OFFICIAL EXHIBITS

IURC
PETITIONER'S
EXHIBIT NO. 1
10-6-21 AT
DATE REPORTER

FILED
June 29, 2021
INDIANA UTILITY
REGULATORY COMMISSION

Cause No. 45575

VERIFIED DIRECT TESTIMONY

OF

DUSTIN ILLYES

ON BEHALF OF

INDIANAPOLIS POWER & LIGHT COMPANY D/B/A AES INDIANA

INCLUDING AES INDIANA ATTACHMENT DI-1

VERIFIED DIRECT TESTIMONY OF DUSTIN ILLYES
ON BEHALF OF AES INDIANA

Background

Q1. Please state your name and business address.

A1. My name is Dustin J. Illyes. My business address is One Monument Circle, Indianapolis, IN 46204.

Q2. What is your position and professional relationship with Indianapolis Power & Light Company d/b/a AES Indiana?

A2. I am employed by AES US Services, LLC as Manager, Corporate Finance in the U.S. and Utilities Strategic Business Unit ("U.S. SBU") of The AES Corporation ("AES"), with responsibilities for Indianapolis Power & Light Company d/b/a AES Indiana ("AES Indiana") and other AES businesses. I also serve as the Assistant Treasurer of AES Indiana.

Q3. How long have you been in your present position?

A3. I have been the Manager, Corporate Finance since April 2018.

Q4. What are your responsibilities in your current position?

A4. In my current position, I report to the Chief Financial Officer of the U.S. SBU, which includes AES Indiana. I have direct responsibility and oversight for treasury related activities of AES Indiana and other AES companies, including but not limited to capital markets financing activity, investor relations, management of communications with rating agencies, and maintaining banking relationships.

Q5. Please describe your educational and business background.

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

University in May 2015. 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 my current role.

Q6. Are you generally familiar with the properties, business, and financial condition of AES Indiana?

A6. Yes, I am.

Petition

Q7. Have you read the Petition filed in this Cause, and are you familiar with the facts set forth therein?

A7. Yes.

Q8. Are you sponsoring any Attachments in support of your testimony?

A8. Yes. I am sponsoring AES Indiana Attachment DI-1 which is a copy of the Verified Petition, with attached Appendices A through E, inclusive, filed with the Commission in this Cause.

Q9. Directing your attention to the financial data contained in AES Indiana Attachment DI-1, including Appendices A through E attached thereto, please state whether such data was prepared under your direction.

A9. Yes, it was.

Q10. What was the source of the accounting figures and other historical financial data contained in AES Indiana Attachment DI-1, including Appendices A through E attached thereto?

A10. The historical data used was acquired or derived from AES Indiana's business records.

Q11. Are the facts and the information set forth in AES Indiana Attachment DI-1, including Appendices A through E, reliable and accurate and were they prepared by you or under your direction and supervision?

A11. Yes. I have reviewed and evaluated the attachments and consider them to be reliable and accurate.

Q12. Please describe Appendix A to AES Indiana Attachment DI-1.

A12. Appendix A is the schedule of AES Indiana's Long-term Debt Obligations as of March 31, 2021, all of which have been previously authorized by Orders of the Commission.

Q13. Please describe Appendix B to AES Indiana Attachment DI-1.

A13. Appendix B is the schedule of AES Indiana's Shareholder's equity as of March 31, 2021 comprising common stock, paid-in-capital and retained earnings. AES Indiana's outstanding Capital Stock has been previously authorized by Orders of the Commission.

Q14. Please describe Appendix C to AES Indiana Attachment DI-1.

A14. Appendix C represents AES Indiana's Income Statement for the 12 months ended March 31, 2021.

Q15. Please describe Appendix D to AES Indiana Attachment DI-1.

A15. Appendix D is the Balance Sheet of AES Indiana as of March 31, 2021.

Q16. Do Appendices C and D, insofar as the book figures shown thereon are concerned, fairly present the operating results and financial condition of AES Indiana for the period and at the date indicated on each of the Appendices?

A16. Yes, they do.

Q17. Have there been any material changes in the financing needs or operating results of AES Indiana since the date of such Appendices, other than in the regular and ordinary course of its business?

A17. No.

Q18. Please describe Appendix E to AES Indiana Attachment DI-1.

A18. Appendix E shows AES Indiana's capitalization ratios and presents the details of AES Indiana's net utility plant account, as of March 31, 2021.

Q19. Do you intend to present any pro-forma financial statements?

A19. Within thirty (30) days of each issuance of new debt or new preferred stock under the authority sought in the Petition in this Cause, AES Indiana will file with the Commission and serve upon the OUCC a filing that includes: (1) the amount of the issuance, (2) a description of the terms and intended purpose, (3) the type of financing, (4) the estimated effective interest rate (incorporating the effects of issuance expenses on the interest rate) or the rate of dividend (in the case of preferred stock), (5) a pro forma balance sheet reflecting the reported financing by adjusting the most recently available quarterly balance sheet by adding the debt issuance obligation amount to debt outstanding or the preferred stock issuance to preferred stock outstanding and adding the net proceeds from the debt or preferred stock issuance to available cash, and (6) if the purpose of such financing is to refinance existing debt or preferred stock, the filing shall include a description of the characteristics of the debt or preferred stock being refinanced (*e.g.*, amount of debt or preferred stock refinanced, interest or dividend rate, maturity date and any redemption costs involved in refinancing). Additionally, if requested by the OUCC, AES Indiana will provide an update of current interest rate market pricing conditions. These reporting requirements are consistent with the reporting requirements recommended by the OUCC and accepted by AES Indiana in AES Indiana's last financing case, Cause No. 45115, which was approved by the Commission in its Order, dated December 5, 2018.

<u>Proposed Financing Program</u>

Q20. Are you familiar with the proposed financing program described in <u>AES Indiana Attachment DI-1</u>?

A20. Yes, I am.

Q21. Please summarize AES Indiana's request in this proceeding.

A21. AES Indiana seeks Commission approval of a financing program ("Proposed Financing Program") for the period ending December 31, 2024, that would permit AES Indiana, from time to time, during this period to:

(1) issue $700,000,000 in aggregate principal amount of long-term debt for the financing of Petitioner's construction program, the payment of short-term debt and such other purposes described hereinafter that do not include the refunding of currently outstanding debt issues;

(2) issue an additional $40,000,000 in aggregate principal amount of long-term debt to retire, refund, or redeem some or all of one debt issue currently outstanding ("Lawful Refundings");

(3) issue fixed or variable rate secured or unsecured long-term debt in the aggregate principal amount of $65,000,000 to retire, refund, or redeem any or all of the existing five series of cumulative preferred stock, with this amount included in (1) above;

(4) enter into Capital Lease ("Lease") obligations in an aggregate amount at any time outstanding not to exceed $25,000,000;

(5) enter into and use long-term credit agreements and liquidity facilities in the aggregate amount outstanding thereunder at any one time of $750,000,000 that provide for, among other things, the issuance of unsecured promissory notes, evidences of indebtedness, letters of credit, and liquidity for variable interest rate obligations; and

(6) as an alternative to the sale of all or a portion of $65,000,000 in principal amount of the long-term debt described in (3) above, issue and sell, from time to time through December 31, 2024, in one or more series, shares of New Preferred Stock ("New Preferred Stock") with an aggregate par value up to $65,000,000.

Items (1) through (3) above are collectively referred to herein a "New Debt."

<u>Additional Indebtedness for Purposes Other Than Refunding Currently Outstanding Debt</u>

Q22. Please describe AES Indiana's request to issue up to $700,000,000 in aggregate principal amount of long-term debt (for purposes that do not include the refunding of currently outstanding debt issues).

A22. The additional debt of up to $700,000,000 would be used primarily to finance AES Indiana's construction program. This debt will be used to fund capital expenditures necessary for prudent utility operations, including investments to replace generation, aging or retiring facilities or improve overall performance. These expenditures include generation, improvements and extensions to transmission and distribution lines, substations, power factor and voltage regulating equipment, distribution transformers and street lighting. Our capital expenditure program also includes power plant related projects and other miscellaneous equipment. Petitioner will also use the proceeds to reimburse its treasury for monies expended in the acquisition of property, material, or working capital, and the construction, completion, extension, or improvement of its facilities, plant, or distribution system. AES Indiana may request additional authority from this Commission for a proposed financing program before the authority requested under this Petition expires at the end of 2024, if other environmental mandates or our construction program necessitate financing when such costs are better known and estimable.

