/NR
Senior Secured	BBB-
Mercury Chile Holdco LLC	
Issuer Credit Rating	BBB-/Stable/--
Senior Unsecured	BB+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

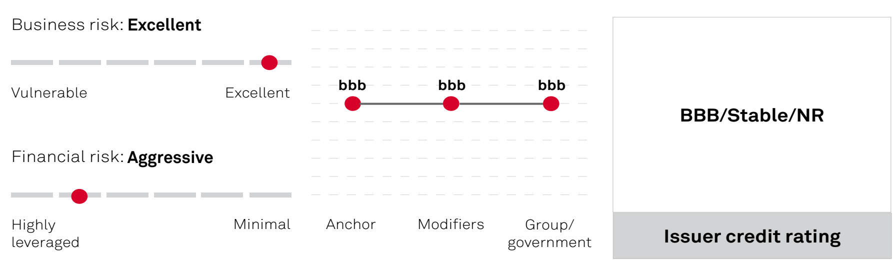
S&P Global
Ratings

RatingsDirect®

IPALCO Enterprises Inc.

January 30, 2025

Ratings Score Snapshot



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Credit Highlights

Overview

Key strengths	Key risks
Largely predictable cash flows resulting from the fully regulated nature of the company's vertically integrated electric utility operations.	Dependence on the Indiana Utility Regulatory Commission (IURC) to sustain credit quality given all of its operations are in Indiana.
Effective management of regulatory risk with constructive regulatory mechanisms such as fuel adjustment riders, riders to recover certain environmental expenditures, and a transmission, distribution, and storage improvement charge (TDSIC) plan.	Midsize, somewhat elevated exposure to commercial and industrial (C&I) customers, and lack of decoupling mechanisms leave it more susceptible to adverse local economic conditions compared with peers.
An insulated subsidiary of AES Corp., allowing us to rate it one notch above AES.	Coal-fired generation exposes it to environmental risks.

S&P Global Ratings continues to expect robust capital expenditures (capex) to be counterbalanced by credit-supportive funding. IPALCO’s three-year capital expenditure (capex) plan of about $3.2 billion will result in consistent negative discretionary cash flow indicating a need for external funding. The elevated capex reflects generation investments, including converting subsidiary’s, AES Indiana's, two remaining coal units at Petersburg to natural gas by the end of 2026. AES Indiana also plans to add up to 1,300 megawatts (MW) of wind, solar, and battery energy storage by 2027. Under our current base case we expect funds from operations (FFO) to debt to be consistently 10% to 12% through 2027. This reflects our expectation that IPALCO will fund cash flow deficits in a balanced manner resulting in financial measures that our consistent with our 'BBB' rating.

We continue to assess IPALCO's business risk as excellent reflecting its rate-regulated utility operations under a constructive regulatory environment. We view IPALCO's ability to manage regulatory risk as enhanced by credit-supportive regulation under the Indiana Utility Regulatory Commission (IURC), which makes for generally stable cash flows. IPALCO benefits from numerous rate riders, allowing for timely cost recovery of its fuel expenses and the majority of its incremental environmental capital spending. Additionally, the company received approval for its TDSIC plan, which outlines investments of about $1.2 billion and permits the company to earn a tracked return of and on capital spent between 2020 and 2026. Furthermore, Indiana has incentives for clean energy projects that allows projects to recover capital costs in between rate cases. We also view the company's ability to settle rate cases as credit supportive. In November 2023, AES Indiana reached a settlement to increase base rates by $71 million. The settlement was approved by the commission in April 2024 with rates effective May 2024. However, our business risk assessment is somewhat constrained by IPALCO's large industrial exposure and lack of revenue decoupling mechanism, which exposes the company to cash flow volatility. IPALCO generates about a third of its electricity from coal-fired units.

Insulating measures allow us to currently rate IPALCO one notch above its parent AES Corp. We deem IPALCO to be a moderately strategic subsidiary of the AES Corp. (AES). We rate IPALCO 'BBB', one notch higher than the 'bbb-' consolidated GCP of its ultimate parent AES due to the cumulative value of structural protections that we view insulates IPALCO from AES and the strength of its stand-alone credit profile.

Outlook

The stable outlook on IPALCO reflects our expectations that IPALCO's stand-alone FFO to debt will be 10%-12% over the next three years, IPALCO will continue to effectively manage regulatory risk, and majority owner, AES, will maintain its generally consistent financial policies toward IPALCO.

Downside scenario

We could lower our rating on IPALCO if its stand-alone FFO to debt consistently weakens to below 9%, or IPALCO's business risk materially increases.

Upside scenario

We could raise our ratings on IPALCO if its stand-alone financial measures improve, reflecting FFO to debt consistently greater than 13% without a material increase to business risk or a downgrade to parent AES.

Company Description

IPALCO is an energy service holding company, 82.35% owned by AES U.S. Investments and 17.65% by minority investor CDPQ. IPALCO, through its wholly owned subsidiary AES Indiana, generates, transmits, distributes, and sells electricity to about 530,000 customers in

Indianapolis and surrounding areas. The company operates four generating stations with net electric generation capacity for winters is 3,070 MWs and net summer capacity of 2,925 MWs.

Group Influence

Under our criteria, we view the strength of IPALCO's stand-alone-credit profile (SACP), as well as the cumulative value of structural and regulatory protections in place between itself and ultimate majority parent AES, as sufficient to insulate the ratings on IPALCO from the group credit profile of AES by as many as two notches. Our analysis of the insulating measures takes into account the following:

- IPALCO is a separate legal entity with its own capital structure, maintains its own records, and does not commingle funds, assets, or cash flows with the rest of the AES group.
- IPALCO and AES Indiana have their own debt arrangements and operations that are separate from the rest of the AES group.
- We believe there is a strong economic basis for the AES group to preserve the credit strength of IPALCO, reflecting IPALCO's low-risk, profitable, and regulated operations.
- CDPQ is a significant minority shareholder of IPALCO and has an active economic interest with board member representation.
- Put-option ability of CDPQ to be able to sell back its shares of IPALCO to AES if CDPQ's nominated directors vote against major board decisions, which include changes to the dividend policy or commencement of a voluntary bankruptcy filing.
- Antidilutive measures in place to ensure that CDPQ can maintain its economic interest at current levels.
- There are no cross-default provisions between the rest of the AES group and IPALCO (or its AES' other subsidiaries including IPALCO's intermediary holding company) and the minority shareholder's governance rights supports our opinion that a default at AES would not directly lead to a default at IPALCO or its subsidiaries.

While we assess the above structural insulating measures as sufficient to insulate the ratings on IPALCO from the group credit profile (GCP) by as many as two notches, the issuer credit rating is currently only one notch above the GCP because it is limited by the SACP on IPALCO. We rate AES Indiana in line with IPALCO since we consider it to be an integral and fully supported subsidiary of IPALCO with a lack of measures in place for ratings to be further insulated from the GCP. Furthermore, we deem IPALCO to be a moderately strategic subsidiary of AES.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of Sept. 2024, IPALCO's capital structure consists of about $875 million of senior notes at the holding company, and about $2.8 billion of secured first-mortgage bonds at AES Indiana.

