

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION



PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY,)
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 \$846,500,000 (WHICH)
INCLUDES THAT NEEDED FOR MULTI-YEAR ACCOUNTS)
RECEIVABLE SECURITIZATION PROGRAM AND)
REDEMPTION OF EXISTING PREFERRED STOCK); (2))
ENTER INTO A MULTI-YEAR ACCOUNTS RECEIVABLE)
SECURITIZATION AGREEMENT OR REFINANCE THE)
EXISTING ACCOUNTS RECEIVABLE SECURITIZATION)
PROGRAM IN ITS ENTIRETY; ENTER INTO CAPITAL)
LEASE OBLIGATIONS IN AN AGGREGATE AMOUNT)
OUTSTANDING AT ANY ONE TIME NOT TO EXCEED)
\$25,000,000; (4) 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)
\$500,000,000; (5) 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; (6) EXECUTE AND DELIVER)
PROMISSORY NOTES, LOAN AGREEMENTS AND OTHER)
DOCUMENTS EVIDENCING THE LONGTERM DEBT)
AUTHORIZED HEREIN; (7) ENTER INTO INTEREST RATE)
RISK MANAGEMENT TRANSACTIONS CONNECTION WITH)
ITS OBLIGATIONS CURRENTLY OUTSTANDING AND AS)
PROPOSED TO BE ISSUED HEREIN, THROUGHOUT THE)
LIFE OF THE UNDERLYING OBLIGATIONS; (8) 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; (9) APPLY THE NET CASH PROCEEDS FROM)
THE SALE OF SUCH LONGTERM 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.)

CAUSE NO. 44643

APPROVED: DEC 16 2015

ORDER OF THE COMMISSION

Presiding Officers:

Carolene Mays-Medley, Vice Chair

Gregory R. Ellis, Administrative Law Judge

On June 23, 2015, Indianapolis Power & Light Company (“IPL” or “Petitioner”) filed its Verified Petition (“Petition”) and supporting testimony in this Cause seeking authority to carry out its financing program (“Proposed Financing Program”) for the period ending December 31, 2018. The Indiana Office of Utility Consumer Counselor (“OUCC”) and IPL filed a Joint Motion for Leave to Submit a Stipulation and Settlement Agreement on September 3, 2015, indicating the parties reached an agreement in principle to settle the case. The Motion was granted through a docket entry issued by the Indiana Utility Regulatory Commission (“Commission”) on September 10, 2015. On September 15, 2015, IPL filed the Stipulation and Settlement Agreement (“Settlement Agreement”) between the parties, and each of the parties filed testimony in support of the Settlement Agreement.

On October 8, 2015, the Commission issued a docket entry notifying the parties of the Commission’s intent to take administrative notice of the following:

1. The pre-filed Verified Supplemental Testimony of Craig L. Jackson, which was filed by IPL in the consolidated Cause Nos. 44576 and 44602 on June 1, 2015;
2. The pre-filed Rebuttal Testimony and Attachments of Craig L. Jackson, which was filed by IPL in the consolidated Cause Nos. 44576 and 44602 on September 4, 2015;
3. The pre-filed Testimony of Barbara A. Smith, which was filed by the OUCC in the consolidated Cause Nos. 44576 and 44602 on July 27, 2015;
4. The Indiana Utility Regulatory Commission Testimonial Staff’s Investigation Report prepared by O’Neill Management Consulting, LLC, which was filed in the consolidated Cause Nos. 44576 and 44602 on June 22, 2015;
5. The testimony of Mr. Jackson given during the evidentiary hearing in consolidated Cause Nos. 44576 and 44602 on September 22, and 23, 2015;
6. The testimony of Ms. Smith given during the evidentiary hearing in consolidated Cause Nos. 44576 and 44602 on September 24, 2015.

The Commission issued a docket entry with questions for Petitioner on October 9, 2015, to which Petitioner filed written responses on October 13, 2015.

The Commission held an Evidentiary Hearing in this Cause at 9:30 a.m. on October 14, 2015, in Room 222, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present and participated. The testimony and exhibits of Petitioner and the OUCC were admitted into the record without objection. No members of the general public appeared or sought to testify at the hearing.

Based upon the applicable law and the evidence herein, the Commission now finds as follows:

1. **Notice and Jurisdiction.** Notice of the hearing in this Cause was given and published by the Commission as required by law. Petitioner is a public utility as defined in Ind. Code § 8-1-2-1(a). Petitioner requests authorization and approval for its proposed financing pursuant to Ind. Code §§ 8-1-2-76 through 8-1-2-81. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. **Petitioner's Characteristics.** 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. IPL is a subsidiary of IPALCO Enterprises, Inc. ("IPALCO"). IPL 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.

3. **Petitioner's Evidence.** Petitioner presented the following evidence through its Petition and the pre-filed direct testimony of Connie R. Horwitz, Treasurer of IPL.

A. **Petitioner's Capitalization and Outstanding Securities.** Ms. Horwitz sponsored Appendix D to Attachment A of her pre-filed testimony, which is IPL's balance sheet as of March 31, 2015. She also sponsored Appendix C to Attachment A of her pre-filed testimony, which is IPL's income statement for the twelve months ending March 31, 2015. On March 31, 2015, the capitalization of Petitioner amounted to \$1,991,695,000 and consisted of long-term debt in the amount of \$1,020,531,000 (net of unamortized discount of \$2,919,000 and excluding current maturities of \$131,850,000); cumulative preferred stock in the amount of \$59,784,000; and common equity in the amount of \$911,380,000. All of the outstanding bonds, preferred stock and common stock have been duly authorized by prior Orders of the Commission.

