Q2 2020 Earnings Call

Company Participants

- Andrew Kirk, Investor Relations Director
- Michael L. Moehn, Executive Vice President, Chief Financial Officer, Ameren Corporation, President, Ameren Services
- Warner L. Baxter, Chairman, President and Chief Executive Officer

Other Participants

- Insoo Kim, Goldman Sachs
- Jeremy Tonet, JP Morgan
- Julien Dumoulin-Smith, Bank of America Merrill Lynch
- Kody Clark, Guggenheim
- Paul Patterson, Glenrock Associates

Presentation

Operator

Greetings, and welcome to Ameren Corporation's Second Quarter 2020 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. (Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Andrew Kirk, Director of Investor Relations for Ameren Corporation. Thank you, Mr.Kirk. You may begin.

Andrew Kirk {BIO 20578297 <GO>}

Thank you, and good morning. On the call with me today are Warner Baxter, our Chairman, President and Chief Executive Officer; and Michael Moehn, our Executive Vice President and Chief Financial Officer; as well as other members of the Ameren management team joining remotely. Warner and Michael will discuss our earnings results and guidance as well as provide a business update. Then we will open the call for questions.

Before we begin, let me cover a few administrative details. This call contains time-sensitive data that is accurate only as of the date of today's live broadcast and redistribution of this broadcast is prohibited. To assist with our call this morning, we have posted a presentation on the amereninvestors.com homepage that we referenced by our speakers.

As noted on Page 2 of the presentation, comments made during this conference call may contain statements that are commonly referred to as forward-looking statements. Such statements include those about future expectations, beliefs, plans, strategies, objectives, events, conditions and financial performance. We caution you that various factors could cause actual results to differ materially from those anticipated.

For additional information concerning these factors, please read the forward-looking statements section in the news release we issued yesterday and the forward-looking statements and Risk Factors sections in the filings with the SEC. Lastly, all per share earnings amounts discussed during today's presentation, including earnings guidance are presented on a diluted basis unless otherwise noted.

Now here's Warner, who will start on Page 4 of the presentation.

Warner L. Baxter {BIO 1858001 <GO>}

Thanks, Andrew. Good morning everyone, and thank you for joining us. Before, I jump into our presentation. I'll start by saying that I hope you, your families and colleagues are safe and healthy during this challenging time.

This morning, I will begin our presentation by providing a COVID-19 update, and in particular highlight the actions we have taken to support our customers, communities and coworkers. I will then touch on our second quarter results and 2020 earnings guidance. And finish with the discussion of several key elements of our strategy that we continue to execute very well, and which will position us to continue delivering strong long-term value for our customers and shareholders.

Turning now to a Slide 4 and COVID-19. Our strong commitment to the safety of our co-workers, customers and communities remains constant. So too is our strong focus on delivering safe, reliable and affordable electric and natural gas service during this unprecedented time. We recognize that millions of customers in Missouri and Illinois are depending on us.

I can't express enough appreciation to my co-workers who have shown great agility, innovation determination and a keen focus on safety and delivering on our mission to power the quality of life. While we are focused on delivering safe, reliable and affordable service, we also recognize that our mission goes beyond this during this challenging time.

We recognized that our customers and communities have significant needs. That is why we are working directly with our customers on special payment plans for their utility bills. We're also working closely with many dedicated community partners and have contributed approximately $15 million for energy assistance, and COVID-19 support to our customers in Missouri and, Illinois.

And I'm very pleased to tell you that our co-workers and Board of Directors are directly engaged in this effort through our AmerenCares Power of Giving Program for COVID-19. Together, these programs are helping our residential, small business and not-for-profit customers meet their needs. In addition, we are tirelessly working with our customers to help them gain access to host of federal support programs, including low-income energy assistance funds.

Our customers are at the center of our strategy, and we will continue to take steps to help them during this unprecedented time. Throughout this challenging period, I'm also pleased to say that we have been effectively executing on our strategy across all of our businesses. The key element of our strategy is to invest in energy infrastructure to benefit our customers, and in so doing provide important jobs to support the local economy as well as local suppliers at a time when they are needed most.

Looking ahead, we recognize that we will need to be managing the impacts of COVID-19 for some time. With safety and delivering on our mission and strategy at the top of our minds, we plan to continue managing our business under our current COVID-19 protocols, which includes having a significant portion of Ameren workforce working remotely for at least the end of this year.

We also continue to carefully monitor, the impact of COVID-19 on our electric sales, liquidity and supply chain. To date these impacts have been manageable and in line with our expectations.