Analytical conclusions

We rate the senior notes issued at IPALCO's holding company 'BBB-', one-notch below the issuer credit rating, as the priority secured first-mortgage bonds at AES Indiana comprise more than 50% of the company's capital structure.

Rating Component Scores	
Foreign currency issuer credit rating	**BBB/Stable/NR**
Local currency issuer credit rating	**BBB/Stable/NR**
Business risk	**Excellent**
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	**Aggressive**
Cash flow/leverage	Aggressive
Anchor	**bbb**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb**
Group credit profile	**bbb-**
Entity status within group	Moderately strategic (Same as SACP)

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of January 30, 2025)*	
IPALCO Enterprises Inc.	
Issuer Credit Rating	BBB/Stable/NR
Senior Secured	BBB-
Issuer Credit Ratings History	
24-Jan-2024	BBB/Stable/NR
07-Jun-2021	BBB/Positive/NR
16-Mar-2018	BBB/Stable/NR
Related Entities	
AES Andes S.A.	
Issuer Credit Rating	BBB-/Stable/--
Junior Subordinated	BB
Senior Unsecured	BBB-
AES Argentina Generacin S.A.	
Issuer Credit Rating	CCC/Stable/--
Senior Unsecured	CCC
AES Corp. (The)	
Issuer Credit Rating	BBB-/Stable/A-3
Commercial Paper	
Local Currency	A-3
Junior Subordinated	BB
Senior Secured	BBB-
Senior Unsecured	BBB-
Dayton Power & Light Co.	
Issuer Credit Rating	BB/Positive/NR
Senior Secured	BBB
DPL Inc.	
Issuer Credit Rating	BB/Positive/NR
Senior Unsecured	BB
Indianapolis Power & Light Co.	
Issuer Credit Rating	BBB/Stable/NR
Senior Secured	A-
Mercury Chile Holdco LLC	
Issuer Credit Rating	BBB-/Stable/--
Senior Unsecured	BB+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

IPALCO Enterprises, Inc. and Indianapolis Power & Light Company

IPALCO Enterprises, Inc.'s (IPALCO) and Indianapolis Power & Light Company's (d/b/a AES Indiana) ratings and Stable Outlooks reflect AES Indiana's stable and predictable regulated utility operations. AES Indiana is a wholly-owned subsidiary of IPALCO and regulated by the Indiana Utility Regulatory Commission (IURC). The utility has an elevated capex program through 2026 that focuses on phasing out coal generation by 2026, which puts modest pressure on the credit metrics of AES Indiana and IPALCO.

However, funds from operations (FFO) leverage is expected to return within Fitch Ratings' thresholds by 2025-2026, with the new base rate increase that took effect in May 2024, equity support from the parent and gradual recovery of capital costs through riders. Fitch also views the proposed coal phase-out at AES Indiana as credit positive over the longer term.

Key Rating Drivers

Fully Regulated Business: IPALCO's rating reflects its low business risk profile as a utility holding company of a regulated electric utility-AES Indiana. The latter is a fully regulated, vertically-integrated electric utility operating in Indianapolis and other communities of Central Indiana. AES Indiana's revenue represents 100% of IPALCO's consolidated revenue.

Constructive Regulatory Environment: IPALCO's ratings continue to benefit from the favorable regulatory environment in Indiana. On April 17, 2024, the IURC approved AES Indiana's rate case settlement of $71 million increase in revenue requirement without imposing any modification.

The new rates became effective in May 2024 and include an authorized ROE of 9.90% and equity capitalization of 44.7%. In addition, regulatory pass-through of fuel and purchased power costs remains unchanged, which mitigates exposure to commodity risk. Additionally, recovery riders are in place for environmental upgrades, energy-efficiency programs, transmission and other costs to reduce regulatory lag.

Accelerated Coal Retirement: IPALCO is exposed to coal generation through AES Indiana. In 2023, 31% of retailed energy was from coal-fired steam generation, 58% from natural gas-fired units and 11% from power purchase agreements (mainly renewables) and the wholesale power market. After retiring one coal plant in June 2023, there are still two remain. On March 11, 2024, AES Indiana filed for IURC approval to repower the two, Petersburg generation units 3 and 4, from coal to natural gas and recover costs through future rates.

The conversion of Unit 3 is expected to begin in February 2026 and be completed by June 2026 and the conversion of Unit 4 is expected to begin in June 2026 and be completed by December 2026. A hearing for this case is expected in 3Q24, and we expect a constructive outcome from the IURC by 4Q24. On completion of the repower of units 3 and 4 by the end of 2026, AES Indiana's generation mix will be coal-free.

Elevated Capex: IPALCO has a large capital program to execute over 2024-2026, with capex of about 3x the depreciation expense driven by AES Indiana. We expect IPALCO and AES Indiana to fund this large capital program prudently, through a mix of internal cash flows, debt issuances and equity support from the corporate parent to maintain AES Indiana's regulatory capital structure and maintain IPALCO's credit metrics within its sensitivity thresholds.

Ratings

IPALCO Enterprises, Inc.

Long-Term IDR	BBB–
Senior Secured Debt - Long-Term Rating	BBB
Outlook	
Long-Term Foreign-Currency IDR	Stable

Indianapolis Power & Light Company

Long-Term IDR	BBB+
Senior Secured Debt - Long-Term Rating	A
Outlook	
Long-Term Foreign-Currency IDR	Stable

Click here for the full list of ratings

IPALCO Enterprises, Inc. 2035 Climate Vulnerability Signal: 54

Indianapolis Power & Light Company 2035 Climate Vulnerability Signal: 55

Applicable Criteria

Sector Navigators – Addendum to the Corporate Rating Criteria (June 2024)

Corporate Hybrids Treatment and Notching Criteria (November 2020)

Parent and Subsidiary Linkage Rating Criteria (June 2023)

Corporate Rating Criteria (November 2023)

Corporates Recovery Ratings and Instrument Ratings Criteria (October 2023)

Related Research

Global Corporates Macro and Sector Forecasts (March 2024)

North American Utilities, Power & Gas Outlook 2024 (December 2023)

North American Utilities, Power & Gas Dashboard: 1Q24 (April 2024)

4Q23 North American Utilities Earnings Wrap Up Report (March 2024)

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Short Term Leverage Remains High: IPALCO's year-end 2023 FFO leverage was 7.1x, higher than expected due to mild weather and larger than expected capex. For 2024-2025, we forecast FFO leverage at about 6.2x. This is higher than prior forecast due to rise in capex and delay in renewable projects. But, with new base rate in-effect May 2024, equity support from AES, and capital costs recovery, credit metrics are due to return inside rating thresholds from 2025. For AES Indiana, we forecast FFO leverage of about 4.2x-5.0x in 2024-2026.