Ms. Horwitz sponsored Appendix A to Attachment A of her pre-filed testimony, which is the schedule of IPL's long-term debt obligations. As of March 31, 2015, the long-term debt of Petitioner was represented by thirteen series of First Mortgage Bonds. The outstanding First Mortgage Bonds have been issued under and pursuant to a 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"). As of March 31, 2015, the First Mortgage Bonds and capital lease obligations constitute the only long-term debt obligations of Petitioner. Petitioner had no other outstanding indebtedness except current liabilities on March 31, 2015.

She sponsored Appendix D to Attachment A of her pre-filed testimony, which is the schedule of IPL's capital stock and retained earnings as of March 31, 2015. The issued and outstanding capital stock was comprised of 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.

B. **Proposed Financing.** IPL seeks Commission approval of its Proposed Financing Program for the three year period ending December 31, 2018, that would permit IPL, from time to time, during this period, in one or more transactions, to: (1) issue up to \$650,000,000 in aggregate principal amount of long-term debt, of which \$295,000,000 was previously authorized on December 18, 2013, through the Commission's Order in Cause No. 44364 (the "44364 Order") for the financing of IPL's construction program, the payment of short-term debt

and other purposes described herein that do not include the refunding of currently outstanding debt issues; (2) issue up to an additional \$196,500,000 in aggregate principal amount of long-term debt to retire, refund, or redeem some or all of five debt issues currently outstanding (“Lawful Refundings”), of which \$171,850,000 was previously authorized in the 44364 Order; (3) enter into either a long-term Accounts Receivable Securitization (“ARS”) Program or a fixed-rate or variable-rate secured or unsecured long-term debt refinancing of the ARS Program in the aggregate principal amount of \$50,000,000, which amount is included in (1) above; (4) 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 exiting five series of cumulative preferred stock, with this amount included in (1) above; (5) enter into Capital Lease (“Lease”) obligations in an aggregate amount at any time outstanding not to exceed \$25,000,000; (6) enter into and use long-term credit agreements and liquidity facilities in the aggregate amount outstanding thereunder at any one time of up to \$500,000,000 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 (7) 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 (4) above, issue and sell, from time to time through December 31, 2018, in one or more series, shares of New Preferred Stock (“New Preferred Stock”) with an aggregate par value up to \$65,000,000.

The rate of interest at the time of issuance of the debt described in (1) through (4) above (collectively, the “New Debt”) shall not exceed rates generally obtainable at the time of pricing 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. However, the rate of interest at the time of the refinancing of the Redemption Series (described below) shall be less than the economic break-even rate that allows the net present value of such indebtedness, including all redemption premiums and issuance expenses, to equal the net present value of the existing Redemption Series, considering the remaining life of such securities. The New Debt shall have a term 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.

C. Purpose of the Proposed Financing. The proceeds from Petitioner’s Proposed Financing Program, after payment of relevant expenses incurred, will be used for (1) the reimbursement of its treasury for monies actually expended in the acquisition of property, material, or working capital; (2) the construction, completion, extension, or improvement of its facilities, plant, or distribution system; (3) improvement of its service; (4) the discharge or lawful refunding of its obligations; (5) the costs associated with Petitioner’s construction program; and (6) other lawful purposes. Proceeds from Petitioner’s Lawful Refundings shall be used to refund securities that (a) mature within the next three years (“Maturing Series”) or (b) are callable within the next three years (“Redemption Series”) as shown in Table 1 below.

Table 1

<u>Description</u>	<u>Balance Outstanding (000'S)</u>	<u>Date</u>	<u>Price</u>
<i>Maturing Series</i>			
Indiana Finance Authority Environmental Facilities Refunding Revenue Bonds Series 2009A Series 4.90% 55 th Supplemental Indenture due 01-Jan-2016	\$41,850	1-1-2016	100%
Indiana Finance Authority Environmental Facilities Refunding Revenue Bonds Series 2009B Series 4.90% 56 th Supplemental Indenture due 01-Jan-2016	\$30,000	1-1-2016	100%
Indiana Finance Authority Environmental Facilities Refunding Revenue Bonds Series 2009C Series 4.90% 57 th Supplemental Indenture due 01-Jan-2016	\$60,000	1-1-2016	100%
City of Petersburg, Indiana Pollution Control Refunding Revenue Bonds Series 1993B 5.40% 37 th Supplemental Indenture due 01-Aug-2017	\$24,650	8-1-2017	100%
Total Maturing Series	\$156,500		
<i>Redemption Series</i>			
Indiana Finance Authority Pollution Control Refunding Revenue Bonds Series 2006B Series 4.55% 52 nd Supplemental Indenture due 01-Dec-2024	\$40,000	Callable at Par 12-1-2016	100%
Total Redemption Series	\$40,000		
Total Lawful Refundings	\$196,500		
<i>Accounts Receivable Securitization Program</i>			
Commission approval for renewal of the ARS program as a short-term program is not required and remains an option for Petitioner in addition to the authority requested herein	\$50,000	10-19-2015	100%