Q23. Please summarize the potential retirement, refunding, or redemption of AES Indiana's Preferred Stock with long-term debt.

A23. As shown in Table 2 of the Petition, AES Indiana has five series of existing preferred stock currently outstanding with an aggregate par value (including any premiums) of $59,784,000. AES Indiana seeks authority to issue fixed or variable rate secured or unsecured long-term debt to retire, refund, or redeem any or all of the existing series of preferred stock. Given current low interest rates, AES Indiana may be able to reduce its cost of capital by replacing any or all of the series of preferred stock with lower priced long-term debt, which would be in the best interest of AES Indiana and its customers.

Lawful Refundings

Q24. Please describe AES Indiana's request to issue an additional $40,000,000 in aggregate principal amount of long-term debt to retire, refund, or redeem some or all of certain outstanding debt issues.

A24. This authority would be available to retire, refund or redeem AES Indiana's currently outstanding long-term debt. As shown in Table 1 of the Petition, AES Indiana has one long-term issue maturing during the period of the Proposed Financing Program, the First Mortgage Bonds, 3.125% Series, due December 1, 2024 in the aggregate principal amount of $40,000,000 (the "Maturing Series").

Description of New Debt Instruments and Terms

Q25. Please describe the types of New Debt that may be issued pursuant to the Proposed Financing Program.

A25. AES Indiana seeks authority to issue and deliver New Debt for the purposes previously described, in an aggregate principal amount not to exceed $740,000,000. This New Debt may be issued as secured or unsecured and at fixed or variable interest rates in either the taxable or tax-exempt markets.

Q26. Please describe the types of secured and unsecured debt that would be used.

A26. If issued as secured debt it would be in the form of First Mortgage Bonds. One or more series of First Mortgage Bonds would be created and issued under one or more Supplemental Indentures to AES Indiana's Mortgage and Deed of Trust dated as of May 1, 1940, as supplemented and modified by supplemental indentures (hereinafter collectively referred to as the "Mortgage"). The First Mortgage Bonds will have such characteristics as shall be determined by the Board of Directors of AES Indiana in accordance with the terms and provisions of the Mortgage and such Supplemental Indentures. The Mortgage contains detailed provisions regarding the issuance of bonds thereunder. AES Indiana would issue such additional bonds under either or both Articles VI and VII of the Mortgage, providing for the issuance of additional bonds on the basis of unfunded property additions and for the issuance of bonds on the basis of First Mortgage Bonds which have matured and are paid.

In the event unsecured notes of AES Indiana are issued, they would be issued pursuant to a financing agreement or pursuant to a supplement to such financing agreement.

Unsecured notes would have many of the same features and terms as those applicable to First Mortgage Bonds, except for the security provided.

In order to complete the financing described above, AES Indiana will be required to execute and deliver various financing agreements, such as loan agreements, trust indentures and other documents, the terms of which, as well as the terms and conditions of the above-described financings, shall be subject to the approval of AES Indiana's Board of Directors prior to the execution thereof and the consummation of such financing.

Q27. What would be the term of the New Debt?

A27. Each series will be due and payable not less than twelve months and not more than sixty (60) years after the date of issuance.

Q28. How would the interest rate on the New Debt be determined?

A28. The interest rate on the New Debt should represent market pricing and shall not exceed rates generally obtainable at the time of pricing of such securities having the same or reasonably similar maturities and having reasonably similar terms, conditions, and features issued by utilities of the same or reasonably comparable credit quality.

Q29. What are the major criteria governing a choice between fixed or variable-rate debt financing?

A29. A major consideration is an examination of the type of assets being financed. Often, long-lived assets, such as utility plant and equipment, are financed with long-term, fixed-rate debt because that type of financing most closely matches the nature of the assets. Fixed rate debt has an interest rate that is fixed for the term of the issue and does not change over its life like that of a variable rate instrument.

Variable-rate debt typically is used to finance shorter-lived assets or is used for a particular portion of a longer-lived asset's life, such as during its construction period.

Numerous exceptions to these general rules are often dictated by market conditions existing at the time of contemplated financings. For example, during periods of relatively high fixed interest rates, variable-rate financing is often used in expectation that the variable-rate financing will be replaced later by fixed-rate financing when interest rates subsequently fall. Variable-rate financing is often used in these circumstances because variable-rate financing with interest periods that reset in intervals of less than one year typically can be called at par at any time. Alternatively, some long-term fixed-rate financings typically cannot be called or refunded for five to ten years, and then retiring such debt requires a premium once the non-call or non-refunding restriction expires. Other long-term debt cannot be called for the life of the issue or has a make-whole premium that enables the issuer to redeem some or all of the debt at a redemption price that considers the present values of the remaining principal and interest payments discounted at a spread to a treasury yield.

Variable-rate debt often, but not always, has a lower initial interest rate than debt with longer fixed interest rate periods. This initial benefit could generate substantial savings to the issuer. However, there is a risk that as the interest rate floats, it could move above the fixed-rate level that existed at the time of the financing, and the initial savings could be eliminated. Therefore, it may be more advantageous to issue fixed-rate debt with a relatively short non-call or non-refunding restriction rather than to issue variable-rate debt. However, the disadvantage to this strategy is that the market normally requires a somewhat higher interest rate in exchange for more generous prepayment terms.

As discussed, the decision to use fixed- or variable-rate debt requires an important judgment, taking into consideration market conditions and the economic outlook existing at the time of the financing. AES Indiana desires the flexibility to use variable-rate debt because the use of variable-rate debt can dramatically lower the cost of refinancing when compared to fixed-rate securities. Also, market conditions are subject to dramatic changes in short periods of time. The market conditions existing at the time AES Indiana receives an order in this Cause may be substantially different from the market conditions that existed at the time of filing the Petition. As stated in the Petition, if AES Indiana's requested authority is granted, under that authority AES Indiana's Board of Directors will have the ultimate responsibility for determining the terms and conditions of this financing subject to the limitations outlined in the Petition and my testimony. AES Indiana points to its strong financials and its long-standing tradition as a low cost provider of electric service as evidence of its prudence in financial management. AES Indiana believes this record justifies its request for discretion and flexibility in determining whether to issue fixed or variable-rate securities.

Q30. What is AES Indiana's current exposure to variable-rate debt?

A30. At March 31, 2021, none of AES Indiana's outstanding long-term debt was variable-rate debt. The borrowings on our existing credit agreement, which had a balance of $90,000,000 at March 31, 2021, are classified as short-term variable rate debt.

Q31. Please describe the proposed tax-exempt and taxable fixed rate refinancings and how they relate to the Lawful Refundings.

A31. The Lawful Refundings are issuances to retire, refund or redeem Maturing Series tax-exempt fixed rate bonds that were issued by the Indiana Finance Authority ("IFA") and secured by AES Indiana's First Mortgage Bonds. The bonds carry interest that is exempt from Federal income tax to bondholders. As tax-exempt bonds, they are subject to special rules with respect to refinancing. These rules permit the current refinancing of such bonds on a tax-exempt basis.

As explained in the Petition and as discussed herein, AES Indiana intends to accomplish the Lawful Refundings through the issuance of fixed or variable rate secured or unsecured notes in either the taxable or tax-exempt markets. If such refinancing is completed as a tax-exempt issuance, letters of credit or revolving credit facilities may be issued to secure such repayment of proceeds from the tax-exempt bonds issued by the IFA, or a state or municipal agency (collectively, "Agency"), in a like principal amount. If completed as a taxable issuance estimated fees may be added to the principal amount and therefore financed as a part of the new issuance. AES Indiana may also execute loan agreements, indentures of trust, and other documents in connection with such financings.

The proceeds of tax-exempt bonds issued by the Agency would be loaned to AES Indiana under the terms of a loan agreement.

Q32. Please describe variable-rate debt.