At the same time, we remain focused on exercising financial discipline to mitigate the potential impacts of COVID-19, while capitalizing on some key opportunities that we have identified during this crisis including benefits we are realizing from our digital transformation investments, and streamlined operating practices.

Turning now to Page 5, for an update on the second quarter results and 2020 earnings guidance. Yesterday, we announced second quarter 2020 earnings of $0.98 per share, compared to $0.72 per share earned in 2019. A summary of the key drivers of the year-over-year increase of $0.26 per share is provided on this page, which Mike will discuss in more detail in a moment. The strong execution of our strategic plan drove strong quarterly earnings results and enabled us to affirm our 2020 earnings guidance range of $3.40 per share to $3.60 per share.

Moving to Page 6, here we reiterate our strategic plan, which as I just mentioned we've been executing very well throughout the year. We expect our plan to continue delivering significant value for our customers and strong long-term earnings growth for our shareholders.

The first pillar of our strategy stresses investing in and operating our utilities in a manner consistent with existing regulatory frameworks. This has driven our multi-year focus on investing in energy infrastructure for the long-term benefit of customers in all of our jurisdictions.

As you can see on the right side of this page, during the first half of this year, we invested significant capital in each of our business segments to best serve our customers. Most notably in Ameren Transmission where we effectively managed a nearly 25% increase in infrastructure investment, compared to the first half of 2019. These investments are delivering value to our customers and community.

Our energy grid is becoming more reliable, resilient and secure, and our digital investments are enhancing our customers experience. Of course, we're not done. Looking ahead, we continue to see the need for robust energy infrastructure investments, to meet our customers energy needs and exceed their expectations while keeping rates affordable.

Our electric rates in both, Missouri and Illinois continue to be well below the Midwest and National averages. As we discussed in our first quarter earnings call new electric rates went into effect on April 1, of this year. As a result of a constructive settlement in Ameren, Missouri's electric rate review.

The settlement included a $32 million annual revenue decrease, which marks the second consecutive decrease since 2018. Since Ameren Missouri's last electric rate review in 2017, its customer rates have decreased by 7% while the same time, we have continued to make significant investments in energy infrastructure to benefit our customers.

As Michael will cover in more detail later, we have also been very busy managing our electric and natural gas regulatory proceedings in Illinois. We expect a final decision in the electric proceeding by December of this year and a final decision in the gas proceeding by January of next year. Finally, another important element of the first pillar of our strategy has been, and remains our relentless focus on continuous improvement and disciplined cost management to keep rates affordable.

Moving to the second pillar of our strategy, which includes enhancing regulatory frameworks for the benefits of all stakeholders. As you know, we continue to support the proposed Downstate Clean Energy Affordability Act in Illinois. This important legislation would allow Ameren Illinois to make significant investments in solar energy, and battery storage to improve reliability, as well as to make investments in transportation electrification in order to benefit customers in the economy across Central and Southern, Illinois.

In addition, it would help address depressing energy policy challenges facing the state, including the need for additional renewable sources, and better electric vehicle charging infrastructure. This bill will help address these challenges and move the state of Illinois closer to reaching its goal of 100% clean energy by 2050.

In addition, this legislation would modify the allowed return on equity formula to increase the basis point adder to the average 30-year treasury rate from 580 to 680, and will also extend the electric performance-based rate making framework through 2032.

Importantly, this legislation builds on Ameren Illinois efforts to modernize the energy grid under a transparent and stable regulatory framework that has supported significant investment to modernize the energy grid, while improving reliability and creating approximately 1,400 jobs all while keeping rates well below the Midwest and national averages.

In fact all in residential rates in 2020 are down 1% compared to 2012, the first year a performance-based rates. Simply put the performance-based grid monetization legislation that was passed in 2011 and extended twice by the Illinois legislature, under different administrations has been an overwhelming success for Illinois. With all these benefits in mind, we remain focused on working with key stakeholders to get this important legislation passed.

Turning now to Page 7, I'll provide an update on FERC regulatory matters. In May, the FERC issued an order on the rehearing request related to its November 2019 order addressing two complaint cases that reduced MISO's base return on equity. The order established a new base return on equity methodology using three models: the risk premium model, capital asset pricing model, and the discounted cash flow model.

The revised order sets a base return on equity of 10.02% for transmission projects for the first complaint case period and effective as of September 28, 2016. This results in a return on equity of 10.52% for Ameren Transmission, including the 50 basis point adder for being a part of MISO.