Ms. Horwitz explained that the additional debt of up to \$650,000,000 will be used primarily to finance IPL's construction program. She indicated this debt will help fund, in part, the expenditures necessary to comply with environmental laws and regulations, including the United States Environmental Protection Agency's Mercury and Air Toxics Standards, construct the Combined Cycle Gas Turbine Generation Facility, construct the Harding Street Units 5, 6, & 7 Refueling Projects, and to comply with the National Pollutant Discharge Elimination System permit requirements. She explained that this debt will be used to fund capital expenditures necessary for prudent utility operations along with discretionary investments designed to replace aging equipment or improve overall performance. She added that Petitioner's capital expenditure program also includes power plant related projects and other miscellaneous equipment and testified that Petitioner will also use the proceeds of the requested debt to reimburse its treasury for monies actually expended in the acquisition of property, material, or working capital; and the construction, completion, extension, or improvement of its facilities, plant, or distribution system. She noted that up to \$466,850,000 of that amount was already authorized in the 44364 Order, but

IPL had not yet used that authority, which was authorized to expire on December 31, 2016. Due to the uncertainty regarding the precise timing of the use of that authority, and the possibility that an Order in this Cause might be issued before further issuances under the authority granted in the 44364 Order may be consummated, IPL included the remaining authority granted in Cause No. 44364 in its request in this proceeding, and requested that the authority granted in this Cause supersede the authority granted in the 44364 Order.

Ms. Horwitz explained that IPL's request to issue an additional \$196,500,000 in aggregated principal amount of long-term debt will be available to retire, refund, or redeem IPL's currently outstanding long-term debt. As shown in Table 1 above, IPL has four long-term issues maturing during the period of the Proposed Financing Program: (1) the First Mortgage Bonds, 4.90% Series, due January 1, 2016, in the aggregate principal amount of \$41,850,000; (2) the First Mortgage Bonds, 4.90% Series, due January 1, 2016, in the aggregate principal amount of \$30,000,000; (3) the First Mortgage Bonds, 4.90% Series, due January 1, 2016, in the aggregate principal amount of \$60,000,000; and (4) the First Mortgage Bonds, 5.40% Series, due August 1, 2017 in the aggregate principal amount of \$24,650,000 (the "Maturing Series"). As also shown on Table 1, IPL also has one series of long-term debt that will be callable at par on or after December 1, 2016: the First Mortgage Bonds, 4.55% Series, due December 1, 2024, in the aggregate principal amount of \$40,000,000 (the "Redemption Series"). She noted that in the 44364 Order, the Commission authorized IPL to issue up to \$131,850,000 of long-term debt to retire, refund or redeem three of the four Maturing Series listed above and to issue up to \$40,000,000 to redeem the Redemption Series, but those series had not yet been refinanced or redeemed at the time of the filing of IPL's case in chief in this Cause. Because the precise timing of the refinancing of those series cannot be assured, IPL has included a request for authority to issue New Debt to retire, refund or redeem those series in this Cause. IPL asks that the authority requested in this case supersede and replace any remaining unused authority from the 44364 Order. Ms. Horwitz also noted that IPL seeks authority to issue and deliver New Debt for the purposes previously described, in an aggregate principal amount not to exceed \$846,500,000.

D. Petitioner's Request to Execute and Deliver Supplemental Indentures to Its Mortgage. Petitioner also requests authority to issue First Mortgage Bonds as New Debt issued as secured debt or in order to secure its repayment obligations for New Debt issued as secured debt. 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 as New Debt issued as secured debt or to secure its repayment obligations relating to 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 60 years after the date thereof; each series to bear interest at fixed or variable 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 and officers of the Petitioner within the limitations and in accordance with the terms and provisions of the Mortgage.

E. New Debt Instruments and Terms. Ms. Horwitz testified that the New Debt may be issued as secured or unsecured debt and at fixed or variable interest rates in either the

taxable or tax-exempt markets. Ms. Horwitz described the major criteria governing IPL's choice between issuing fixed and variable-rate debt financing. She stated that a major consideration is the type of assets being financed. She explained that 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, whereas long-lived assets, such as utility plant and equipment, are often financed with long-term, fixed-rate debt because that type of financing most closely matches the nature of the assets. She indicated that on March 31, 2015, none of Petitioner's outstanding long-term debt was variable-rate debt. However, Petitioner's \$50,000,000 ARS Program, which is classified as short-term, is variable-rate debt. Also, any borrowings on Petitioner's existing credit agreement, which had a balance of \$62,000,000 at March 31, 2015, would be classified as short-term variable-rate debt.

Ms. Horwitz described the use of tax-exempt and taxable financings, including how they related to the Lawful Refundings. She said one of the Lawful Refundings is a Maturing Series tax-exempt fixed rate bond that was issued by the City of Petersburg and secured by IPL's First Mortgage Bonds. Three of the Lawful Refundings are Maturing Series tax-exempt fixed-rate bonds that were issued by the Indiana Finance Authority ("IFA") and secured by IPL's First Mortgage Bonds. She stated that the remaining Lawful Refunding is a tax-exempt fixed-rate Redemption Series which was similarly issued by the IFA and is also secured by IPL's First Mortgage Bonds. She said 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, but do not require, the current refinancing of such bonds on a tax-exempt basis. When these bonds mature, they are eligible for redemption at the dates and prices listed in Table 1 of the Petition.

Ms. Horwitz also discussed how IPL intends to accomplish the refinancing of the Lawful Refundings through the issuance of fixed-rate or variable-rate secured or unsecured notes in either the taxable or tax-exempt markets. She described the characteristics of variable-rate debt and explained how the interest rate on the New Debt would be determined.

She noted that IPL 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. IPL believes this record justifies its request for discretion and flexibility in determining whether to issue fixed or variable-rate securities.