A32. Depending on market conditions, it may be advantageous for AES Indiana to issue new variable-rate First Mortgage Bonds or unsecured notes for any or all of the New Debt. Long-term variable-rate debt combines some of the characteristics of long-term bond issuances by the Agency with certain interest rate benefits available in the short-term tax-exempt market. Likewise, if the issuance is made by AES Indiana, it would combine the characteristics of a long-term issue with benefits available in the short-term taxable markets. Variable-rate debt financing can be completed in either the tax-exempt or taxable markets.

If done in the tax-exempt market, this type of financing is comparable to the long-term fixed-rate tax-exempt financing which I described earlier. However, additional terms provide liquidity to the investor similar to that available from short-term, tax-exempt investments. For example, long-term notes could have daily, weekly, monthly, quarterly, semi-annual or flexible puts (or sell back features), with put periods established by AES Indiana, while other long-term notes have no put feature attached. New rates on these instruments are set at market levels that will allow the notes to sell at par for securities of a similar term. The holder of any such notes at the end of any put period, if applicable, would have the right to demand that such notes be purchased and would receive par plus accrued interest. The interest rates on this type of security are set at issuance and are subsequently reset at the end of each period for the next period.

A remarketing agent may be appointed to resell any security when a bondholder makes a demand, and the proceeds realized from resale repay the principal plus accrued interest to the selling bondholder. If the long-term note includes a put feature, a bank letter of credit may be issued to the trustee, or a bank revolving credit facility may be entered into with such trustee and the Agency to provide the liquidity necessary to honor a put or demand for purchase by a bondholder in case the remarketing is not successful.

By the terms of the loan documents, typically AES Indiana would have the option to alter the demand term or mode of the securities, and AES Indiana would have the option to discontinue the flexible mode feature and to fix an interest rate on the outstanding notes for the remaining period to maturity at the rate established by the market.

Taken together, this method of financing would enable AES Indiana to take advantage of short-term variable tax-exempt rates for refinancing, so long as those rates are favorable, and at the same time have the flexibility to lock in a long-term rate on such securities in the event that action should be advantageous.

Issuance Costs, Premiums, Unamortized Issuance Expense and Discount Expenses

Q33. Please describe how AES Indiana proposes to treat issuance costs, premiums, unamortized issuance expense, and discount expense associated with the New Debt.

A33. AES requests authority to amortize issuance costs and discount expenses associated with the New Debt over the life of the New Debt. In addition, AES Indiana requests that any unamortized issuance and discount expenses relating to the redeemed or retired debt be treated as issuance expenses to be amortized over the life of the New Debt. This treatment is consistent with that previously authorized by this Commission. AES Indiana also proposes that any such cost of issuance or reacquisition should be considered in determining its overall cost of capital in any subsequent rate matter as previously authorized by this Commission in AES Indiana's Environmental Compliance Cost Recovery Adjustment filings.

The overall lower capital costs will accrue to the benefit of customers in any subsequent general rate cases. AES Indiana believes it is equitable that if it incurs costs to lower its cost of capital, it should be able to recover those costs through rates; therefore, the net savings, not the gross savings, of the refinancing should be reflected in rates.

Interest Rate Risk Management Transactions

Q34. Please explain in more detail the other contemplated interest rate risk management transactions and how they will help AES Indiana manage its variable interest rate risk.

A34. The main concept behind interest rate risk management transactions from AES Indiana's perspective is to establish an effective ceiling rate for variable-rate debt for a specified period of time. In order to assure a maximum ceiling interest rate, AES Indiana would pay a premium, much like an insurance policy, for this protection.

The interest rate risk management products addressed in AES Indiana Attachment DI-1 are interest rate "swaps," "caps," "collars," "floors," "forwards," "treasury locks," "forward starting swaps" or other similar products.

An interest rate swap is a contractual agreement between two counter-parties where one party agrees to pay fixed-rate interest payments in return for receipt of variable-rate interest payments over an extended period of time. AES Indiana's counter-party in the transaction could be a commercial bank, an investment bank or a client of either that is highly rated by the credit rating agencies. To illustrate a possible transaction, AES Indiana could swap its variable-rate obligation for a fixed-rate obligation. Alternatively, AES Indiana could swap its fixed-rate obligation for a variable-rate obligation.

Under an interest rate cap transaction, the borrower pays a premium to obtain protection against interest rate increases above a predetermined cap rate. If interest on AES Indiana's variable-rate debt rises above the cap, the difference between the cap rate and the actual variable rate is returned to AES Indiana.

An interest rate collar combines an interest rate cap at the high end and an interest rate floor at the low end. An interest rate floor is the opposite of an interest rate cap in that a floor agreement is a guarantee from the floor seller (Petitioner in this case) that, should the floor purchaser's return on funds drop below a predetermined floor level during the protection period, the seller (Petitioner) will reimburse the purchaser for the difference. The combination of the purchase of a cap and the sale of a floor – the collar – would ensure Petitioner a maximum ceiling cost of funds at a low cost. One of the primary motivations for purchasing a collar, as opposed to a cap, is to decrease the cost of the transaction since a portion of the potential gain from a decline in rates is forgone.

A forward agreement is a contractual obligation to buy or sell a specific amount of a given asset on a specified future date, at a price set at the time of contract execution. For example, AES Indiana could issue variable-rate debt and simultaneously enter into a forward agreement that would allow for an interest rate reset by a specified date at a predetermined rate.

A treasury lock is a contract that fixes treasury rates on a mutually agreed upon date prior to issuance of a debt instrument. If treasury rates rise above the locked-in rate, the contract seller makes a cash payment to the contract purchaser, and vice-versa.

A forward starting swap is basically an interest rate swap described above structured so that the contract becomes effective at some future date (at minimum, one week after the participants execute the contract).

Since market opportunities for these alternatives are transitory, AES Indiana must be able to execute interest rate risk management products, such as the transactions described, when the opportunity arises to strive to obtain the most competitive pricing. Thus, AES Indiana seeks approval to enter into interest rate risk management products, including, but not limited to, any or all of the transactions described in connection with the Proposed Financing Program during the entire term of the underlying obligations. Net fees and commissions in connection with interest rate risk management agreement(s) will not exceed those generally obtainable for reasonably similar products with comparable terms and conditions.

For book purposes, AES Indiana proposes to account for all payments or receipts relating to such transactions, including administrative costs, as a decrease or increase in interest expense. For ratemaking purposes, AES Indiana would reflect the net effect of the transaction in its embedded debt cost. This accounting treatment is consistent with the Commission's determination in AES Indiana's latest financing petition, Cause No. 45115.

Capital Lease Obligations

Q35. Please describe AES Indiana's request to enter into Capital Lease ("Lease") obligations in an aggregate amount at any time outstanding not to exceed $25,000,000.

A35. AES Indiana seeks authority to enter into, from time to time, over a period ending December 31, 2024, up to $25,000,000 in Lease obligations outstanding at any one time, for terms not to exceed sixty years. AES Indiana proposes to utilize Leases to acquire property and equipment in order to optimize the cost of financing commensurate with the underlying asset's expected life. The Leases shall have structures and terms similar to other forms of debt financing, but with the potential, in certain instances, to lower the overall cost associated with financing property and equipment acquisitions. At the end of each initial or renewal lease term, it is anticipated Petitioner will have the option to either renew each Lease pursuant to arm's length negotiation with the then existing Lessor or other Lessors, purchase the property, or terminate the Lease The amount financed under such Leases, excluding transaction and/or add-on service and support costs, is not expected to be more than the net capitalized cost of the appraised value of the underlying property or equipment, in conformity with accounting principles generally accepted in the United States of America.

Credit Agreements and Liquidity Facilities

Q36. Please describe AES Indiana's request to enter into and use long-term credit agreements and liquidity facilities in the aggregate amount outstanding thereunder at any one time not to exceed $750,000,000 that provide for, among other things, the issuance of unsecured promissory notes, evidences of indebtedness, letters of credit, and liquidity for variable interest rate obligations.