The FERC also dismissed the second complaint case. We're pleased with the order and believe it to constructive as a new 3-model methodology expands the range of reasonableness used to assess whether current returns on equity are just and reasonable.

The FERC also issued a Notice of Proposed Rulemaking in March. Overall, we believe that the policies outlined in the Proposed Rulemaking are constructive. As a result, we along with the other MISO transmission owners filed comments in June to support of the proposed increase to the RTO adder, reliability and benefit-based incentives and the ROE cap. We are unable to predict the ultimate timing or impact of these matters as the FERC is under no timeline to issue a decision.

Moving now to Page 8 for an update on the third pillar of our strategy, creating and capitalizing on opportunities for investment for the benefit of our customers, shareholders and the environment. Here we provide an update on our $1.2 billion wind generation investment plan to achieve compliance with Missouri's renewable energy standard through the acquisition of 700 megawatts of new wind generation at two sites in Missouri.

In short, there's been no significant change to the project schedules from what we discussed on our first quarter call in May. Construction is well underway at both facilities. We're working closely with the developers for both projects to monitor the timing of manufacturing, shipment and installation of facility components.

We continue to expect the 400 megawatt facility to be in service by the end of 2020. Regarding the 300 megawatt facility, we expected to be substantially in service by the end of 2020. However, as a result of certain delays we discussed on our first quarter earnings call in May, we expect a portion of the project representing approximately $100 million of investment to be placed in service in the first quarter of 2021.

We expect no reduction in production tax credits, because of the recent rule changes made by the U.S. Department of the Treasury to extend the in-service criteria by one year to December 31, 2021. Furthermore, we will continue to explore additional renewable energy investment opportunities that will drive long-term value for our customers and shareholders.

Right now, Ameren Missouri is in the process of finalizing its next integrated resource plan. For several months, we have been working closely with key stakeholders in developing our plan. We are carefully looking at several approaches to best meet our customers' future energy needs, and effectively transition our generation to a cleaner more diverse portfolio in a responsible fashion.

We'll be finalizing our plan over the next 45 days and plan to file our IRP with the Missouri PSC by September 30. We are excited about the benefits that our current wind generation projects will deliver to all stakeholders as well as the prospects for additional renewable generation resources to meet our customers' energy needs in the future.

Moving the Page 9. Looking ahead through the end of this decade, we have a robust pipeline of investment opportunities over $36 billion that will deliver significant value to all of our stakeholders by making our energy grid stronger, smarter and cleaner.

These investment opportunities exclude any potential new renewable generation for the Missouri integrated resource plan, as well as any potential new multi-value transmission projects that would increase the reliability and resiliency of the energy grid, as well as enable additional renewable generation to projects. Of course our investment opportunities will not only create a stronger and cleaner energy grid to meet our customers' needs and exceed their expectations, but they will also create thousands of jobs for local economies.

Maintaining constructive energy policies that support robust investment in energy infrastructure will be critical to meeting our country's future energy needs, and delivering on our customers' expectations.

Moving to Page 10. To sum up our value proposition the consistent execution of our strategy over many years and on many fronts has positioned us well for future success. We remain firmly convinced that the execution of this strategy in 2020 and beyond will deliver superior value to our customers, shareholders and the environment.

In May, we affirmed our five-year growth plan which included our expectation of 6% to 8% compound annual earnings per share growth for the 2020 through 2024 period using the 2020 EPS guidance range midpoint as the base. This earnings growth is primarily driven by our approximate 9% compound annual rate base growth in 2019 through 2024, and compares very favorably with our regulated utility peers.

I am confident in our ability to execute our investment plans and strategies across all four of our business segments as we have an experienced and dedicated team to get it done. Further, our shares continue to offer investors a solid dividend. Our strong earnings growth expectations position as well for future dividend growth.

Of course, future dividend decisions will be driven by earnings growth in addition to cash flows and other business conditions. Together, we believe our strong earnings growth outlook combined with our solid dividend results in a very attractive total return opportunity for shareholders.

Again, thank you all for joining us today, now turn the call over to Michael. Michael?

Michael L. Moehn {BIO 5263599 <GO>}

Thanks, Warner, and good morning, everyone. Turning now to Page 12 of our presentation. Yesterday, we reported second quarter 2020 earnings of $0.98 per share, compared to earnings of $0.72 per share for the year-ago quarter. The key factors by segment that drove the overall $0.26 per share increase are highlighted on this page. Ameren Missouri our largest segment reported increased earnings of $0.18 per share.