Ms. Horwitz's testimony indicates that the decision to use fixed-rate or variable-rate debt must take into consideration market conditions and the economic outlook existing at the time of the financing. IPL desires flexibility to use variable-rate or fixed-rate debt depending on these market conditions. IPL's Board of Directors and officers will have the ultimate responsibility for determining the terms and conditions of the financing transactions within the Proposed Financing Program subject to the limitations outlined in the Petition and Ms. Horwitz's testimony.

F. The Proposed Unsecured Notes. 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 and officers; provided that the issuance of such Notes as described in this paragraph in combination with any First Mortgage Bonds or ARS Program debt, both as

previously described shall not, in aggregate, exceed the maximum aggregate amount of New Debt requested in this Cause.

G. The Proposed Capital Lease Obligations. Petitioner also seeks Commission approval to enter into, from time to time over a period ending December 31, 2018, up to \$25,000,000 in Capital Lease obligations outstanding at any one time, for terms not to exceed 60 years. Petitioner proposes to utilize Capital Leases to acquire property and equipment in order to optimize the cost of financing commensurate with the underlying asset's expected life. The Capital 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. The amount financed under such Capital 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.

H. The Proposed Credit Agreements and Liquidity Facilities. Petitioner seeks authority 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 \$500,000,000 that would, among other things, provide for the issuance of unsecured promissory notes, evidences of indebtedness, letters of credit and liquidity for variable interest rate obligations. Ms. Horwitz explained IPL seeks this authority to maximize flexibility in the event market conditions change.

The Petitioner's current multi-year credit facility intended for its short-term liquidity needs expires on May 6, 2019. Ms. Horwitz explained that a multi-year credit facility provides IPL with committed capital for its short-term liquidity needs and on a long-term basis without the need to renew the facility on an annual basis. She explained this type of facility also fixes the pricing grid and structure for the term of the agreement. She stated the requested authority would maximize IPL's flexibility in the event market conditions change. She noted this type of facility is common within the utility industry and can be reduced or cancelled at any time without any prepayment penalties.

Petitioner seeks authority to enter into, at any time on or before December 31, 2018, one or more Credit Agreements having a term not to exceed five years. Petitioner seeks this authority throughout the term of the Order requested in this Cause, through December 31, 2018, with the expiration of any such multi-year credit facility to be on or before December 31, 2023. These Credit Agreements could provide 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.

Liquidity facilities are also utilized to provide liquidity for variable interest rate obligations 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 debt and 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 of certain variable interest rate obligations to buy such securities, particularly those securities with mandatory put features that must be remarketed to other investors.

Ms. Horwitz explained IPL seeks authority to enter into liquidity facilities as deemed appropriate by IPL 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. IPL seeks authority to enter into liquidity facilities throughout the term of any underlying variable-rate obligation.

Petitioner proposes to enter into Credit Agreements with terms and characteristics as shall be determined by Petitioner's Board of Directors. Petitioner requests the Commission to approve authority to enter into any liquidity facilities in connection with the New Debt issued in this Cause that will not expire with the expiration of the authority to issue the New Debt in this Cause, but shall remain throughout the term of the New Debt.

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 thereunder at any one time does not exceed \$500,000,000.

I. The Proposed Accounts Receivables Securitization Program. Petitioner entered into an ARS Program in 1996, in which Petitioner sold its accounts receivable to a special purpose entity (IPL Funding Corporation), which special purpose entity sold \$50,000,000 of the receivables to independent third-party investors. The current ARS Program is a short-term program that renews on an annual basis and currently expires on October 19, 2015.

The \$650,000,000 of new long-term debt for purposes other than refunding currently outstanding debt might also be used to replace short-term debt associated with IPL's accounts receivable securitization program. Ms. Horwitz explained IPL has a program to sell its accounts receivable ultimately to a bank conduit that specializes in such transactions. For accounting purposes, the arrangement is treated as short-term securitized debt and amounted to \$50,000,000 as of March 31, 2015. Ms. Horwitz explained IPL is asking for authority to enter into a long-term ARS Program or replace the program with long-term debt. Ms. Horwitz noted that IPL was granted authority to do so under the Order in Cause No. 44364, but circumstances are such that IPL does not expect to exercise that authority prior to its expiration. She explained that IPL anticipates that the authority under the current financing order to issue New Debt will be used to address the needs of its ongoing construction program. Ms. Horwitz testified ARS is, and has been, advantageous to both IPL and the public since its inception. However, she stated that the all-in rate on the program of 0.90% per annum as of March 31, 2015 may not be sustainable. IPL therefore seeks the flexibility to replace the securitization program with a longer term program, or long-term debt, should that be in the best interest of IPL and its customers.

IPL's position is that the ARS Program, as short-term debt, is not subject to regulation by this Commission. Since changes in the market for ARS programs have investors requesting longer-term arrangements, and since the interest rate environment has been, and continues to be, attractive, Petitioner seeks the ability to enter into an arrangement that gives Petitioner the option to (a) extend the ARS Program beyond one year for a period up to five years, or (b) replace the ARS Program in its entirety through fixed-rate or variable-rate secured or unsecured long-term

debt in an aggregate principal amount not to exceed \$50,000,000, which may be issued in combination with other New Debt.

J. The Proposed Retirement, Refunding, Redemption, or New Issuance of Preferred Stock. Petitioner seeks authority to issue, in combination with other New Debt, fixed or variable rate, secured or unsecured long-term debt to retire, refund, or redeem any or all of the existing preferred stock currently outstanding. 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. Ms. Horwitz testified that given current low interest rates, IPL 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 IPL and its customers.