Parent and Subsidiary Linkage: There is a parent subsidiary linkage between AES Indiana and IPALCO. We view IPALCO's Standalone Credit Profile (SCP) based on consolidated metrics and AES Indiana's SCP as stronger, so we follow the weaker parent-stronger subsidiary path. Legal ring fencing for AES Indiana is porous given the economic regulation protection. Access and control are porous as AES Indiana is wholly owned by IPALCO, issues its own debt and does not guarantee debt at IPALCO. We limit the IDR notching between them to two

Financial Summary

IPALCO Enterprises, Inc.

($ Mil.)	2020	2021	2022	2023
Gross revenue	1,353.0	1,426.1	1,791.7	1,649.9
EBITDA	509.4	506.8	499.7	493.6
CFO (Fitch-defined)	292.3	222.0	343.1	391.9
Capital intensity (capex/revenue) (%)	17.4	22.3	27.7	57.7
Debt	2,818.8	2,803.6	3,033.8	3,488.8
FFO leverage (x)	5.9	6.0	6.7	7.1
FFO interest coverage (x)	3.8	3.9	3.8	3.8
EBITDA leverage (x)	5.5	5.5	6.1	7.1

Source: Fitch Ratings, Fitch Solutions, IPALCO

Indianapolis Power & Light Company

($ Mil.)	2020	2021	2022	2023
Gross revenue	1,353.0	1,426.1	1,791.7	1,649.9
EBITDA	509.8	507.2	499.9	494.0
CFO (Fitch-defined)	330.9	244.6	370.1	427.5
Capital intensity (capex/revenue) (%)	17.6	22.4	27.9	57.7
Debt	1,908.7	1,893.7	2,153.8	2,608.8
FFO leverage (x)	4.1	4.1	4.9	5.6
FFO interest coverage (x)	5.3	5.4	5.3	5.0
EBITDA leverage (x)	3.7	3.7	4.3	5.3

Source: Fitch Ratings, Fitch Solutions, Indianapolis Power & Light

Rating Derivation Relative to Peers

IPALCO Enterprises, Inc.

IPALCO's ratings are appropriately placed to other utilities holdco's: Cleco Corp. (Cleco; BBB-/Stable) and Puget Energy (Puget; BBB-/Stable), that operate a single-state regulated and integrated utility. IPALCO benefits from the constructive regulatory and business environment in Indiana for its utility which is better as compared to Washington for Puget but comparable to Louisiana for Cleco.

Fitch projects that IPALCO's FFO leverage in 2024 remains elevated at about 6.3x owing to a sizeable capex program but will improve to 5.1x through 2026. This is weaker than Puget Energy, which is expected to average 5.3x through 2028, as well as Cleco, which is expected to range 5.5x-5.8x in 2024-2026. However, Cleco derived 30% of its 2022 EBITDA from non-regulated power generation operations while IPALCO derives all its cash flows from the purely regulated utility operations at AES Indiana. Cleco's business profile is expected to improve post the expected sale of its Cajun generation assets.

IPALCO is also comparable to NiSource (BBB/Stable) which operates an integrated electric utility in Indiana and has similar leverage metrics. However, while IPALCO operates a pure electric utility in a single state, while NiSource operates both gas and electric regulated utilities in six states providing for lower operational risk.

Indianapolis Power & Light Company

AES Indiana's closest peers are Indiana Michigan Power Company (IMP; A–/Stable) and Northern Indiana Public Service Company (NIPSCO; BBB/Stable). Similar to IMP and NIPSCO, AES Indiana benefits from a supportive regulatory and business environment in Indiana. However, Fitch considers NIPSCO's gas and electric assets superior to AES Indiana's and IMP's integrated electric-only operations. With the decarbonization trends in the state, NIPSCO and IMP plan to exit coal generation by 2028 whereas, pending approval of the next IRP, AES Indiana could exit coal by 2026.

NIPSCO's rating is based on the consolidated credit profile of its corporate parent NiSource, which is expected to have an average mid-5x leverage in the next few years. AES Indiana is constrained on the upside by its parent IPALCO's rating. AES Indiana's forecast leverage is expected to be about 4.2x-5.0x in 2024-2026, higher than in the previous years due to elevated capex, although appropriate for its current ratings. IMP's ratings are supported by its lower FFO leverage which is projected to remain around 3.5x–4.0x.

Rating Sensitivities

IPALCO

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- IPALCO could be upgraded if FFO leverage is below 5.0x on a sustained basis.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Negative regulatory treatment or an aggressive upstream dividend causing FFO leverage to rise above 6.0x on a sustained basis.

AES Indiana

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- If IPALCO is upgraded and if AES Indiana's FFO leverage sustains below 3.7x, as Fitch intends to maintain a two-notch IDR differential between IPALCO and AES Indiana.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Negative regulatory development resulting in FFO leverage rising above 4.7x on a sustained basis.

Liquidity and Debt Structure

IPALCO and AES Indiana continues to have sufficient liquidity. As of Mar. 31, 2024, IPALCO had about $435 million of unrestricted cash and $155 million availability under its $350 million unsecured revolving credit facility (RCF) due in December 2027. The RCF includes an uncommitted $150 million accordion feature to provide AES Indiana with an option to request an increase in the size of the facility at any time prior to Dec. 22, 2026, subject to approval by the lenders. The revolver also has two one-year extension options. AES Indiana is required to maintain total debt/total capitalization not in excess of 0.67x to 1.0x under the credit facility. As of Mar. 31, 2024, AES Indiana was compliant with all covenants.

AES Indiana's upcoming maturities include $40 million first mortgage bonds (FMBs) due in 2024 and 2025 each and $90 million FMBs due in 2026. IPALCO's next maturity will be $475 million senior secured notes due in 2030. Fitch expects IPALCO and AES Indiana to continue to have good access to capital markets thereby managing any refinancing risks.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's Corporate Rating Criteria.