The increase in earnings was driven by lower operations and maintenance expenses, including the absence of a scheduled Callaway Energy Center refueling and maintenance outage as well as disciplined cost management and favorable market returns on company owned life insurance estimates, which together increased earnings by $0.15 per share.

The year-over-year improvement also reflected new electric service rates effective April 1, driven in part by increased infrastructure investments. The year-over-year impact from electric sales was flat as the $0.05 per share benefit from near normal temperatures in the second quarter, compared to milder-than-normal temperatures in the previous year were offset by a $0.05 per share reduction from lower weather normalized sales primarily due to the impacts of COVID-19.

Moving now to Ameren transmission, earnings per share were up $0.07. This increase reflected the impact of the FERC order on the MISO base allowed return on equity, which increased earnings $0.04 per share as well as increased infrastructure investments.

Earnings for Ameren Illinois natural gas were up $0.03 per share due to increased infrastructure investments and lower operations and maintenance expenses, Ameren Illinois electric distribution earnings were down $0.01 per share, reflecting a lower expected allowed return on equity under performance-based REIT making, partially offset by increased infrastructure investments.

And finally Ameren Parent and other result also decrease $0.01 per share, primarily due to increased interest expense resulting from the long-term debt issuance in early April.

Moving now to Page 13 of our presentation. I'd like to briefly touch on key drivers impacting our 2020 earnings guidance. As Warner stated, we continue to expect 2020 diluted earnings to be in the range of $3.40 to $3.60 per share. This guidance range assumes normal weather in the remaining six months of the year as well as reflects sales updates from our first quarter earnings call in May primarily related to COVID-19.

On our call in May, we estimated COVID-19 related sales impacts in Ameren Missouri would reduce our 2020 earnings per share expectations by approximately $0.10 per share, and we believe this continues to be a solid estimate. For the year, we still expect total weather normalized sales to be down approximately 2.5%. Broken down by customer class, we expect 2020 commercial sales to decline approximately 7.5%, industrial sales declined approximately 4.5%, and residential sales to increase approximately 4%.

While we've seen a slight change in the relative mix of sales, overall, our update today is largely consistent with our expectations outlined in our call in May in terms of both total sales and EPS impacts for 2020 due to COVID-19.

Before moving on, I would note that Ameren Missouri customer sales for June excluding the impact of warmer than normal weather, we're down approximately 0.2% compared to the prior year reflecting the impact of COVID-19. Broken down by customer class and compared to the prior year Ameren Missouri June weather normalized commercial and industrial sales declined approximately 9.5% and 3% respectively, which were largely offset by an increased weather normalized sales to residential customers of approximately 11%.

These statistics are notable given they represent the first full month of sales after the stay-at-home orders were lifted. Before moving on, let me briefly cover electric sales trends for Ameren Illinois electric distribution for the first six months of this year, compared to the first six months of last year. Weather normalized kilowatt hour sales to Illinois residential customers increased about 4%, and weather normalized kilowatt hours sales to Illinois commercial and industrial customers decreased approximately 7% and 8% respectively. Recall that changes in electric sales in Illinois, no matter the cause, do not affect earnings since we have full revenue decoupling.

Moving on to other guidance considerations, select earnings considerations by quarter for the balance of the year are listed on this page.

Our 2020 earnings guidance range also incorporates an estimated 2020 allowed ROE for Ameren Illinois Electric Distribution of 7.2%, which reflects a 30-year treasury yield of approximately 1.4%. Finally, we also remain very focused on maintaining disciplined cost management for the remainder of the year.

Moving now to Page 14 for other regulatory matters. In April, we made our required annual electric distribution rate update filing. Under Illinois performance-based rate making, our utilities are required to file annual updates to systematically adjust cash flows over time for changes in cost of service, and to true-up any prior period over or under recoveries of such costs.

In late June, the ICC staff recommended a $53 million base rate decrease compared to our request of a $45 million base rate decrease. Decision is expected in December with new rates expected to be effective in January 2021. Earlier this year, we also filed with the ICC for an annual increase in Ameren Illinois Natural Gas distribution rates using a 2021 future test year and have since updated our request in our July rebuttal testimony. In June, the ICC staff and other interveners, including the Citizens Utility Board and the Illinois Industrial Energy Consumers filed a rebuttal testimony in the rate review.

Our original request as well as our July rebuttal testimony, incorporated a 10.5% return on equity, while staff and other interveners have recommended 9.32% and 9.2% return on equity, respectively. We continue to seek a 54% equity ratio compared to the ICC staff's and other interveners recommendation of 50.43% and 50%, respectively. A decision is expected by January 2021 with new rates expected to be effective in February of 2021.