As an alternative to the issuance of long-term debt to retire, refund, or redeem existing preferred stock, Petitioner requests authority to issue and sell from time to time through December 31, 2018, in one or more series, shares of New Preferred Stock with an aggregate par value up to \$65,000,000. The terms of the New Preferred Stock will be determined at the time of issuance, and such stock may have dividends that are cumulative or non-cumulative. The dividend rate on the New Preferred Stock will be determined by negotiation with institutional investors or with underwriters for the sale of such stock. Ms. Horwitz testified that the authority to issue New Preferred Stock to retire any or all of the existing series of preferred shares potentially allows IPL to lower the costs of its preferred shares while helping to maintain IPL's target capital structure. IPL's refinancing, refunding or redemption of some or all of its preferred stock may be completed by tender offer, negotiated transaction, open market purchases or any other lawful means.

K. Proposed Promissory Notes and Other Evidences of Indebtedness. The New Debt may be issued as tax-exempt or taxable issues. Of the five tax-exempt issues currently outstanding and subject to redemption, four are limited obligations of the IFA and one is a limited obligation of the City of Petersburg, Indiana. 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 unsecured 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 such Lawful Refundings or other New Debt.

L. The Proposed Interest Rate Risk Management Transactions. 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 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 will enable 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.

Ms. Horwitz described in detail IPL's contemplated interest rate risk management transactions, which serve to establish an effective ceiling rate for variable-rate debt for a specified period of time. In order to assure this maximum interest rate, IPL would pay a premium, much like an insurance policy. 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 risk and costs. Ms. Horwitz provided illustrations of each of these types of interest rate risk management transactions. IPL 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 risk management agreements would be entered into solely to hedge and manage interest rate risk. Petitioner will not utilize such instruments for speculative purposes. Consistent with past practices, Petitioner requests the cost of such transactions be included in determining the overall cost of capital in future rate proceedings.

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. Because the opportunities in the market for these alternatives are transitory, Ms. Horwitz explained IPL's need to have in place approval to enter into any or all of the interest rate risk management transactions described in connection with the Proposed Financing Program during the entire term of the underlying obligations. Accordingly, Petitioner requests that 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 in this Cause, but such authority shall remain throughout the term of the New Debt.

M. Amortization of Issuance and Discount Expenses, Interest Rate Risk Management Costs and Preferred Stock Reacquisition Costs. Amortization of Issuance and Discount Expenses, Interest Rate Risk Management Costs, and Preferred Stock Reacquisition Costs. 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. Ms. Horwitz testified IPL's proposed treatment of premiums and unamortized issuance and discount expenses associated with the Redemption Series bonds is consistent with that previously authorized by the Commission. IPL 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 IPL's Environmental Compliance Cost Recovery Adjustment filings. For book purposes, IPL 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, IPL would reflect the net effect of the transaction in its embedded debt cost. This accounting treatment is consistent with the Commission's determination in IPL's latest financing petition, Cause No. 44364. Ms. Horwitz explained the proposed refinancing of the Redemption Series, if market conditions allow it to be

consummated, will lower IPL's cost of capital, which will accrue to the benefit of customers. She stated that IPL 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 refinancings should be reflected in rates. IPL also 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.

N. Presently Existing Financing Authority. Petitioner's existing financing authority granted in Cause No. 44364 extends through December 31, 2016. The authority requested by Petitioner in this Cause incorporates \$466,850,000 of unused authority remaining from the 44634 Order with respect to New Debt. Petitioner proposes that upon the issuance of this Order, the authority granted herein will supersede and replace any remaining authority from Cause No. 44364.

O. Timing. Ms. Horwitz stated that Petitioner desires to issue a portion of the up to \$379,650,000 additional New Debt in 2016. Therefore, IPL requests an order in this proceeding by year-end 2015.

P. Distribution System Investment and Dividend Conditions. On October 9, 2015, the Presiding Officers issued a docket entry with questions regarding oversight of IPL's prudent financial management by the Commission through the application of dividend payment conditions related to its distribution system investment adequacy. IPL submitted its response on October 13, 2015. IPL noted that oversight of its financial management with respect to IPL's distribution system could be accomplished through the reporting of its annual capital and operating and maintenance expenditures for the Downtown Indianapolis network. IPL proposes that any such reporting requirement apply during the period covered by the proposed financing program in this Cause, and would therefore expire on December 31, 2018.

4. Settlement Agreement and Supporting Testimony. The parties entered into a Settlement Agreement, a copy of which is attached to this Order and incorporated herein. On September 15, 2015, IPL filed the supplemental testimony of Ms. Horwitz supporting the Settlement Agreement. On September 15, 2015, the OUCC offered the testimony of Crystal L. Thacker, Utility Analyst in its Electric Division, in support of the Settlement Agreement.

Ms. Horwitz testified that IPL and the OUCC have agreed that IPL's Proposed Financing Program should be approved for the three-year period ending December 31, 2018. She explained the Settlement Agreement reiterates that market based pricing will be used to set the interest rates on any issuances authorized in this proceeding.