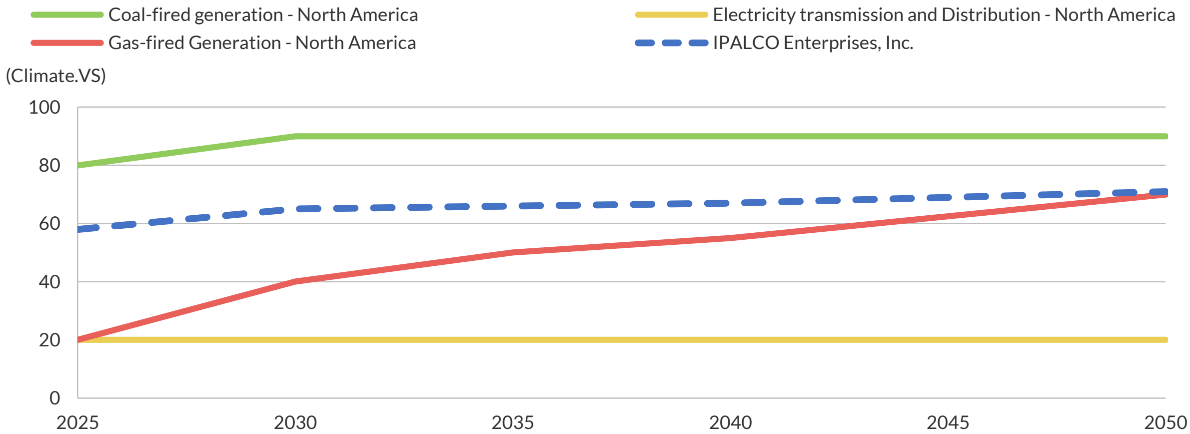
The 2023 asset-weighted Climate.VS for IPALCO and AES Indiana is 54 for 2035 and for AES Indiana is 55 for 2035 out of 100. The utility's high Climate.VS is a function of ownership of about 1.5GW of coal-fired and 1.9GW of gas-fired generating capacity. AES Indiana's relatively high, albeit decreasing exposure to coal-fired generation is, in Fitch's opinion, a secular concern that is manageable within the utility's current rating category.

The IURC passed several bills including a prohibition on banning natural gas in the state and Senate Bill 9, which necessitates a six-month notice period for retiring coal-based generation capacities. This indicates the state's support for fossil-fired generation. We expect credit exposures will vary, driven primarily by state regulatory and political responses to concerns over climate change. In addition, technological developments along with the utility strategies to reduce emissions will be among the main drivers of credit quality through 2035.

AES Indiana and IPALCO are committed to working with jurisdictional authorities to phase-out coal generation by 2026 and are adding solar and wind capacity to AES Indiana's portfolio. AES Indiana projects a 68% reduction in CO_2 emissions by 2030 compared with 2018 levels. In the next 20 years, it will move towards a portfolio supported by 85% to 90% renewable energy generation as it adds solar, wind and storage resources. For further information on how we perceive climate-related risks for utilities, see Utilities - Long-Term Climate Vulnerability Scores Update.

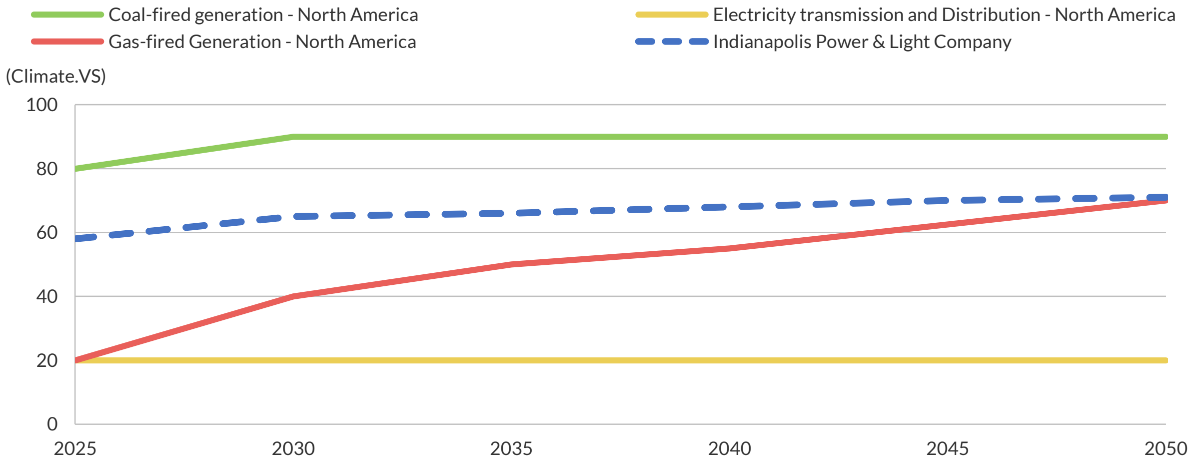
Climate.VS Evolution

As of Jan 09, 2023



Source: Fitch Ratings

Climate.VS Evolution



Source: Fitch Ratings

Liquidity and Debt Maturities

IPALCO Enterprises, Inc.

Liquidity analysis ($ Mil.)	December 31, 2022	December 31, 2023
Total cash and cash equivalents	202	29
Short-term investments		
Less not readily available cash and cash equivalents	—	—
Fitch-defined readily available cash and cash equivalents	**202**	**29**
Availability under committed lines of credit	350	195
Total liquidity	552	224
LTM EBITDA after associates and minorities	500	494
LTM FCF	-255	-664

Source: Fitch Ratings, Fitch Solutions, IPALCO

Scheduled debt maturities ($ Mil.)	December 31, 2023
2024	900
2025	40
2026	90
2027	0
2028	0
Thereafter	2,459
Total	**3,489**

Source: Fitch Ratings, Fitch Solutions, IPALCO

Indianapolis Power & Light Company

Liquidity analysis ($ Mil.)	December 31, 2022	December 31, 2023
Total cash and cash equivalents	199	26
Short-term investments	0	0
Less not readily available cash and cash equivalents	0	0
Fitch-defined readily available cash and cash equivalents	**199**	**26**
Availability under committed lines of credit	350	195
Total liquidity	549	221
LTM EBITDA after associates and minorities	500	494
LTM FCF	-258	-665

Source: Fitch Ratings, Fitch Solutions, Indianapolis Power & Light Company

Scheduled debt maturities ($ Mil.)	December 31, 2023
2024	495
2025	40
2026	90
2027	0
2028	0
Thereafter	1,984
Total	**2,609**

Source: Fitch Ratings, Fitch Solutions, Indianapolis Power & Light Company

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuers Include

- Implementation of new base rates in May 2024 and the seven-year TDSIC plan approved in March 2020.
- About $3.2 billion of capex between 2024 and 2026.
- Equity support in 2024 to 2026 from the corporate parents to IPALCO flowing further to AES Indiana.
- Dividends paid in line with maintenance of the regulatory capital structure at AES Indiana.
- Dividends paid in line with the net income for IPALCO.

Financial Data

IPALCO Enterprises, Inc.