Finally, turning to Page 15, I'll summarize. We have a strong team and are well positioned to continue executing our plan. We continue to expect to deliver strong earnings growth in 2020, and we're successfully executing our strategy and navigate the impacts of COVID-19. As we look to the longer term, we continue to expect strong earnings per share growth driven by robust rate base growth and disciplined cost management. Further, we believe this growth compares very favorably to the growth of our utility peers. And Ameren shares continue to offer investors an attractive dividend.

In total, we have an attractive total shareholder return story that converges very favorably to our peers. And now I'll turn it back over to Warner.

Warner L. Baxter {BIO 1858001 <GO>}

Great. Thanks, Michael. While we have spent a great deal of time this morning talking about how we are effectively addressing issues associated with COVID-19 and delivering strong results for our customers and shareholders, I think it's important to note that another matter is at the top of our minds. That matter is the level of profound racial prejudice, injustice and intolerance that we still have in this country and in our own community, especially against black people. We've recently seen too many senseless deaths of African-Americans. And to be clear, there is absolutely no place for racism, injustice or hatred of any kind at Ameren, in our community, in our country or anywhere in the world.

We must challenge such behavior when we witness it and take steps to drive positive changes to eliminate it, and that is exactly what we're doing at Ameren. In Ameren diversity, equity and inclusion is a core value. While we've been recognized by Diversity Inc as one of the top utilities in the country for our diversity, equity and inclusion practices we are not standing still.

In fact, we recently conducted a virtual Diversity Equity and Inclusion Summit in St. Louis. The theme of the summit was the courage to live your values, Ameren leaders, community leaders and national leaders came together to begin listening to each other more thoughtfully and to begin taking even more steps to address this critical issue. We have made the entire program available on our website. I encourage you to take time and listen to the amazing stories of courage and passion for diversity, equity and inclusion.

We're now ready to take your questions.

Questions And Answers

Operator

(Question And Answer)

Thank you. We will now be conducting a question-and-answer session. (Operator Instructions). Our first question comes from the line of Jeremy Tonet with JP Morgan. Please proceed with your question.

A - Warner L. Baxter {BIO 1858001 <GO>}

Morning, Jerry.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Hi. Good morning. Thanks for having me. Just want to start off with the IRP here, and just wanted to see how the outreach was progressing in and any early thoughts that you can share with us at this point or feedback with the filing coming soon here?

A - Warner L. Baxter {BIO 1858001 <GO>}

Yeah. Well great question, Jeremy, appreciate the question on the IRP. Well, as you know, this is a an extensive process with stakeholders that's been going on for several months. Marty Lyons and his team have done just a terrific job of just outlining some of our perspectives and getting insights, which is really important.

So I would say, as you know, we're getting to the tail end of that process, and it would be really inappropriate to say, just exactly what the feedback is in because we're putting together all that and we'll ultimately issue our integrated resource plan here at the end of September. But I can tell you that the conversations have been constructive, the insight's great, and we look forward to submitting that integrated resource plan.

As you heard in my talking points, we look at a lot of things in this integrated resource plan. We certainly look at the technology, which is out there and we've certainly seen renewable energy technology and their related costs continue to come down. Took a careful look at our coal-fired energy centers in there -- and then the useful lives of those plants, and we really think about what's really going to deliver value to our customers in the state of Missouri. And so, we look forward to submitting that plan at the end of September.

Q - Jeremy Tonet {BIO 15946844 <GO>}

That's very helpful. Thanks. Just pivoting to the O&M savings side with what you've guys realized so far year-to-date this quarter. What portion do you think you might be able to retain on an ongoing basis? And do you have any kind of updated thoughts on cost savings in to 2021 at this point?

A - Warner L. Baxter {BIO 1858001 <GO>}

Sure, maybe Michael you want to hit a little bit on the quarter and then, I can maybe address some of the ongoing. So I'll let you take the first shot at it.

A - Michael L. Moehn {BIO 5263599 <GO>}

You're. Absolutely, Jeremy, we said on that first quarter call and I think, even if you think of that sort of the beginning of the year, we said that O&M was going to be up, we didn't say how much for the overall year, and then we came forward to the first quarter call, and we said O&M was going to be down.

And you can see that obviously we are doing a good job of managing, the team's working hard on managing cost down where we can, being very careful about headcount, obviously where we have opportunities on because of reduced load, there's reduced maintenance cost, obviously from a travel, entertainment perspective being very thoughtful there. And so I think, the team's done a nice job continued to help offset some of these things going into 2020.