A36. AES Indiana seeks authority to enter into long-term credit agreements and liquidity facilities with terms not to exceed five years from the date of execution of the agreement. A multi-year credit facility provides AES Indiana with committed capital for its short-term liquidity needs on a long-term basis without the need to renew the facility on an annual basis. This type of facility also fixes the pricing grid and structure for the term of the agreement. AES Indiana seeks this authority throughout the term of the Order requested in this Cause, through December 31, 2024, with the expiration of any such multi-year credit facility to be on or before December 31, 2029. AES Indiana seeks this authority to maximize flexibility in the event market conditions change. This type of multi-year credit facility is common within the utility industry, and although the capital is committed for multiple years, the credit facility can be reduced or cancelled at any time without any prepayment penalties.

AES Indiana also seeks authority to enter into liquidity facilities as deemed appropriate by AES Indiana in connection with any variable rate First Mortgage Bonds or unsecured notes that provide for such a liquidity facility. A liquidity facility may be part of an underlying long-term credit facility, or a stand-alone agreement. AES Indiana seeks authority to enter into liquidity facilities throughout the term of the underlying variable rate obligation. AES Indiana intends to amortize all costs associated with entering into long-term Credit Agreements and liquidity facilities straight-line over the life of the agreements

New Preferred Stock

Q37. Please describe AES Indiana's request to issue or sell shares of New Preferred Stock ("New Preferred Stock") with an aggregate par value up to $65,000,000.

A37. AES Indiana seeks authority to issue and sell from time to time through December 31, 2024, in one or more series, shares of New Preferred Stock with an aggregate par value up to $65,000,000. The issuance of New Preferred Stock would be as an alternative to the issuance of long-term debt for the purposes of retiring, refunding, or redeeming any or all of the existing series of preferred stock, as described herein.

The authority to issue New Preferred Stock in order to retire any or all of the existing series of preferred shares potentially allows AES Indiana to lower the costs of its preferred shares while helping to maintain its target capital structure as discussed herein.

AES Indiana requests to account for any premiums paid to redeem preferred stock as a stock reacquisition cost to be deferred and amortized on a straight-line basis over the life of the new securities.

Timing

Q38. Does AES Indiana have a proposed time schedule with respect to commencement of the Proposed Financing Program?

A38. The authority granted in AES Indiana's latest financing petition, Cause No. 45115, expires on December 31, 2021. Accordingly, AES Indiana would need to receive an Order in this proceeding by year-end 2021.

Benefits of Proposed Financing Program

Q39. Is the Proposed Financing Program advantageous and in the best interest of AES Indiana, the public it serves, and its security holders, and necessary in the operation of AES Indiana?

A39. Yes.

Total Capitalization

Q40. Once AES Indiana completes the financing transactions described in the Petition and your testimony, will AES Indiana's total capitalization exceed the fair value of AES Indiana's net utility plant?

A40. No. As Appendix E illustrates, the original cost net utility plant exceeds the total capitalization of AES Indiana. This Commission has repeatedly recognized that due to historic inflation and other factors, AES Indiana's fair value of its net utility plant would exceed its net original cost, and thus, once AES Indiana completes the financing transactions contemplated herein, AES Indiana's total capitalization will not exceed the fair value of AES Indiana's net utility plant.

Conclusion

Q41. Does this conclude your prefiled direct testimony?

A41. Yes.

VERIFICATION

I, Dustin Illyes, Assistant Treasurer of Indianapolis Power & Light Company d/b/a AES Indiana, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

Dustin Illyes

Dated: June 29, 2021

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY, D/B/A AES INDIANA, AN INDIANA CORPORATION, FOR AUTHORITY TO (1) ISSUE FIXED OR VARIABLE RATE SECURED OR UNSECURED LONG-TERM DEBT IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $740,000,000 (WHICH INCLUDES THAT NEEDED FOR REDEMPTION OF EXISTING PREFERRED STOCK); (2) ENTER INTO CAPITAL LEASE OBLIGATIONS IN AN AGGREGATE AMOUNT OUTSTANDING AT ANY ONE TIME NOT TO EXCEED $25,000,000; (3) ENTER INTO AND USE LONG-TERM CREDIT AGREEMENTS AND LIQUIDITY FACILITIES PROVIDING ACCESS TO BORROWINGS AND OTHER FORMS OF LIQUIDITY IN AN AGGREGATE AMOUNT OUTSTANDING THEREUNDER AT ANY ONE TIME NOT TO EXCEED $750,000,000; (4) EXECUTE AND DELIVER ONE OR MORE SUPPLEMENTAL INDENTURES TO ITS MORTGAGE AND DEED OF TRUST DATED AS OF MAY 1, 1940 AS SUPPLEMENTED AND AMENDED, FOR THE PURPOSE OF CREATING OR SECURING ANY NEW SERIES OF FIRST MORTGAGE BONDS; (5) EXECUTE AND DELIVER PROMISSORY NOTES, LOAN AGREEMENTS AND OTHER DOCUMENTS EVIDENCING THE LONG-TERM DEBT AUTHORIZED HEREIN; (6) ENTER INTO INTEREST RATE RISK MANAGEMENT TRANSACTIONS IN CONNECTION WITH ITS OBLIGATIONS CURRENTLY OUTSTANDING AND AS PROPOSED TO BE ISSUED HEREIN, THROUGHOUT THE LIFE OF THE UNDERLYING OBLIGATIONS; (7) AS AN ALTERNATIVE TO THE SALE OF ALL OR A PORTION OF $65,000,000 IN PRINCIPAL AMOUNT OF LONG-TERM DEBT, ISSUE AND SELL NEW PREFERRED STOCK, IN ONE OR MORE SERIES, UP TO AN AGGREGATE PAR VALUE OF $65,000,000; (8) APPLY THE NET CASH PROCEEDS FROM THE SALE OF SUCH LONG-TERM DEBT OR ISSUANCE OF NEW SERIES OF PREFERRED STOCK, AFTER PAYMENT OF EXPENSES INCURRED IN CONNECTION THEREWITH, TO RETIRE, REFUND OR REDEEM CERTAIN SERIES OF ITS OUTSTANDING INDEBTEDNESS, TO REFUND OR REDEEM ANY OR ALL SERIES OF EXISTING PREFERRED STOCK, TO REIMBURSE ITS TREASURY, REPAY SHORT-TERM BORROWINGS, AND FINANCE ITS CONSTRUCTION PROGRAM.	)	FILED June 29, 2021 INDIANA UTILITY REGULATORY COMMISSION CAUSE NO. 45575

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VERIFIED PETITION

Indianapolis Power & Light Company d/b/a AES Indiana ("Petitioner") respectfully represents and shows this Commission:

Petitioner's Organization and Business.

1. Petitioner is a corporation organized and existing under the laws of the State of Indiana, with its principal office at One Monument Circle, Indianapolis, Indiana. Petitioner is a "public utility" within the meaning of that term as used in the Indiana Public Service Commission Act, as amended, Ind. Code § 8-1-2-1 (the "Act"), and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the Act and other laws of the State of Indiana. Petitioner owns and operates electric generating, transmission and distribution plant, property and equipment and related facilities, which are used and useful for the convenience of the public in the production, transmission, delivery and furnishing of such utility service. As a "public utility" within the meaning of that term as defined in the Act, Petitioner is subject to the jurisdiction of this Commission in the manner and to the extent provided by the laws of the State of Indiana including, among other things, the issue and sale of its long-term securities.

Capitalization of Petitioner.

2. At March 31, 2021, the capitalization of Petitioner amounted to $3,173,497,000, and consisted of long-term debt in the amount of $1,685,728,000 (net of unamortized discount of $5,968,000, and net of unamortized deferred financing costs of $17,159,000); cumulative preferred stock in the amount of $59,784,000; and common equity in the amount of $1,427,985,000. All of the outstanding bonds, preferred stock and common stock have been duly authorized by Orders of this Commission. The outstanding long-term debt comprises First Mortgage Bonds that have been

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issued under and pursuant to a Mortgage and Deed of Trust dated as of May 1, 1940, as supplemented and amended by supplemental indentures (hereinafter collectively referred to as the "Mortgage"). A schedule showing the long-term and current portion of long-term debt obligations of Petitioner at March 31, 2021 is attached hereto as Appendix A. At March 31, 2021, the First Mortgage Bonds constitute the only long-term debt obligations of Petitioner. Petitioner had no other outstanding indebtedness except current liabilities which included the current-portion of long-term debt and short-term borrowings under its credit agreement at March 31, 2021.