($ Mil.)	2020	2021	2022	2023
Summary income statement				
Gross revenue	1,353	1,426	1,792	1,650
Revenue growth (%)	-8.7	5.4	25.6	-7.9
EBITDA before income from associates	509	507	500	494
EBITDA margin (%)	37.7	35.5	27.9	29.9
EBITDA after associates and minorities	509	507	500	494
EBITDAR	510	507	500	494
EBITDAR margin (%)	37.7	35.5	27.9	29.9
EBIT	263	251	233	206
EBIT margin (%)	19.4	17.6	13.0	12.5
Gross interest expense	-129	-126	-131	-157
Pre-tax income including associate income/loss	139	148	118	72
Summary balance sheet				
Readily available cash and equivalents	21	7	202	29
Debt	2,819	2,804	3,034	3,489
Lease-adjusted debt	2,826	2,804	3,034	3,489
Net debt	2,798	2,797	2,832	3,460
Summary cash flow statement				
EBITDA	509	507	500	494
Cash interest paid	-123	-118	-115	-129
Cash tax	-27	-28	-31	—
Dividends received less dividends paid to minorities (inflow/outflow)	—	—	—	—
Other items before FFO	-5	-9	-16	-4
FFO	351	349	335	360
FFO margin (%)	25.9	24.5	18.7	21.8
Change in working capital	-59	-127	9	32
Cash flow from operations (CFO) (Fitch-defined)	292	222	343	392
Total non-operating/non-recurring cash flow	—	—	—	—
Capex	-236	-318	-497	-952
Capital intensity (capex/revenue) (%)	17.4	22.3	27.7	57.7
Common dividends	-109	-131	-102	-104
FCF	-52	-227	-255	-664
FCF margin (%)	-3.9	-15.9	-14.3	-40.3
Net acquisitions and divestitures	—	—	—	—
Other investing and financing cash flow items	-53	-46	-33	36
Net debt proceeds	77	-15	290	455
Net equity proceeds	—	275	193	—
Total change in cash	-28	-14	195	-173
Leverage ratios (x)				
EBITDA leverage	5.5	5.5	6.1	7.1
EBITDA net leverage	5.5	5.5	5.7	7.0
EBITDAR leverage	5.5	5.5	6.1	7.1
EBITDAR net leverage	5.5	5.5	5.7	7.0
FFO-adjusted leverage	5.9	6.0	6.7	7.1
FFO-adjusted net leverage	—	—	—	—
FFO leverage	5.9	6.0	6.7	7.1
FFO net leverage	—	—	—	—

($ Mil.)	2020	2021	2022	2023
Calculations for forecast publication				
Capex, dividends, acquisitions and other items before FCF	-344	-449	-598	-1,056
FCF after acquisitions and divestitures	-52	-227	-255	-664
FCF margin after net acquisitions (%)	-3.9	-15.9	-14.3	-40.3
Coverage ratios (x)				
FFO interest coverage	3.8	3.9	3.8	3.8
FFO fixed-charge coverage	3.8	3.9	3.8	3.8
EBITDAR fixed-charge coverage	4.1	4.3	4.3	3.8
EBITDAR net fixed-charge coverage	4.1	4.3	4.3	3.8
EBITDA interest coverage	4.1	4.3	4.3	3.8
Additional metrics (%)				
CFO-capex/debt	2.0	-3.4	-5.1	-16.0
CFO-capex/net debt	2.0	-3.4	-5.4	-16.2
CFO/capex	124.0	69.9	69.1	41.2

Source: Fitch Ratings, Fitch Solutions, IPALCO

Indianapolis Power & Light Company

($ Mil.)	2020	2021	2022	2023
Summary income statement				
Gross revenue	1,353	1,426	1,792	1,650
Revenue growth (%)	-8.7	5.4	25.6	-7.9
EBITDA before income from associates	510	507	500	494
EBITDA margin (%)	37.7	35.6	27.9	29.9
EBITDA after associates and minorities	510	507	500	494
EBITDAR	510	507	500	494
EBITDAR margin (%)	37.7	35.6	27.9	29.9
EBIT	263	251	233	206
EBIT margin (%)	19.4	17.6	13.0	12.5
Gross interest expense	-87	-84	-87	-113
Pre-tax income including associate income/loss	184	190	163	116
Summary balance sheet				
Readily available cash and equivalents	18	3	199	26
Debt	1,909	1,894	2,154	2,609
Lease-adjusted debt	1,909	1,894	2,154	2,609
Net debt	1,891	1,891	1,955	2,583
Summary cash flow statement				
EBITDA	510	507	500	494
Cash interest paid	-85	-83	-80	-94
Cash tax	-27	-41	-40	—
Dividends received less dividends paid to minorities (inflow/outflow)	—	—	—	—
Other items before FFO	-19	-6	-18	-25
FFO	375	375	359	376
FFO margin (%)	27.8	26.3	20.0	22.8
Change in working capital	-45	-130	11	52
CFO (Fitch-defined)	331	245	370	427
Total non-operating/non-recurring cash flow	—	—	—	—
Capex	-238	-319	-500	-952
Capital intensity (capex/revenue) (%)	17.6	22.4	27.9	57.7
Common dividends	-148	-156	-127	-140
FCF	-55	-230	-258	-665
FCF margin (%)	-4.1	-16.1	-14.4	-40.3
Net acquisitions and divestitures	—	—	—	—
Other investing and financing cash flow items	-44	-45	-29	36
Net debt proceeds	75	-15	290	455
Net equity proceeds	—	275	193	—
Total change in cash	-24	-15	196	-173
Leverage ratios (x)				
EBITDA leverage	3.7	3.7	4.3	5.3
EBITDA net leverage	3.7	3.7	3.9	5.2
EBITDAR leverage	3.7	3.7	4.3	5.3
EBITDAR net leverage	3.7	3.7	3.9	5.2
FFO-adjusted leverage	4.1	4.1	4.9	5.6
FFO-adjusted net leverage	—	—	—	—
FFO leverage	4.1	4.1	4.9	5.6
FFO net leverage	—	—	—	—

($ Mil.)	2020	2021	2022	2023
Calculations for forecast publication				
Capex, dividends, acquisitions and other items before FCF	-386	-475	-628	-1,092
FCF after acquisitions and divestitures	-55	-230	-258	-665
FCF margin after net acquisitions (%)	-4.1	-16.1	-14.4	-40.3
Coverage ratios (x)				
FFO interest coverage	5.3	5.4	5.3	5.0
FFO fixed-charge coverage	5.3	5.4	5.3	5.0
EBITDAR fixed-charge coverage	6.0	6.1	6.2	5.3
EBITDAR net fixed-charge coverage	6.0	6.1	6.2	5.3
EBITDA interest coverage	6.0	6.1	6.2	5.3
Additional metrics (%)				
CFO-capex/debt	4.9	-3.9	-6.1	-20.1
CFO-capex/net debt	4.9	-3.9	-6.7	-20.3
CFO/capex	139.0	76.7	73.9	44.9

Source: Fitch Ratings, Fitch Solutions, Indianapolis Power & Light

Ratings Navigator

Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	⇧ Positive
Higher Importance	⇩ Negative
Average Importance	⇳ Evolving
Lower Importance	☐ Stable

FitchRatings

IPALCO Enterprises, Inc.

Corporates Ratings Navigator
North American Utilities

Operating Environment

	Sub-Factor		Description
aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance		Systemic governance (e.g. rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

	Sub-Factor		Description
a+	Management Strategy	a	Coherent strategy and good track record in implementation.
a	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bbb+	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bbb			

Regulatory Environment

	Sub-Factor		Description
a+	Degree of Transparency and Predictability	a	Track record of transparent and predictable regulation.
a	Timeliness of Cost Recovery	a	Minimal lag to recover capital and operating costs.
a-	Trend in Authorized ROEs	a	Above-average authorized ROE.
bbb+	Mechanisms Available to Stabilize Cash Flows	bbb	Revenues partially insulated from variability in consumption.
bbb	Mechanisms Supportive of Creditworthiness	bbb	Effective regulatory ring-fencing or minimum creditworthiness requirements.