In terms of sort of what we retain and what is reoccurring I mean Warner can certainly touch on 2021 but I mean, at the moment, we're just going to continue to watch this closely it's helping us offset some of these sales headwinds that we have, and it's across the board. I know, we focus a lot on the Missouri side because that's where it hits the bottom line, but it is across Ameren Illinois distribution, and Ameren Illinois natural gas as well.

A - Warner L. Baxter {BIO 1858001 <GO>}

Yeah, well said Michael. Jeremy, the reality is that we obviously were very focused on 2020, but we're looking ahead too. We do see several -- savings that we're realizing today that we can really carry over into next year, things like all the different perspective of how we think about travel, well, the different perspective in terms of the consultants that we have to bring in to work with us and how they can work remotely.

I mean, our digital investments have really been a step change not just for our current workforce, but how we engage in work with others. We think about real estate too and facilities cost, we've had to explore because of our digital team and the investments that we're making, we're exploring other facilities to lease in the future because we are simply outgrowing what we currently have. We see opportunities there and that's just not going to be necessary, prospectively, because reality is we can work very effectively remotely.

And so, no that coupled with some really -- I said in my talking points how the team has really done some innovative things, and been agile out in the field in terms of our work practices. Not only are they safer and they are, I mean they're going to give us the ability to work more effectively and productively, and that coupled with our digital investments, I think these are the types of things that we are already going to put in our playbook not just for this year, but for many years ahead. So stay tuned, more to come when we talk more about the future in our O&M.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Great. That's very helpful. Thank you.

A - Warner L. Baxter {BIO 1858001 <GO>}

Thanks. Jeremy. Stay safe and stay well.

Operator

Our next question comes from the line of Julien Dumoulin-Smith with Bank of America Merrill Lynch. Please proceed with your question.

A - Warner L. Baxter {BIO 1858001 <GO>}

Good morning, Julien, how are you today?

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Hey, quite well. Thank you very much. I hope you all are doing well.

A - Warner L. Baxter {BIO 1858001 <GO>}

We are. Thank you.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Good. If I can follow up on the last question here on the IRP and I understand that with this thing fairly imminent, you can't comment too much, but can you give us a little bit of perspective on how that might eventually flow into your formal CapEx projections, especially the extent to which we're talking about incremental renewables and how they -- your future recovery?

A - Warner L. Baxter {BIO 1858001 <GO>}

Sure, Julien it would be just premature to the really say how that would play out, I mean, number one, we have to roll out the IRP plan, we'll talk about what additional investment opportunities might be there, of course associated with renewable energy, and then, we'll take a look at that in terms of our five-year plans and to what extent that it has an impact.

So as opposed to doing a piecemeal, would be better served for everybody when we roll out the plan to build a -- to really talk about it in a comprehensive fashion. And so, we'll be in a good position to do that, certainly during our third quarter conference call and as we move into EEI, that'll be a great topic of conversation just as it was in 2017 when we announced our 700 megawatts of wind generation and 100 megawatts of solar. We anticipate having a very comprehensive discussion at that time as well.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Okay. All right. Great. And then if I can also follow-up on the last question around cost management and -- the sustainable cost savings that you talk about you've identified and you anticipate holding onto. When you think about the pressures created from the lower 30-year treasury, is this potentially an offset as you think about it? You can take that any way you want, but I'm curious on how you would frame the five-year view given those longer data pressure here.

A - Michael L. Moehn {BIO 5263599 <GO>}

Yeah. Julien, it's Michael here, just putting in context of not necessarily a number, but absolutely I mean, O&M customer affordability has always been a lever that we have used. I mean, it's not something that's sort of we've discovered here during 2020 as a result of this pandemic, but obviously, there's been more accelerated focus on it. But absolutely I mean, it is something that helps us work through these headwinds that we've had and as you note that 30-year treasury, it's been a headwind for a while and we've continued to offset that with it

A - Warner L. Baxter {BIO 1858001 <GO>}

That's well said, Michael, and Julien, we're mindful of the lower 30-year treasuries, and certainly O&M is one of those levers for all the reasons that Michael said, but no look, we also have leverage in terms of a robust capital plan as we talked about on the call that we have infrastructure that we can move forward especially at this lower cost of capital, it might make sense for customers and for us to do that. And so we'll look at that, and of course, we always take a look at capital allocation and many other levers. So that's just how we operate the business in terms of looking at just that one lever, but multiple levers to make sure we're delivering on our promises.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Okay, I'll turn it over. Thank you very much guys. Take care.