The parties also agreed that within 30 days of each issuance authorized in this proceeding, IPL 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 effective interest rate), (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 and adding the net proceeds from the debt issuance to available cash, (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) and the effect of such refinancing will be excluded from the pro forma provided in item (5) and, if requested by the OUCC, IPL will provide an update of current interest rate market pricing conditions, and (7) while IPL does not expect that the credit spread associated with the New Debt will exceed 500 basis points over U.S. Treasury bonds of comparable maturity at the time of pricing, should the credit spread associated with the New Debt exceed this level, the report will include a discussion of relevant market conditions, and upon request, IPL will meet with the OUCC thereafter to discuss the financing; provided, however, that the issuance shall not be subject to hindsight review. Ms. Horwitz testified that IPL anticipates each of the reports will be similar to those required and filed under previous financing orders with the addition of the estimated effective interest rate. She explained the reports will also include additional detail addressing current interest rate market pricing conditions if requested by the OUCC and, if applicable, an explanation of the credit spread at which IPL issued the authorized debt as stipulated in (7) above. This additional detail would include a brief narrative of market conditions present at the time of debt pricing and other information deemed relevant at that time. Ms. Horwitz noted that although the Settlement Agreement does not expressly reference the Commission's participation in IPL's meetings with the OUCC, IPL will comply with requests for information or meetings from the Commission.

The Settlement Agreement also clarifies that the OUCC's agreement to the proposed financing authority does not constitute agreement to the rate base or ratemaking treatment of the assets to be financed by such authority and that environmental compliance and construction projects are the subject of other Commission proceedings.

Ms. Horwitz testified IPL believes the Settlement Agreement and the Proposed Financing Program agreed to are in the public interest. She stated the amount of bonds, notes, and other evidences of indebtedness that IPL 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 IPL's common equity capital and will be reasonable in aggregate principal amount, due consideration being given to the nature of the business in which IPL 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 IPL. The total outstanding capitalization of IPL 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 IPL's property used and useful for the convenience of the public. She testified that the Settlement Agreement is consistent with sound regulatory policy and Commission decisions in other financing proceedings. She noted the Settlement Agreement is the result of arms' length negotiations between IPL and the OUCC and sets forth the terms and conditions which IPL and the OUCC agree represent a fair, just, and reasonable resolution of all matters pending before the Commission in this Cause.

Ms. Thacker testified the OUCC's concerns with IPL's financing request in this Cause were: (1) that a written report to both the OUCC and the Commission be submitted within 30 days of issuance that provides, at a minimum, the debt amount, a description of the terms and intended purpose, the type of finance, the effective interest rate, and a pro forma balance sheet; (2) to have a quantifiable, prudent range for the interest rates of the issuances of New Debt; and (3) to make

certain that any approval of financing authority in this proceeding does not constitute approval of any of the projects being financed. Ms. Thacker testified that the OUCC's concerns have been resolved with the Settlement Agreement.

5. Commission Discussion and Findings. Settlements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coalition v. PSI Energy*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coalition*, 664 N.E.2d at 406.

Furthermore, any Commission decision, ruling, or Order, including the approval of a settlement, must be supported by specific findings of fact and sufficient evidence. *United States Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition of Ind., Inc. v. Public Service Co. of Ind., Inc.*, 583 N.E.2d 330,331 (Ind. 1991)). The Commission's own procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the Settlement Agreement, we must determine whether the evidence in this case sufficiently supports the conclusions that the Settlement Agreement is reasonable, just, and in the public interest.

Based on the Commission's review of the Settlement Agreement and the evidence in support thereof, we find that the Settlement Agreement negotiated by IPL and the OUCC is reasonable, supported by sufficient evidence, and in the public interest. The evidence demonstrates that the amount of debt that IPL plans to issue through the Proposed Financing Program does not exceed an amount that is reasonably necessary. In particular it will allow IPL to finance its environmental compliance construction projects. The Commission, having given due consideration to the statutory requirements, the nature of Petitioner's business, credit, future prospects and earnings, and the effect which the proposed financing may have on the management and efficient operation of Petitioner, finds that the proposed financing authority is reasonable and should be granted. We further find that approval of the Proposed Financing Program is in accordance with the provisions of Indiana law relating thereto including, but not limited to, Ind. Code §§ 8-1-2-76 to -81, and is necessary and advantageous to Petitioner and in the best interest of Petitioner, the public it serves, and its security holders.

We find that Petitioner's proposed use of fixed-rate or variable-rate securities is reasonable and should be approved. The Commission authorizes Petitioner to issue long-term debt, to issue preferred stock, to enter into Capital Lease obligations, and to enter into and use long-term credit facilities and liquidity facilities as described above and in Petitioner's evidence. The Commission also authorizes Petitioner to enter into interest rate risk management transactions as described above and in Petitioner's evidence. We find Petitioner's proposal with respect to the amortization, accounting, and ratemaking treatment applicable to issuance and interest rate risk management costs and the premiums and unamortized issuance and discount expenses associated with the redemption of debt issues as described above is reasonable and should be approved. The evidence submitted in this Cause shows that the original cost net utility plant exceeds the total capitalization of Petitioner. The Commission recognizes that due to historic inflation and other factors,

Petitioner's fair value of its net utility plant would exceed its net original cost. Thus, once Petitioner completes the financing transactions contemplated herein, Petitioner's total capitalization will not exceed the fair value of Petitioner's net utility plant.

Accordingly, the Commission finds that the Settlement Agreement and IPL's Proposed Financing Program should be approved and a Certificate of Authority should be issued to Petitioner to proceed with such financing program. The parties agree that the Settlement Agreement should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce its terms. Consequently, with regard to future citation of the Settlement Agreement, we find that our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849, at *7-8 (IURC March 19, 1997).