Market Position

	Sub-Factor		Description
a	Market Structure	a	Well-established market structure with complete transparency in price-setting mechanisms.
a-	Consumption Growth Trend	bbb	Customer and usage growth in line with industry averages.
bbb+	Customer Mix	a	Favorable customer mix.
bbb	Geographic Location	bbb	Beneficial location or reasonable locational diversity.
bbb-	Supply Demand Dynamics	bbb	Moderately favorable outlook for prices/rates.

Asset Base and Operations

	Sub-Factor		Description
a-	Diversity of Assets	bbb	Good quality and/or reasonable scale diversified assets.
bbb+	Operations Reliability and Cost Competitiveness	bbb	Reliability and cost of operations at par with industry averages.
bbb	Exposure to Environmental Regulations	bbb	Limited or manageable exposure to environmental regulations.
bbb-	Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bb+			

Commodity Exposure

	Sub-Factor		Description
a	Ability to Pass Through Changes in Fuel	bbb	Limited exposure to changes in commodity costs.
a-	Underlying Supply Mix	bbb	Low variable costs and moderate flexibility of supply.
bbb+	Hedging Strategy	a	Highly captive supply and customer base.
bbb			
bbb-			

Profitability

	Sub-Factor		Description
a-	Free Cash Flow	bb	Structurally negative FCF across the investment cycle.
bbb+	Volatility of Profitability	bbb	Stability and predictability of profits in line with utility peers.
bbb			
bbb-			
bb+			

Financial Structure

	Sub-Factor		Description
bbb+	EBITDA Leverage	bb	4.75x
bbb	FFO Leverage	bbb	5.0x
bbb-			
bb+			
bb			

Financial Flexibility

	Sub-Factor		Description
bbb+	Financial Discipline	bbb	Less conservative policy, but generally applied consistently.
bbb	Liquidity	bb	Liquidity ratio around 1.0x. Less smooth debt maturity or concentrated funding.
bbb-	FFO Interest Coverage	bbb	4.5x
bb+			
bb			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

IPALCO Enterprises, Inc. has 12 ESG potential rating drivers				Overall ESG
	key driver	0	issues	5
Emissions from operations	driver	0	issues	4
Fuel use to generate energy and serve load				
Impact of waste from operations	potential driver	12	issues	3
Plants' and networks' exposure to extreme weather				
Product affordability and access	not a rating driver	2	issues	2
Quality and safety of products and services; data security		0	issues	1
Showing top 6 issues				

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

IPALCO Enterprises, Inc.

Corporates Ratings Navigator
North American Utilities

Credit-Relevant ESG Derivation

IPALCO Enterprises, Inc. has 12 ESG potential rating drivers

- IPALCO Enterprises, Inc. has exposure to emissions regulatory risk but this has very low impact on the rating.
- IPALCO Enterprises, Inc. has exposure to energy productivity risk but this has very low impact on the rating.
- IPALCO Enterprises, Inc. has exposure to waste & impact management risk but this has very low impact on the rating.
- IPALCO Enterprises, Inc. has exposure to extreme weather events but this has very low impact on the rating.
- IPALCO Enterprises, Inc. has exposure to access/affordability risk but this has very low impact on the rating.
- IPALCO Enterprises, Inc. has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations; Commodity Exposure; Regulation; Profitability	5
Energy Management	3	Fuel use to generate energy and serve load	Asset Base and Operations; Commodity Exposure; Profitability	4
Water & Wastewater Management	2	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Regulation; Profitability	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Regulation; Profitability	2
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Regulation; Profitability	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Regulation; Profitability; Financial Structure	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Regulation; Profitability	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability	3
Employee Wellbeing	2	Worker safety and accident prevention	Profitability; Asset Base and Operations	2
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Profitability	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
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Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
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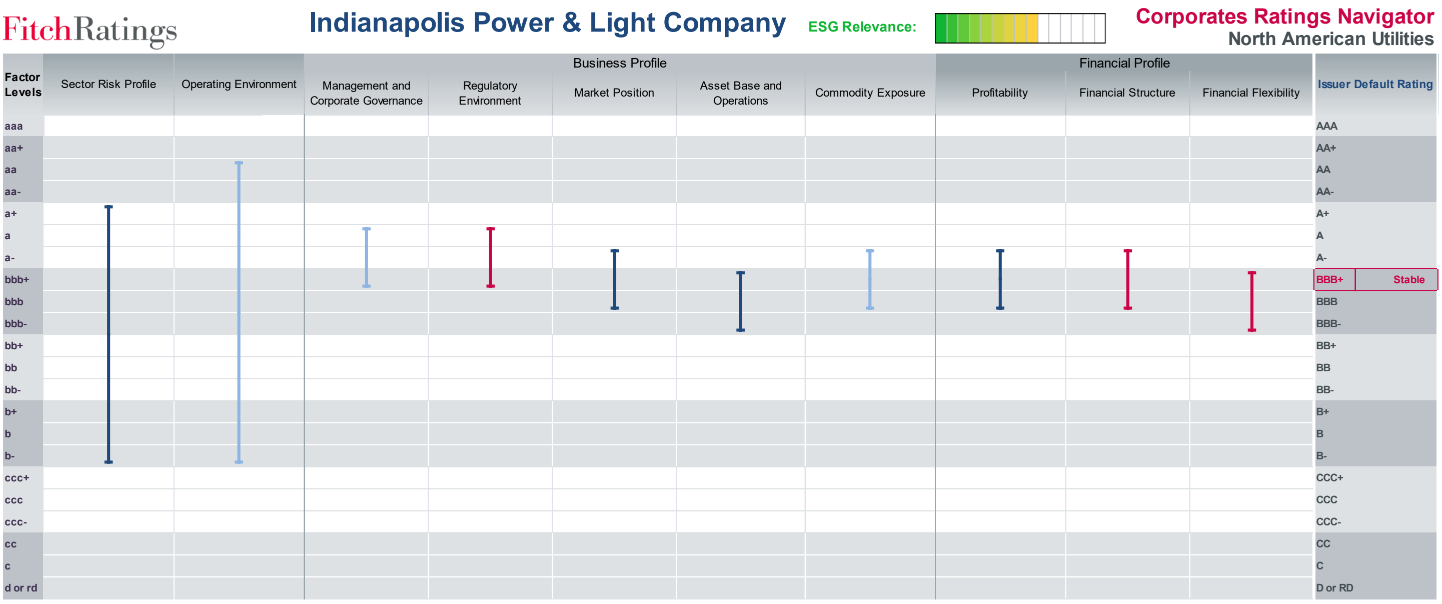

Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	⇧ Positive
Higher Importance	⇩ Negative
Average Importance	⇳ Evolving
Lower Importance	□ Stable

FitchRatings

Indianapolis Power & Light Company

Corporates Ratings Navigator
North American Utilities

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance		
b-			
ccc+			

Management and Corporate Governance

a+	Management Strategy	a	Coherent strategy and good track record in implementation.
a	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bbb+	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bbb			

Regulatory Environment

a+	Degree of Transparency and Predictability	a	Track record of transparent and predictable regulation.
a	Timeliness of Cost Recovery	a	Minimal lag to recover capital and operating costs.
a-	Trend in Authorized ROEs	a	Above-average authorized ROE.
bbb+	Mechanisms Available to Stabilize Cash Flows	bbb	Revenues partially insulated from variability in consumption.
bbb	Mechanisms Supportive of Creditworthiness	bbb	Effective regulatory ring-fencing or minimum creditworthiness requirements.