A - Warner L. Baxter {BIO 1858001 <GO>}

Thanks, Julien.

Operator

Our next question comes from the line of Shahriar Pourreza with Guggenheim. Please proceed with your question.

A - Warner L. Baxter {BIO 1858001 <GO>}

Hey Shahriar, how are you doing?

Q - Kody Clark {BIO 22251951 <GO>}

It's actually Kody Clark on for Shar. How are you doing?

A - Warner L. Baxter {BIO 1858001 <GO>}

Good morning.

Q - Kody Clark {BIO 22251951 <GO>}

Hey, it's actually (inaudible) for Shahriar. Thanks for taking our questions. So first, just on the timing of the next rate case in Missouri. Just wondering, if you have any updated thoughts here in the past. You've pointed to potentially filing the summer for new rates at the beginning of next year. But obviously, a portion of the win has the potential to move into the first quarter of next year. How are you thinking about those now given all the moving pieces and the (Technical difficulty) -- just wondering what have you been hearing from the legislature in terms of continued interest. Has it still been on the mind of lawmakers or has it kind of taking a (Technical difficulty) issues related to the buyers have come to the forefront and then taking this all into consideration -- sorry. Go ahead.

A - Warner L. Baxter {BIO 1858001 <GO>}

No, no, no, please finish your question. I apologize for interrupting.

Q - Kody Clark {BIO 22251951 <GO>}

Yeah. Just wondering if something could get done in the veto session in November. Is it more likely that it gets pushed into next year.

A - Warner L. Baxter {BIO 1858001 <GO>}

Sure. Let me try and take that in several pieces and Richard, Mark and his team and continued to work very hard to have conversations virtually, of course with key stakeholders and not just legislative stakeholders. So couple things to think about there. In terms of energy policy, I think energy policy broadly in the state of Illinois is still at the top of a lot of folk's minds, and rightfully, so because energy policy is so important.

That's why as we said as part of our talking points and as well as what you've heard us say before is why we support so strongly to down state clean energy affordability act because it really addresses many of the key issues that the state of Illinois is focused on, more renewable energy resources, more investments and electrification as well as grid modernization.

These are things that have been really important for the State of Illinois and will continue to be. And so, we continued to have conversations with key stakeholders around that particular piece of legislation and that we still support. Having said that, as you know there's been a lot of dialogue and some concerns raised as a result of the Commonwealth Edison Federal Investigation, so we understand that.

And so consequently, as we think ahead what we're going to do is continue to double down on our efforts to work with stakeholders collaboratively, listen to their concerns, but make sure that we point out the value of the current regulatory framework and our proposal. And at the end of the day, our focus is going to continue to be to try and find a solution that gives us the ability to collectively in the State of Illinois to invest in critical infrastructure and give us the ability to earn a fair return and deliver values to our customers in the State of Illinois.

Now in terms of timing, now I've learned a long time ago that I don't predict when things will be addressed by any legislature or when things will ultimately get better. And obviously, things are a little bit more complicated as we approach this upcoming veto session. In light of lot of the activities, my best perspective and Richard had talked a lot about this whether something gets done in the veto session around the down state clean energy affordability act, I would tell you it's my perspective a challenge or as I like to use sports analogies, I call it a long putt, right? to get that in the veto session. So that's our best perspective on it. In terms of what we think may still happen this year, but importantly, we're going to continue to focus our efforts on.

Q - Kody Clark {BIO 22251951 <GO>}

Great. That's all I had. Thanks for your time.

A - Warner L. Baxter {BIO 1858001 <GO>}

Thank you, you do the same.

Operator

Our next question comes from the line of Paul Patterson with Glenrock Associates. Please proceed with your question.

A - Warner L. Baxter {BIO 1858001 <GO>}

Hello Paul, how are you this morning?

Q - Paul Patterson {BIO 1821718 <GO>}

Good. Some of my question's have been answered here. Just to sort of follow up on the Illinois thing, there just seemed to be this lease with a vocal group sort of this unhappiness with the formula rate plan, which you outlined the benefits of and in fact the low cost of capital associated with and what have you -- and I'm just wondering if you could elaborate a little bit more as to what's sort of driving that, is the the same people seem to be sort of interested in the issues you also discussed which are, ethics and diversity and economic justice that sort of thing.

And so I'm just wondering is there some room here to sort of address their concerns or is there something more fundamentally that's happening here that's just not clear to me with respect to this concern about formula rate plans. And I realize you guys are just one part of it, there's this big northern part of the state that has its own issues. I was just wondering if you could talk about that?