We further find that IPL shall file, on or about December 31st of each year, annual reports with the Commission of its capital and operating and maintenance expenditures for the Downtown Indianapolis network. Such reporting requirements shall apply during the period covered by the proposed financing program in this Cause and expire on December 31, 2018. Due to the ongoing Commission's investigation in the consolidated Cause Nos. 44576 and 44602, the Commission will address, if necessary, any additional finance reporting requirements and/or conditions in the Final Order of that Cause.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Commission finds that the Settlement Agreement is in the public interest and is approved.
2. Petitioner is issued a Certificate of Authority for the issuance of securities, upon the terms and conditions, of the character, for the consideration, in the manner, and for the purposes, set forth in this Order, including:
 - (i) authority to issue from time to time over the period ending December 31, 2018, up to \$846,500,000 in aggregate principal amount of fixed-rate or variable-rate secured or unsecured long-term debt in amounts and on terms consistent with the evidence submitted herein authority to issue from;
 - (ii) authority 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 and trust indentures entered into in connection with such long-term debt;
 - (iii) authority to enter into either a long-term ARS Program or fixed-rate or variable-rate, secured or unsecured long-term debt refinancing of the ARS Program in the aggregate principal amount of \$50,000,000, which may be issued in combination with other New Debt (which

amount is included in the \$846,500,000 of New Debt in Paragraph (i) above) on terms consistent with the evidence submitted herein;

- (iv) authority to issue fixed-rate 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 \$846,500,000 of New Debt authorized in Paragraph (i) above) and to account for premiums paid in connection with the redemption or reacquisition of the preferred stock as described in the evidence submitted herein;
- (v) authority to enter into Capital Lease obligations not to exceed \$25,000,000 outstanding at any one time on terms consistent with the evidence submitted herein;
- (vi) authority 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 \$500,000,000, 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 letters of credit or liquidity facilities may be contained within or separate from other credit agreements), on terms consistent with the evidence submitted herein;
- (vii) authority, 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 First Mortgage Bonds and to specify the characteristics thereof in accordance with the terms and provisions of the Mortgage;
- (viii) authority to execute interest rate risk management transactions on terms consistent with the evidence submitted herein;
- (ix) authority to treat all costs incurred to redeem long-term debt, including premiums, that are 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 in the evidence submitted herein;
- (x) 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,

2018, in one or more series, shares of New Preferred Stock with an aggregate par value up to \$65,000,000; and

- (xi) authority to use and apply the cash proceeds and account for the related costs arising from the 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 the terms set forth in the evidence submitted herein.

3. Within 30 days after exercising any of the authority to issue New Debt approved in this Cause, Petitioner shall file a report to the Commission under this Cause with a copy to the OUCC, as discussed in Finding Paragraph 4 above.

4. The authority, other than the accounting treatment, granted in this Order shall expire on December 31, 2018 to the extent it has not been utilized by that date. However, Petitioner's authority to execute interest rate risk management transactions, long-term liquidity facilities or other credit enhancements related to the financing transactions authorized herein shall remain in effect throughout the life of the underlying obligations in order to mitigate the interest rate risk associated with such securities.

5. Petitioner shall comply with the reporting requirements set out in Finding Paragraph No. 5 above.

6. This Order shall be effective on and after the date of its approval. The authority granted in this Order supersedes and replaces any remaining authority from Cause No. 44364.

STEPHAN, MAYS-MEDLEY, HUSTON, WEBER, AND ZIEGNER CONCUR:

APPROVED: DEC 16 2015

**I hereby certify that the above is a true
and correct copy of the Order as approved.**



**Shala M. Coe, Acting
Secretary to the Commission**

Joint Exhibit 1

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANAPOLIS POWER & LIGHT)
COMPANY, 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)
\$846,500,000 (WHICH INCLUDES THAT NEEDED FOR A)
MULTI-YEAR ACCOUNTS RECEIVABLE SECURITIZATION)
PROGRAM AND REDEMPTION OF EXISTING PREFERRED)
STOCK); (2) ENTER INTO A MULTI-YEAR ACCOUNTS)
RECEIVABLE SECURITIZATION AGREEMENT OR)
REFINANCE THE EXISTING ACCOUNTS RECEIVABLE)
SECURITIZATION PROGRAM IN ITS ENTIRETY; (3))
ENTER INTO CAPITAL LEASE OBLIGATIONS IN AN)
AGGREGATE AMOUNT OUTSTANDING AT ANY ONE)
TIME NOT TO EXCEED \$25,000,000; (4) 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 \$500,000,000; (5) 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; (6) EXECUTE AND)
DELIVER PROMISSORY NOTES, LOAN AGREEMENTS)
AND OTHER DOCUMENTS EVIDENCING THE LONG-)
TERM DEBT AUTHORIZED HEREIN; (7) 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; (8) 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; (9) 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.)

CAUSE NO. 44643

STIPULATION AND SETTLEMENT AGREEMENT

Indianapolis Power & Light Company ("IPL" or "Company"), and the Indiana Office of Utility Consumer Counselor ("OUCC"), (collectively the "Parties" and each individually a "Party") solely for purposes of compromise and settlement and having been duly advised by their respective staff, experts and counsel, stipulate and agree that the terms and conditions set forth below represent a fair, just and reasonable resolution of all matters pending before the Commission in this Cause, subject to their incorporation by the Indiana Utility Regulatory Commission ("Commission") into a final, non-appealable order ("Final Order") without modification or further condition that may be unacceptable to any Party. If the Commission does not approve this Stipulation and Settlement Agreement ("Settlement Agreement"), in its entirety, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Parties.