Market Position

a	Market Structure	a	Well-established market structure with complete transparency in price-setting mechanisms.
a-	Consumption Growth Trend	bbb	Customer and usage growth in line with industry averages.
bbb+	Customer Mix	a	Favorable customer mix.
bbb	Geographic Location	bbb	Beneficial location or reasonable locational diversity.
bbb-	Supply Demand Dynamics	bbb	Moderately favorable outlook for prices/rates.

Asset Base and Operations

a-	Diversity of Assets	bbb	Good quality and/or reasonable scale diversified assets.
bbb+	Operations Reliability and Cost Competitiveness	bbb	Reliability and cost of operations at par with industry averages.
bbb	Exposure to Environmental Regulations	bbb	Limited or manageable exposure to environmental regulations.
bbb-	Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bb+			

Commodity Exposure

a	Ability to Pass Through Changes in Fuel	bbb	Limited exposure to changes in commodity costs.
a-	Underlying Supply Mix	bbb	Low variable costs and moderate flexibility of supply.
bbb+	Hedging Strategy	a	Highly captive supply and customer base.
bbb			
bbb-			

Profitability

a	Free Cash Flow	bbb	Structurally neutral to negative FCF across the investment cycle.
a-	Volatility of Profitability	bbb	Stability and predictability of profits in line with utility peers.
bbb+			
bbb			
bbb-			

Financial Structure

a	EBITDA Leverage	bbb	3.75x
a-	FFO Leverage	bbb	5.0x
bbb+			
bbb			
bbb-			

Financial Flexibility

a-	Financial Discipline	bbb	Less conservative policy, but generally applied consistently.
bbb+	Liquidity	bb	Liquidity ratio around 1.0x. Less smooth debt maturity or concentrated funding.
bbb	FFO Interest Coverage	bbb	4.5x
bbb-			
bb+			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

Indianapolis Power & Light Company has 12 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy and serve load
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

Indianapolis Power & Light Company

Corporates Ratings Navigator
North American Utilities

Credit-Relevant ESG Derivation

Indianapolis Power & Light Company has 12 ESG potential rating drivers

- Indianapolis Power & Light Company has exposure to emissions regulatory risk but this has very low impact on the rating.
- Indianapolis Power & Light Company has exposure to energy productivity risk but this has very low impact on the rating.
- Indianapolis Power & Light Company has exposure to waste & impact management risk but this has very low impact on the rating.
- Indianapolis Power & Light Company has exposure to extreme weather events but this has very low impact on the rating.
- Indianapolis Power & Light Company has exposure to access/affordability risk but this has very low impact on the rating.
- Indianapolis Power & Light Company has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
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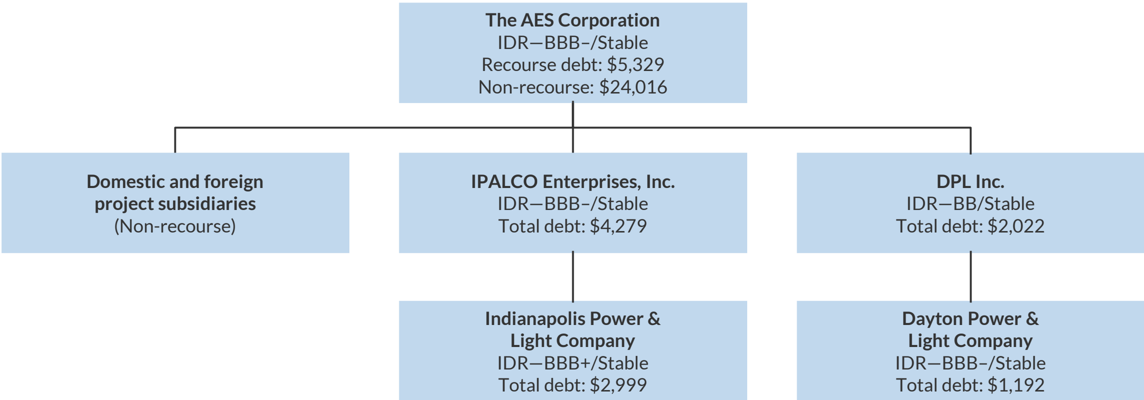
Simplified Group Structure Diagram

Organizational and Debt Structure — The AES Corporation

$ Mil., as of Mar. 31, 2024



IDR – Issuer Default Rating. Note: Recourse debt is direct borrowings by the parent company and is used to fund development, construction or acquisitions, including serving as funding for equity investments or loans to the affiliates. Nonrecourse debt is designed to limit cross-default risk to the parent or other subsidiaries and affiliates. Most of the debt of The AES Corporation's subsidiaries is nonrecourse and is secured substantially by all of the assets of those subsidiaries.
Source: Fitch Ratings, Fitch Solutions, IPALCO and Indianapolis Power & Light

Peer Financial Summary

IPALCO Enterprises, Inc.

Company	Issuer Default Rating	Financial statement date	Gross revenue ($ Mil.)	FFO ($ Mil.)	FFO interest coverage (x)	FFO leverage (x)	EBITDA leverage (x)
IPALCO Enterprises, Inc.	BBB–						
	BBB–	2023	1,650	360	3.8	7.1	7.1
	BBB–	2022	1,792	335	3.8	6.7	6.1
	BBB–	2021	1,426	349	3.9	6.0	5.5
Cleco Corporate Holdings LLC	BBB–						
	BBB–	2022	2,229	444	4.3	5.4	5.0
	BBB–	2021	1,746	384	4.0	6.6	5.5
Puget Energy Inc.	BBB–						
	BBB–	2023	4,817	1,072	4.0	5.5	7.3
	BBB–	2022	4,221	793	3.4	6.5	5.1
	BBB–	2021	3,806	830	3.4	5.9	5.5

Source: Fitch Ratings, Fitch Solutions

Indianapolis Power & Light Company

Company	Issuer Default Rating	Financial statement date	Gross revenue ($ Mil.)	FFO ($ Mil.)	FFO interest coverage (x)	FFO leverage (x)	EBITDA leverage (x)
Indianapolis Power & Light Company	BBB+						
	BBB+	2023	1,650	376	5.0	5.6	5.3
	BBB+	2022	1,792	359	5.3	4.9	4.3
	BBB+	2021	1,426	375	5.4	4.1	3.7
Indiana Michigan Power Company	A–						
	A–	2023	2,536	783	6.7	3.6	3.2
	A–	2022	2,670	723	6.9	3.8	3.4
	A–	2021	2,327	689	7.1	3.8	3.5
Puget Sound Energy, Inc.	BBB+						
	BBB+	2023	4,787	1,109	5.0	4.0	4.7
	BBB+	2022	4,216	842	4.4	4.7	3.3
	BBB+	2021	3,806	898	4.7	4.4	3.6

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

IPALCO Enterprises, Inc.