3. The issued and outstanding capital stock at March 31, 2021 comprised five separate issues of Cumulative Preferred Stock totaling 591,353 shares with a par value of $100 per share, 17,206,630 shares of Common Stock without par value, Paid-in Capital, and Retained Earnings. A schedule showing capital stock, paid-in capital, and retained earnings of Petitioner at March 31, 2021 is attached hereto as Appendix B.

Petitioner's Proposed Financing Program.

4. Petitioner seeks Commission approval of a financing program ("Proposed Financing Program") for the approximately three-year period ending December 31, 2024, that would permit Petitioner, from time to time during this period, in one or more transactions, to:

i. issue $700,000,000 in aggregate principal amount of long-term debt for the financing of Petitioner's construction program, the payment of short-term debt and such other purposes described hereinafter that do not include the refunding of currently outstanding debt issues;

ii. issue an additional $40,000,000 in aggregate principal amount of long-term debt to retire, refund, or redeem some or all of one debt issue currently outstanding ("Lawful Refundings");

iii. issue fixed or variable rate secured or unsecured long-term debt in the aggregate principal amount of $65,000,000 to retire, refund, or redeem any or all of the

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existing five series of cumulative preferred stock, with this amount included in (i) above;

iv. enter into Capital Lease ("Lease") obligations in an aggregate amount at any time outstanding not to exceed $25,000,000;

v. enter into and use long-term credit agreements ("Credit Agreements") and liquidity facilities in the aggregate amount outstanding thereunder at any one time not to exceed $750,000,000 that provide for, among other things, the issuance of unsecured promissory notes, evidences of indebtedness, letters of credit, and liquidity for variable interest rate obligations; and

vi. as an alternative to the sale of all or a portion of $65,000,000 in principal amount of the long-term debt described in (iii) above, issue and sell, from time to time through December 31, 2024, in one or more series, shares of New Preferred Stock ("New Preferred Stock") with an aggregate par value up to $65,000,000.

5. The rate of interest at the time of issuance of the debt described in (i) through (iii) above (collectively, the "New Debt") should represent market pricing and shall not exceed those generally obtainable at the time of pricing or repricing of such New Debt for securities having the same or reasonably similar maturities and having reasonably similar terms, conditions, and features issued by utilities of the same or reasonably comparable credit quality. Proceeds from Petitioner's Lawful Refundings (represented in Table 1 below) shall be used to either refund or retire securities that mature within the next three years ("Maturing Series"). The New Debt shall have a term of not less than twelve months and not greater than 60 years and may have the benefit of one or more letters of credit or bond insurance policies, or may be issued without the benefit of such letters of credit or insurance policies.

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TABLE 1

DESCRIPTION	BALANCE OUTSTANDING (000's)	DATE	PRICE
Maturing Series			
Indiana Finance Authority Environmental Facilities Refunding Revenue Bonds Series 2016A 3.125% 65th Supplemental Indenture due 01-Dec-2024	$40,000	12-1-2024	100%
Total Maturing Series	$40,000		
Total Lawful Refundings	$40,000		

6. Petitioner proposes to apply the proceeds from the Proposed Financing Program, after payment of relevant expenses incurred, to fund capital expenditures necessary for prudent utility operations, including investments to replace generation, aging or retiring facilities or improve overall performance. These expenditures include generation, additions, improvements and extensions to transmission and distribution lines, substations, power factor and voltage regulating equipment, distribution transformers and street lighting. Our capital expenditure program also includes power plant related projects and other miscellaneous equipment. Petitioner will also use the proceeds to reimburse its treasury for monies expended in the acquisition of property, material, or working capital; and the construction, completion, extension, or improvement of its facilities, plant, or distribution system: the reimbursement of its treasury for monies expended in the acquisition of property, material, or working capital; the construction, completion, extension, or improvement of its facilities, plant, transmission or distribution system; improvement of its service; the discharge or lawful refunding of its obligations; the costs associated with Petitioner's construction program; and other lawful purposes.

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7. Petitioner also requests authority to issue First Mortgage Bonds in order to secure its repayment obligations for the New Debt issued as secured debt, and for the ability to enter into liquidity facilities or other similar facilities as credit enhancers on any or all secured or unsecured debt.

8. Further, Petitioner requests authority from the Commission to amortize issuance costs and interest rate risk management costs associated with the New Debt issued pursuant to authority granted herein over the life of the New Debt (and, in the case of interest rate risk management costs associated with currently outstanding debt, over the remaining life of such debt). Petitioner also requests authority to treat all costs associated with the early redemption of outstanding debt, including any unamortized issuance and discount expenses relating to the redeemed issues as an issuance expense to be amortized over the life of the New Debt issued to refund the outstanding debt.

Supplemental Indentures to Petitioner's Mortgage.

9. Subject to compliance in all respects with applicable terms and provisions of the Mortgage relating to the issuance of additional bonds thereunder, Petitioner seeks authority to issue and sell, for cash, at not less than 95% of the face value thereof, plus accrued interest (if any) to the date of delivery thereof, its First Mortgage Bonds to secure its repayment obligation relating to the New Debt issued as secured debt. Each series shall be created under a supplemental indenture to the Mortgage, to be executed and issued under and pursuant to the provisions of the Mortgage and supplemental indenture; each series shall be dated as of the date of such supplemental indenture or as of such other date or dates as may be permitted by the Mortgage and such supplemental indenture; each series shall be due and payable not less than twelve months or more than sixty (60) years after the date thereof; each series to bear interest at fixed or variable

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rates; and each series to be issued and sold at such price and to have such other terms and characteristics as hereafter shall be determined by the Board of Directors of the Petitioner within the limitations and in accordance with the terms and provisions of the Mortgage.

The Proposed Unsecured Notes.

10. Petitioner proposes to issue, sell, and deliver for cash new promissory notes or other unsecured evidences of indebtedness ("Notes") at such prices and with such other terms and characteristics as shall be determined by Petitioner's Board of Directors; provided that the issuance of such Notes as described in this paragraph in combination with any First Mortgage Bonds as heretofore described shall not, in aggregate, exceed the maximum aggregate principal amount of New Debt requested under this Petition.

The Proposed Capital Lease Obligations.

11. Petitioner also seeks authority to enter into, from time to time, over a period ending December 31, 2024, up to $25,000,000 in Lease obligations outstanding at any one time, for terms not to exceed sixty years. Petitioner proposes to utilize Leases to acquire property and equipment in order to optimize the cost of financing commensurate with the underlying asset's expected life. The Leases shall have structures and terms similar to other forms of debt financing, but with the potential, in certain instances, to lower the overall cost associated with financing property and equipment acquisitions. At the end of each initial or renewal lease term, it is anticipated Petitioner will have the option to either renew each Lease pursuant to arm's length negotiation with the then existing Lessor or other Lessors, purchase the property, or terminate the Lease. The amount financed under such Leases, excluding transaction and/or add-on service and support costs, is not expected to be more than the net capitalized cost of the appraised value of the underlying property

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or equipment, in conformity with accounting principles generally accepted in the United States of America.

The Proposed Credit Agreements and Liquidity Facilities.

12. Petitioner seeks authority to enter into and use long-term Credit Agreements and liquidity facilities in an aggregate amount outstanding thereunder at any one time not to exceed $750,000,000 that would provide for, among other things: (a) the issuance of unsecured promissory notes and other evidences of indebtedness; (b) issuance of letters of credit; and (c) other forms of liquidity for variable interest rate obligations.

13. Petitioner seeks authority to enter into and use long-term Credit Agreements and liquidity facilities in an aggregate amount outstanding thereunder at any one time not to exceed $750,000,000 that would provide for, among other things: (a) the issuance of unsecured promissory notes and other evidences of indebtedness; (b) issuance of letters of credit; and (c) other forms of liquidity for variable interest rate obligations.