A. TERMS AND CONDITIONS

1. OUCC agrees that IPL's financing request as set forth in IPL's Petition and explained in Connie Horwitz's direct testimony should be approved.
2. The interest rate on the New Debt shall not exceed those 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. However, the rate of interest at the time of the reissuance of the Redemption Series shall be less than the economic break-even rate that allows the net present value of such indebtedness, including all redemption premiums and issuance expenses, to equal the net present value of the existing Redemption Series, considering the remaining life of such securities.
3. Within thirty (30) days of each issuance authorized herein, IPL shall 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 effective 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;
(6) if the purpose of such financing is to refinance existing debt, 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) and the effect of such refinancing will be excluded from the pro forma provided in item (5) and, if requested by the OUCC, IPL will provide an update of current interest rate market pricing conditions; and
(7) while IPL does not expect that the credit spread associated with the New Debt will exceed 500 basis points over U.S. Treasury bonds of comparable maturity at the time of pricing, should the credit spread associated with the New Debt exceed this level, the report will include a discussion of relevant market conditions; and upon request, IPL will meet with the OUCC thereafter to discuss the financing, provided, however, that the issuance shall not be subject to hindsight review.

4. By agreeing to the proposed financing authority, the parties agree (i) that the OUCC is not agreeing to any particular rate base or ratemaking treatment of the assets to be financed by the authority granted in this proceeding and (ii) that such issues can be addressed in other proceedings.

B. PRESENTATION OF THE SETTLEMENT TO THE COMMISSION

1. The Parties shall support this Settlement Agreement before the Commission and request that the Commission expeditiously accept and approve the Settlement Agreement. The concurrence of the Parties with the terms of this Settlement Agreement is expressly predicated upon the Commission's approval of the Settlement Agreement in its entirety without any modification or any condition that may be unacceptable by any Party. If the Commission does not approve the Settlement Agreement in its entirety and without change, the Settlement Agreement shall be null and void and deemed withdrawn, upon notice in writing by any Settling Party within fifteen (15) days after the date of the Final Order that any modifications made by the Commission are unacceptable to it.

2. The Parties shall jointly move for leave to file this Settlement Agreement and supporting evidence. Such evidence together with the evidence previously prefiled by the Parties in this Cause will be offered into evidence without objection and the Parties hereby waive cross-examination. The Parties propose to submit this Settlement Agreement and evidence conditionally, and that, if the Commission fails to approve this Settlement Agreement in its entirety without any change or with condition(s) unacceptable to any Party, the Settlement and supporting evidence shall be withdrawn and the Commission will continue to hear Cause No. 44643 with the proceedings resuming at the point they were suspended by the filing of this Settlement Agreement.

3. A Final Order approving this Settlement Agreement shall be effective immediately, and the agreements contained herein shall be unconditional, effective and binding on all Parties as an Order of the Commission.

4. The Parties shall jointly agree on the form, wording and timing of public/media announcement (if any) of this Settlement Agreement and the terms thereof. No Party will release any information to the public or media prior to the aforementioned announcement. The Parties may respond individually without prior approval of the other Parties to questions from the public or media, provided that such responses are consistent with such announcement and do not disparage any of the Parties. Nothing in this Settlement Agreement shall limit or restrict the Commission's ability to publicly comment regarding this Settlement Agreement or any Order affecting this Settlement Agreement.

C. EFFECT AND USE OF SETTLEMENT

1. It is understood that this Settlement Agreement is reflective of a negotiated settlement and neither the making of this Settlement Agreement nor any of its provisions shall constitute an admission by any Party to this Settlement Agreement in this or any other litigation or proceeding. It is also understood that each and every term of this Settlement Agreement is in consideration and support of each and every other term.

2. This Settlement Agreement shall not constitute and shall not be used as precedent by any person in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce the terms of this Settlement Agreement.

3. This Settlement Agreement is solely the result of compromise in the settlement process and except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Parties may take with respect to any or all of the items resolved here and in any future regulatory or other proceedings.

4. The Parties agree that the evidence in support of this Settlement Agreement constitutes substantial evidence sufficient to support this Settlement Agreement and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of this Settlement Agreement, as filed. The Parties shall prepare and file an agreed proposed order with the Commission as soon as reasonably possible.

5. The communications and discussions during the negotiations and conferences and any materials produced and exchanged concerning this Settlement Agreement all relate to offers of

settlement and shall be privileged and confidential, without prejudice to the position of any Party, and are not to be used in any manner in connection with any other proceeding or otherwise.

6. The undersigned Parties have represented and agreed that they are fully authorized to execute the Settlement Agreement on behalf of their designated clients, and their successors and assigns, who will be bound thereby.

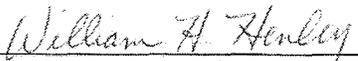
7. The Parties shall not appeal or seek rehearing, reconsideration or a stay of the Final Order approving this Settlement Agreement in its entirety and without change or condition(s) unacceptable to any Party (or related orders to the extent such orders are specifically implementing the provisions of this Settlement Agreement). The Parties shall support or not oppose this Settlement Agreement in the event of any appeal or a request for a stay by a person not a party to this Settlement Agreement or if this Settlement Agreement is the subject matter of any other state or federal proceeding.

8. The provisions of this Settlement Agreement shall be enforceable by any Party before the Commission and thereafter in any state court of competent jurisdiction as necessary.

9. This Settlement Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

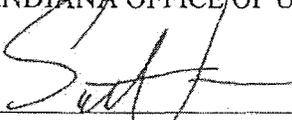
ACCEPTED and AGREED as of the third day of September, 2015.

INDIANAPOLIS POWER & LIGHT COMPANY



Name: William H. Henley
Its: Vice-President, Regulatory and Government Affairs

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



Name: Scott C. Franson
Its: Deputy Utility Consumer Counselor