($ Mil. as of December 31, 2023)	Notes and formulas	Standardised values	Fair value and other debt adjustments	Lease treatment	Other adjustments	Adjusted values
Income statement summary						
Revenue		1,650	—	—	—	1,650
EBITDA	(a)	494	—	—	—	494
Depreciation and amortization		-288	—	—	—	-288
EBIT		206	—	—	—	206
Balance sheet summary						
Debt	(b)	3,458	31	—	—	3,489
Of which other off-balance sheet debt		—	—	—	—	—
Lease-equivalent debt		—	—	—	—	—
Lease-adjusted debt		3,458	31	—	—	3,489
Readily available cash and equivalents	(c)	29	—	—	—	29
Not readily available cash and equivalents		0	—	—	—	0
Cash flow summary						
EBITDA	(a)	494	—	—	—	494
Dividends received from associates less dividends paid to minorities	(d)	—	—	—	—	—
Interest paid	(e)	-129	—	—	—	-129
Interest received	(f)	—	—	—	—	—
Preferred dividends paid	(g)	—	—	—	—	—
Cash tax paid		—	—	—	—	—
Other items before FFO		-11	—	—	6	-4
FFO	(h)	354	—	—	6	360
Change in working capital		38	—	—	-6	32
CFO	(i)	392	—	—	—	392
Non-operating/non-recurring cash flow		—	—	—	—	—
Capex	(j)	-952	—	—	—	-952
Common dividends paid		-104	—	—	—	-104
FCF		-664	—	—	—	-664
Gross leverage (x)						
FFO leverage	b / (h-e-f-g)	7.2	—	—	—	7.1
(CFO-capex)/debt (%)	(i+j) / b	-16.0	—	—	—	-16.0
Net leverage (x)						
FFO net leverage	(b-c) / (h-e-f-g)	7.2	—	—	—	7.1
(CFO-capex)/net debt (%)	(i+j) / (b-c)	-16.2	—	—	—	-16.2
Coverage (x)						
FFO interest coverage	(h-e-f-g) / (-e-g)	3.7	—	—	—	3.8

Note: The standardised items presented above are based on Fitch's taxonomy for the given sector and region.
Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly.
Debt includes other off-balance sheet debt.
Debt in the standardised values column excludes lease liabilities of $17.769 million.
Source: Fitch Ratings, Fitch Solutions, IPALCO

Indianapolis Power and Light Company

($ Mil., as of December 31, 2023)	Notes and formulas	Standardised values	Fair value and other debt adjustments	Lease treatment	Other adjustments	Adjusted values
Income statement summary						
Revenue		1,650	—	—	—	1,650
EBITDA	(a)	494	—	—	—	494
Depreciation and amortization		-288	—	—	—	-288
EBIT		206	—	—	—	206
Balance sheet summary						
Debt	(b)	2,583	26	—	—	2,609
Of which other off-balance sheet debt		—	—	—	—	—
Lease-equivalent debt		—	—	—	—	—
Lease-adjusted debt		2,583	26	—	—	2,609
Readily available cash and equivalents	(c)	26	—	—	—	26
Not readily available cash and equivalents		0	—	—	—	0
Cash flow summary						
EBITDA	(a)	494	—	—	—	494
Dividends received from associates less dividends paid to minorities	(d)	—	—	—	—	—
Interest paid	(e)	-94	—	—	—	-94
Interest received	(f)	—	—	—	—	—
Preferred dividends paid	(g)	—	—	—	—	—
Cash tax paid		—	—	—	—	—
Other items before FFO		-31	—	—	6	-25
FFO	(h)	369	—	—	6	376
Change in working capital		58	—	—	-6	52
CFO	(i)	427	—	—	—	427
Non-operating/non-recurring cash flow		—	—	—	—	—
Capex	(j)	-952	—	—	—	-952
Common dividends paid		-140	—	—	—	-140
FCF		-665	—	—	—	-665
Gross leverage (x)						
FFO leverage	b / (h-e-f-g)	5.6	—	—	—	5.6
(CFO-capex)/debt (%)	(i+j) / b	-20.1	—	—	—	-20.1
Net leverage (x)						
FFO net leverage	(b-c) / (h-e-f-g)	5.6	—	—	—	5.5
(CFO-capex)/net debt (%)	(i+j) / (b-c)	-20.3	—	—	—	-20.3
Coverage (x)						
FFO interest coverage	(h-e-f-g) / (-e-g)	4.9	—	—	—	5.0

Note: The standardised items presented above are based on Fitch's taxonomy for the given sector and region.
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Debt includes other off-balance sheet debt.
Debt in the standardised values column excludes lease liabilities of $17.769 million.
Source: Fitch Ratings, Fitch Solutions, Indianapolis Power & Light

Parent Subsidiary Linkage Analysis

Key Risk Factors and Notching Approach

Parent	IPALCO Enterprises, Inc.
Parent LT IDR	BBB-
Subsidiary	Indianapolis Power Light Company
Subsidiary LT IDR	BBB+
Path	Stronger Subsidiary
Legal ring-fencing	Porous
Access and control	Porous
Notching matrix outcome	Consolidated+2
Override applied	No
Notching approach	–

LT IDR – Long-Term Issuer Default Rating
Source: Fitch Ratings

Stronger Subsidiary Notching Matrix

Access and control	Open	Porous	Insulated
With open ring-fencing	Consolidated	Consolidated+1	Consolidated+2[b]
With porous ring-fencing	Consolidated+1	Consolidated+2[b]	Consolidated+2[b]
With insulated ring-fencing	[a]	Standalone	Standalone

[a] It is unlikely that considerations for "insulated" legal ring-fencing would coexist with the conditions outlined under "open" for access and control. It is more likely that other factors relevant to legal ring-fencing or access and control, but not within this table, would move either one, or both, of the individual Linkage Factor Assessments (LFAs) to a "porous" level that would lead to a consolidated+1, consolidated+2 or standalone outcome.
[b] Notching is capped at the subsidiary's Standalone Credit Profile.
Source: Fitch Ratings

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.