A - Warner L. Baxter {BIO 1858001 <GO>}

Sure, fair question. I guess, a couple comments. Yes, clearly, we've seen the governor and other groups come out and say, they oppose the existing framework that's out there. And look, the thing that we think is important recognizing that a lot of that maybe -- and so I'm speculating a bit -- just simply surrounding the issues with Commonwealth Edison and the investigations and how it was linked to when performance-based rate-making was put in place many years ago.

Our job and Richard and this team, they do a terrific job at this and we're just going to sit down and just make sure we meet with stakeholders in a collaborative way and just sit there and explain what this framework has really done, and that's really what we should do is -- open and transparent framework that essentially every year the Illinois commerce commission takes a look at it what we're doing. And you've heard me say in a -- to benefits of this particular framework, and the real winner's been the State of Illinois and our customers.

It's been an overwhelming success in so many ways. And so, it's just important that we make sure that we level set everybody. At the same time, we're going to be at the table listening to their concerns and if they have legitimate concerns, we'll see what ways we can try to bridge whatever gaps there may be. And so that's just how we will continue to do business. And as I said a moment ago, really the key from our perspective is sitting at the table and really to put in place constructive energy policies.

They're going to support investment and infrastructure -- energy infrastructure, in particular, gives us the ability to earn a fair return on those investments, but also to deliver significant value for our customers in the State of Illinois and create thousands of jobs. So, we think there's opportunities that -- and there will be opportunities to sit down and talk with these stakeholders, and make sure we have a good understanding of what's been done. And what we think can be done prospectively. And so there is a lot of noise like we recognize and that creates challenges I get it, but at the same time, just because there's noise, does it mean that we're not going to sit down and have a collaborative approach with these key stakeholders.

Q - Paul Patterson {BIO 1821718 <GO>}

Awesome. Thanks so much and have a great week.

A - Warner L. Baxter {BIO 1858001 <GO>}

Thanks.

Operator

Our next question comes from the line of Insoo Kim with Goldman Sachs. Please proceed with your question.

A - Warner L. Baxter {BIO 1858001 <GO>}

Morning, Insoo, how are you doing today?

Q - Insoo Kim {BIO 19660313 <GO>}

Alright. Good morning, and happy Friday. My only remaining question is I guess partially relate to the IRP. But could you just give us the latest on the U.S. district judge's order from last fall to install scrubbers on couple of your coal plants, including Rush Island, and how are you incorporating or thinking about this when you're developing your IRP process?

A - Warner L. Baxter {BIO 1858001 <GO>}

So I want to make sure, are you talking about the new source reviews, is that what you're referring to? Or something different.

Q - Insoo Kim {BIO 19660313 <GO>}

It was just the -- I think the violation of the clean air.

A - Warner L. Baxter {BIO 1858001 <GO>}

Yes. That's right. That's right. So yeah, just a quick update on that one. So this has been a matter litigation related to our Rush Island Energy Center back to 2011, and we've been through the courts and so the state of play right now is that we've appealed the decision to the court of appeals and made all the appropriate briefings and filings with the courts, and my sense is that there is no specific time frame, but it'll be this fall before you probably see any kind of activity associated with this. But again, there's no specific time frame. But all the briefs have been filed here in the first half in May, and so I would just say, stay tuned, no real developments other than going through the standard process.

Q - Insoo Kim {BIO 19660313 <GO>}

Got it. And I guess in terms of the thoughts on the generation freight transformation and the upcoming IRP, your assumption will be that you haven't violated the act, so you'll plan accordingly based on that assumption.

A - Warner L. Baxter {BIO 1858001 <GO>}

Yeah, rest assured, we clearly believe we have not violated the act and so yeah, that would be a fair statement and assumption that we'll have going into the integrated resource plan.

Q - Insoo Kim {BIO 19660313 <GO>}

Got it. Thank you so much.

A - Warner L. Baxter {BIO 1858001 <GO>}

You bet. Thanks.

Operator

Thank you. We have no further questions at this time. Mr.Kirk, I would now like to turn the floor back over to you for closing comments.

A - Andrew Kirk {BIO 20578297 <GO>}

Thank you for participating in this call. A replay of this call will be available for one year on our website. If you have questions, you make all the contacts listed on our earnings release.

Financial analyst inquiry should be directed to me, Andrew Kirk. Media should call Aaron Davis. Again, thank you for your interest in Ameren, and have a great day.

Operator

Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a wonderful day.

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