14. The Petitioner's current multi-year credit facility intended for its short-term liquidity needs expires on June 19, 2024. Petitioner seeks authority to enter into, at any time on or before December 31, 2024, Credit Agreements having a term not to exceed five (5) years. Credit providers continue to indicate that long-term, or multi-year, credit facilities generally reduce fees associated with establishing lines of credit and can provide both parties with comfort as to credit availability. If Petitioner's request is granted, Petitioner would be authorized to enter into five-year Credit Agreements at any time through and including December 31, 2024, with terms extending up to the five years ending December 31, 2029. These Credit Agreements could provide

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for the issuance of letters of credit and liquidity facilities. The letters of credit or liquidity facilities may be contained within, or separate from, other Credit Agreements of Petitioner.

15. Liquidity facilities are also utilized to provide liquidity for variable interest rate obligations currently outstanding and as entered into as part of the Proposed Financing Program discussed herein. Petitioner seeks authority to enter into any such liquidity facilities throughout the life of its outstanding indebtedness and throughout the life of the New Debt in order to provide liquidity for such securities. Such liquidity facilities are often required in order to persuade investors in certain variable interest rate obligations to buy such securities, particularly those securities with mandatory put features that must be remarketed to other investors.

16. Petitioner proposes to enter into Credit Agreements with terms and characteristics as shall be determined by Petitioner's Board of Directors. The authority to enter into any liquidity facilities in connection with the New Debt issued pursuant to this Petition shall not expire with the expiration of the authority to issue the New Debt under this Petition, but such authority shall remain throughout the term of the New Debt.

17. Petitioner anticipates that it will normally make borrowings under its Credit Agreements on a short-term revolving basis. However, the accounting treatment of such borrowings as short-term debt or long-term debt is not assured. Therefore, Petitioner requests authority to borrow under its Credit Agreements in the event that the borrowings are classified as long-term debt so long as the aggregate amount of all obligations outstanding under the Credit Agreements at any one time do not exceed $750,000,000. Petitioner intends to amortize all costs associated with entering into long-term Credit Agreements and liquidity facilities straight-line over the life of the agreements.

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The Proposed Retirement, Refunding, Redemption, or New Issuance of Preferred Stock.

18. Petitioner's current preferred stock program consists of five series of cumulative preferred stock outstanding in the aggregate par amount (including any premiums) of $59,784,000 as given in Table 2 below. Petitioner seeks authority to issue fixed or variable rate secured or unsecured long-term debt to retire, refund, or redeem any or all of the existing five series of cumulative preferred stock currently outstanding, which may be issued in combination with other New Debt, as part of the Petitioner's Proposed Financing Program.

19. As an alternative to the issuance of long-term debt in order to retire, refund, or redeem any or all of the existing series of preferred stock, Petitioner further requests authority to issue and sell from time to time through December 31, 2024, in one or more series, shares of New Preferred Stock with an aggregate par value up to $65,000,000.

20. The terms of the New Preferred Stock will be determined at the time of issuance. The New Preferred Stock may have dividends that are cumulative or non-cumulative. The New Preferred Stock will be sold by competitive bidding or in negotiated transactions with underwriters or agents. The dividend rate will be determined by negotiation with institutional investors or with underwriters for the sale of the New Preferred Stock.

21. In the event of a refinancing, refunding, or redemption of any or all of the preferred stock, Petitioner proposes to account for any premiums paid to redeem preferred stock as a stock reacquisition cost to be deferred and amortized on a straight-line basis over the life of the new securities.

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22. Petitioner may refinance, refund, redeem some or all of the preferred stock (Table 2 below) through a tender offer, a negotiated transaction, open market purchases, or by any other lawful means.

TABLE 2

Cumulative Preferred stock ($100 Par Value)					Amount Outstanding (in thousands)
4.00%	Series -	47,611	shares	$	5,410
4.20%	Series -	19,331	shares		1,933
4.60%	Series -	2,481	shares		248
4.80%	Series -	21,930	shares		2,193
5.65%	Series -	500,000	shares		50,000
Total Cumulative Preferred Stock		591,353	shares	$	59,784

The Proposed Promissory Notes and Other Evidences of Indebtedness.

23. The New Debt may be issued as tax-exempt or taxable issues. Petitioner may issue the New Debt as a limited obligation of a state or municipal agency (collectively, "Agency"), or as taxable debt, depending upon whether or not the financing qualifies to be issued as tax-exempt debt, and upon market conditions. If issued as tax-exempt debt, Petitioner may provide the Agency with evidence of indebtedness for such issues, either through (a) a First Mortgage Bond, or (b) one or more new Notes, with a corresponding promissory note to the Agency, and/or (c) issuance of letters of credit or revolving credit facilities to the Agency, to evidence such repayment of proceeds from the tax-exempt bonds issued by the Agency. Petitioner may also execute loan agreements and trust indentures in connection with Lawful Refundings or other New Debt.

The Proposed Interest Rate Risk Management Transactions.

24. Petitioner seeks authority to enter into interest rate risk management transactions for currently outstanding obligations and the obligations issued as part of the New Debt. Petitioner

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seeks authority to enter into any such interest rate risk management transactions throughout the life of any of these underlying obligations in order to mitigate the interest rate risk associated with such securities. Petitioner seeks to utilize, when available and appropriate, interest rate hedging transactions and enter into related interest rate hedging agreements to reduce and manage interest costs. The flexibility to enter into such transactions enables the Petitioner to select, when and where appropriate, mechanisms in which it can: (1) synthetically convert variable rate debt to fixed-rate debt; (2) synthetically convert fixed-rate debt to variable rate debt; (3) limit the impact of changes in interest rates resulting from variable rate debt; and (4) provide for the ability to enter into interest rate risk management transactions for future issuances of debt securities.

25. The interest rate risk management products commonly used in today's capital markets include: interest rate swaps, caps, collars, floors, forwards, treasury locks, forward starting swaps, or other such similar products with the express purpose of managing interest rate risks and costs. Petitioner expects to enter into these agreements with counterparties that are highly-rated institutions. Net fees and commissions in connection with interest rate risk management agreement(s) will not exceed those generally obtainable for reasonably similar products with comparable terms and conditions. The transactions will be for a fixed period and a stated notional amount, and may be for underlying fixed or variable obligations of the Petitioner. Interest rate management agreements would be entered into solely to hedge and manage interest rate risk. Petitioner will not utilize such instruments for speculative purposes. Petitioner requests that the cost of such transactions be included in determining the overall cost of capital in future rate proceedings.

26. Petitioner proposes to enter into such interest rate risk management transactions with terms and characteristics as shall be determined by Petitioner's Board of Directors. The

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authority to enter into the interest rate risk management transactions shall not expire with the expiration of the authority to issue the New Debt under this Petition, but such authority shall remain throughout the entire term of the underlying obligations or the New Debt.

27. Petitioner proposes to enter into such interest rate risk management transactions with terms and characteristics as shall be determined by Petitioner's Board of Directors. The authority to enter into the interest rate risk management transactions shall not expire with the expiration of the authority to issue the New Debt under this Petition, but such authority shall remain throughout the entire term of the underlying obligations or the New Debt.

Presently Existing Financing Authority.

28. Petitioner's existing financing authority granted in Cause No. 45115 extends through December 31, 2021. Petitioner proposes that upon the issuance of a Final Order in this Cause, the authority granted in such Final Order supersede and replace any remaining authority from Cause No. 45115 that has not been used.

Financial Exhibits.

29. Petitioner's Income Statement, Balance Sheet, Schedule of Capitalization, Capitalization Ratios and Utility Plant (each as of March 31, 2021), are set forth in Appendices C-E, respectively, attached hereto and incorporated herein by this reference.

Reporting Requirements.

30. Within thirty (30) days of each issuance of New Debt or New Preferred Stock authorized herein, Petitioner will file with the Commission and serve upon the OUCC a filing that includes: (1) the amount of the issuance, (2) a description of the terms and intended purpose, (3)

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the type of financing, (4) the estimated effective interest rate (incorporating the effects of issuance expenses on the interest rate) or the rate of dividend (in the case of preferred stock), (5) a pro forma balance sheet reflecting the reported financing by adjusting the most recently available quarterly balance sheet by adding the debt issuance obligation amount to debt outstanding or the preferred stock issuance to preferred stock outstanding and adding the net proceeds from the debt or preferred stock issuance to available cash, and (6) if the purpose of such financing is to refinance existing debt or preferred stock, the filing shall include a description of the characteristics of the debt or preferred stock being refinanced (*e.g.*, amount of debt or preferred stock refinanced, interest or dividend rate, maturity date and any redemption costs involved in refinancing). Additionally, if requested by the OUCC, Petitioner will provide an update of current interest rate market pricing conditions.

Petitioner's Proposed Financing Program is Advantageous and in the Public Interest.

31. The Proposed Financing Program described herein is necessary and advantageous to Petitioner and is in the public interest. The amount of bonds, notes and other evidences of indebtedness which Petitioner will have outstanding upon completion of the Proposed Financing Program and each component thereof and the proposed application of the proceeds therefrom, will bear a reasonable proportion to the amount of Petitioner's common equity capital and will be reasonable in aggregate principal amount, due consideration being given to the nature of the business in which Petitioner is engaged, its credit, future prospects and earnings and the effect which such issue of securities may have on the management and efficient operation of Petitioner. The total outstanding capitalization of Petitioner upon completion of the Proposed Financing Program and each component thereof and the application of the proceeds therefrom, will not be in excess of the fair value of Petitioner's property used and useful for the convenience of the public.

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Proposed Procedural Schedule.

32. Pursuant to 170 IAC 1-1.1-9(a)(8) of the Commission's Rules of Practice and Procedure, Petitioner will file a proposed procedural schedule within thirty (30) days of the date of this Petition. Petitioner will seek to reach agreement with the Indiana Office of Utility Consumer Counselor regarding the proposed procedural schedule for this proceeding.

Applicable Sections of Indiana Law.

33. Petitioner considers that Ind. Code §§ 8-1-2-76 to -81 may be deemed applicable to the subject matter of this Petition.

Attorneys for Petitioner.

34. The names and addresses of Petitioner's duly authorized representatives to whom all correspondence and communication concerning this Petition should be sent, are as follows:

Teresa Morton Nyhart, Esq. (No.14044-49)
Hillary J. Close (No. 25104-49)
BARNES & THORNBURG LLP
11 South Meridian Street
Indianapolis, Indiana 46204
Nyhart Telephone: (317) 231-7716
Close Telephone: (317) 231-7785
Facsimile: (317) 231-7433
Nyhart Email: tnyhart@btlaw.com
Close Email: hclose@btlaw.com

WHEREFORE, Petitioner respectfully requests that the Indiana Utility Regulatory Commission make such investigation and hold such hearings as it may deem necessary, and thereafter make and enter an Order in this Cause:

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1. authorizing Petitioner to issue from time to time over the period ending December 31, 2024 up to $740,000,000 in aggregate principal amount of fixed or variable rate secured or unsecured long-term debt in amounts and on terms consistent with this Petition and Petitioner's evidence to be submitted herein;

2. authorizing Petitioner to execute and deliver promissory notes and other evidence of secured or unsecured indebtedness relating to such long-term debt, including but not limited to, loan agreements entered into in connection with such long-term debt;

3. authorizing Petitioner to issue fixed or variable rate secured or unsecured long-term debt in the aggregate principal amount of $65,000,000 to retire, refund, or redeem any or all of the existing five series of cumulative preferred stock (which amount is included in the $740,000,000 of New Debt authorized in Paragraph 1 above) and to account for premiums paid in connection with the redemption or reacquisition of the preferred stock as described herein;

4. authorizing Petitioner to enter into Capital Lease obligations not to exceed $25,000,000 outstanding at any one time on terms consistent with this Petition and Petitioner's evidence to be submitted herein;

5. authorizing Petitioner to enter into and use long-term Credit Agreements and liquidity facilities in the aggregate amount outstanding thereunder at any one time not to exceed $750,000,000, which Credit Agreements and liquidity facilities may provide for, among other things, the issuance of unsecured promissory notes, evidences of indebtedness, letters of credit and liquidity for variable interest rate obligations (which liquidity facilities may be contained within or separate from

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other credit agreements), on terms consistent with this Petition and Petitioner's evidence to be submitted herein;

6. authorizing Petitioner, to the extent long-term debt issued pursuant to this authority is secured, to execute and deliver Supplemental Indentures supplementing and amending the Mortgage in order to create new series of Mortgage Bonds and to specify the characteristics thereof in accordance with the terms and provisions of the Mortgage;

7. authorizing Petitioner to execute interest rate risk management transactions on terms consistent with this Petition and Petitioner's evidence to be submitted herein;

8. authorizing Petitioner to treat costs incurred to redeem long-term debt that is refunded pursuant to the authority granted herein, unamortized issuance and discount expenses associated with such redeemed issues and the cost of interest rate risk management transactions as described herein;

9. as an alternative to the sale of all or a portion of $65,000,000 in principal amount of the New Debt described above, authorizing Petitioner to issue and sell, from time to time through December 31, 2024, in one or more series, shares of New Preferred Stock with an aggregate par value up to $65,000,000;

10. authorizing Petitioner to use and apply the cash proceeds and account for the related costs arising from the issue and issuance of the long-term debt, the issuance of new series of preferred stock, and Capital Lease obligations for the purposes of and in accordance with terms set forth in this Petition;

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11. issuing to Petitioner a Certificate of Authority for the issuance of such securities; and making such other and future orders in the premises as the Commission may deem appropriate and proper.

(Signature page follows)

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Dated this 29 day of June, 2021.

INDIANAPOLIS POWER & LIGHT COMPANY
d/b/a AES Indiana

By: Gustavo Garavaglia
Signed on 2021/06/29 06:29:49 -8:00
Gustavo Garavaglia, Vice President and
Chief Financial Officer

By: Brian Hylander
Signed on 2021/06/29 06:29:49 -8:00
Brian Hylander, Secretary

Teresa Morton Nyhart, Esq. (No. 14044-49)
Hillary J. Close (No. 25104-49)
BARNES & THORNBURG LLP
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Nyhart Email: tnyhart@btlaw.com
Close Email: hclose@btlaw.com

Attorneys for Petitioner
Indianapolis Power & Light Company d/b/a AES Indiana

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STATE OF OHIO)
) SS:
COUNTY OF MONTGOMERY)

Gustavo Garavaglia, being first duly sworn, depose and say that I am the Vice President and Chief Financial Officer of Indianapolis Power & Light Company d/b/a AES Indiana, the Petitioner in the above entitled cause; and that as such officer of said corporation have executed the foregoing Petition and have authority to do so; that I have read said Petition and know the contents thereof; and that the statements therein contained are true to the best of my knowledge, information and belief.

Gustavo Garavaglia
Signed on 2021/06/29 06:29:49 -8:00

Gustavo Garavaglia

Sworn to before me and subscribed in my presence via online notarization pursuant to Ohio Revised Code 147.60 et seq. this June 29, 2021. This certificate pertains to an electronic notarial act performed with the principal appearing online using audio-video communication. This is a jurat certificate; an oath was administered to the signer.

NOTARY PUBLIC
STATE OF OHIO
Shanna Bowman
Commission # 2017-RE-664218
Electronic Notary Public
State of Ohio
My Comm Exp. Jul 23, 2022
Notary Stamp 2021/06/29 06:29:49 PST 78DBA25BB601

Signed on 2021/06/29 06:29:49 -8:00

Shanna Bowman
Ohio Online Notary Public
Dayton, Ohio

0B902EE9-50CB-48C1-8369-7F69A2258D58 --- 2021/06/29 05:51:29 -8:00 --- Remote Notary

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STATE OF OHIO)
) SS:
COUNTY OF MONTGOMERY)

Brian Hylander, being first duly sworn, depose and say that I am the Secretary of Indianapolis Power & Light Company d/b/a AES Indiana, the Petitioner in the above entitled cause; and that as such officer of said corporation have executed the foregoing Petition and have authority to do so; that I have read said Petition and know the contents thereof; and that the statements therein contained are true to the best of my knowledge, information and belief.

Brian Hylander
Signed on 2021/06/29 06:29:49 -8:00

Brian Hylander

Sworn to before me and subscribed in my presence via online notarization pursuant to Ohio Revised Code 147.60 et seq. this June 29, 2021. This certificate pertains to an electronic notarial act performed with the principal appearing online using audio-video communication. This is a jurat certificate; an oath was administered to the signer.

NOTARY PUBLIC
STATE OF OHIO
Shanna Bowman
Commission # 2017-RE-664218
Electronic Notary Public
State of Ohio
My Comm Exp. Jul 23, 2022
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 29th day of June, 2021, by electronic transmission to the following:

Indiana Office of Utility Consumer Counselor
PNC Center
115 West Washington Street, Suite 1500 South
Indianapolis, Indiana 46204
infomgt@oucc.in.gov

Hillary J. Close

Hillary J. Close

APPENDICES

A schedule showing the long-term debt obligations of Petitioner at March 31, 2021, is attached hereto as Appendix A.

A schedule showing shareholder's equity of Petitioner at March 31, 2021, is attached hereto as Appendix B.

An Income Statement of Petitioner for the twelve months ended March 31, 2021, is attached hereto as Appendix C.

A Balance Sheet of Petitioner as of March 31, 2021, is attached hereto as Appendix D.

A schedule of Petitioner's capitalization, capitalization ratios, and Utility Plant of Petitioner, actual as of March 31, 2021, is attached hereto as Appendix E.

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E-Signature Summary

E-Signature 1: Brian Hylander (BH)
June 29, 2021 06:29:49 -8:00 [27D6D926E841] [170.176.240.25]
brian.hylander@aes.com (Principal) (Personally Known)

E-Signature 2: Gustavo Garavaglia (GG)
June 29, 2021 06:29:49 -8:00 [8FDA9BCA315A] [170.176.240.129]
gustavo.garavaglia@aes.com (Principal) (Personally Known)

E-Signature Notary: Shanna Bowman (SB)
June 29, 2021 06:29:49 -8:00 [78DBA25BB601] [170.176.240.225]
shanna.bowman@aes.com
I, Shanna Bowman, did witness the participants named above electronically sign this document.

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Cause No. 45575
AES Indiana
Corrected Appendices to Petition

FILED
August 3, 2021
INDIANA UTILITY
REGULATORY COMMISSION

Indianapolis Power & Light Company d/b/a AES Indiana
Long-term Debt Obligations
as of March 31, 2021

SERIES	DUE	PRINCIPAL AMOUNT OUTSTANDING *(in thousands)*
AES Indiana First Mortgage Bonds		
3.875% 58th Supplemental Indenture	1-Aug-2021	55,000
3.875% 59th Supplemental Indenture	1-Aug-2021	40,000
3.125% 65th Supplemental Indenture	1-Dec-2024	40,000
0.750% 67th Supplemental Indenture	1-Apr-2026	30,000
0.950% 68th Supplemental Indenture	1-Apr-2026	60,000
6.600% 48th Supplemental Indenture	1-Jan-2034	100,000
6.050% 53rd Supplemental Indenture	1-Oct-2036	158,800
6.600% 54th Supplemental Indenture	1-Jun-2037	165,000
4.875% 60th Supplemental Indenture	1-Nov-2041	140,000
4.650% 61st Supplemental Indenture	1-Jun-2043	170,000
4.500% 62nd Supplemental Indenture	1-Jun-2044	130,000
4.750% 63rd Supplemental Indenture	1-Jun-2045	260,000
4.050% 64th Supplemental Indenture	1-May-2046	350,000
4.875% 66th Supplemental Indenture	1-Nov-2048	105,000
Unamortized discount - net		(5,968)
Deferred financing costs		(17,159)
Total AES Indiana first mortgage bonds		1,780,673
Total long-term debt - AES Indiana		1,780,673
Less: current portion of long-term debt		94,945
Total Consolidated AES Indiana Long-term Debt		1,685,728

Indianapolis Power & Light Company d/b/a AES Indiana
Shareholder's Equity
as of March 31, 2021

Cumulative Preferred stock				Amount Outstanding
($100 Par Value)				***(in thousands)***
4.00% Series -	47,611	shares	$	5,410
4.20% Series -	19,331	shares		1,933
4.60% Series -	2,481	shares		248
4.80% Series -	21,930	shares		2,193
5.65% Series -	500,000	shares		50,000
Total Cumulative Preferred Stock	591,353	shares	$	59,784

Common Shareholder's Equity		
Common Stock		324,537
Paid-in Capital		664,928
Retained Earnings		438,520
Total Common Shareholder's Equity	$	1,427,985
Total Shareholder's Equity	$	1,487,769

Indianapolis Power & Light Company d/b/a AES Indiana
INCOME STATEMENT
For Twelve Months Ended March 31, 2021

	12-months Ended 31-Mar-21 *In thousands*
REVENUES	$ 1,357,804
OPERATING COSTS AND EXPENSES:	
Fuel	263,048
Power purchased	124,883
Operation and maintenance	414,206
Depreciation and amortization	249,277
Taxes other than income taxes	45,410
Total operating costs and expenses	1,096,824
OPERATING INCOME	260,980
OTHER INCOME / (EXPENSE), NET	
Allowance for equity funds used during construction	5,091
Interest expense	(87,081)
Other income / (expense), net	7,512
Total other income / (expense), net	(74,478)
EARNINGS FROM OPERATIONS BEFORE INCOME TAX	186,502
Less: Income tax expense	40,715
NET INCOME	145,787
Less: Dividends on preferred stock	3,213
NET INCOME APPLICABLE TO COMMON STOCK	$142,574

Indianapolis Power & Light Company d/b/a AES Indiana
Balance Sheet as of March 31, 2021

	As of 31-Mar-21
ASSETS	*In thousands*
CURRENT ASSETS:	
Cash and cash equivalents	$ 45,903
Restricted Cash	5
Accounts receivable, net of allowance for credit losses of $1,966	160,792
Inventories	80,610
Regulatory Assets, current	47,675
Taxes Receivable	2,196
Prepayments and other current Assets	41,410
Total current assets	378,591
NON-CURRENT ASSETS:	
Property, plant and equipment	6,559,864
Less: Accumulated depreciation	2,690,636
	3,869,228
Construction work in progress	230,199
Total net property, plant and equipment	4,099,427
OTHER NON-CURRENT ASSETS:	
Intangible assets - net	56,713
Regulatory assets, non-current	385,995
Other non-current assets	45,339
Total other non-current assets	488,047
TOTAL ASSETS	4,966,065

Indianapolis Power & Light Company d/b/a AES Indiana
Balance Sheet as of March 31, 2021

		As of 31-Mar-21 *In thousands*
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Short-term and current portion of long-term debt	$	184,945
Accounts Payable		122,118
Accrued Taxes		39,431
Accrued Interest		33,220
Customer Deposits		26,685
Regulatory liabilities, current		10,968
Accured and other current liabilities		24,226
Total current liabilties		441,593
NON-CURRENT LIABILITIES:		
Long-term debt		1,685,728
Deferred income tax liabilities		293,387
Taxes Payable		7,552
Regulatory liabilities, non-current		835,269
Accrued pension and other postretirement benefits		5,380
Asset retirement obligations		195,704
Other non-current liabilities		13,683
Total non-current liabilities		3,036,703
TOTAL LIABILITIES		3,478,296
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDER'S EQUITY:		
Common Stock		324,537
Paid in Capital		664,928
Retained earnings		438,520
Total common shareholder's equity		1,427,985
Cumulative preferred stock		59,784
Total shareholders's equity		1,487,769
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		4,966,065

Indianapolis Power & Light Company d/b/a AES Indiana
Schedule of Capitalization, Capitalization Ratios and Utility Plant
as of March 31, 2021

(In thousands except ratios)

	Actual 31-Mar-21
CAPITALIZATION	
Long-term debt [1]	$ 1,685,728
Preferred stock	59,784
Common shareholder equity	1,427,985
Total capitalization	$ 3,173,497
CAPITALIZATION RATIOS	
Long-term debt [1]	53.12%
Preferred stock	1.88%
Common stock, retained earnings and premium on preferred stock	45.00%
Total	100.00%
PROPERTY	
Property, plant and equipment	$ 6,559,864
Less: Accumulated depreciation	2,690,636
	3,869,228
Construction work in progress	230,199
Total net property, plant and equipment	4,099,427

[1] Includes unamortized net discount on long-term debt and unamortized deferred financing costs; excludes current potion of long-term debt.