Q2 2015 Earnings Call

Company Participants

- Douglas Fischer
- Martin J. Lyons
- Warner L. Baxter

Other Participants

- Andrew Levi, Avon Capital/Millennium Partners
- Brian J. Russo, Ladenburg Thalmann & Co., Inc. (Broker)
- David A. Paz, Wolfe Research LLC
- Glen F. Pruitt, Wells Fargo Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator

Greetings and welcome to the Ameren Corporation Second Quarter 2015 Earnings Call. At this time, all the participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. Doug Fischer, Senior Director of Investor Relations for Ameren. Thank you, Mr. Fischer. You may now begin.

Douglas Fischer {BIO 1498560 <GO>}

Thank you and good morning. I'm Doug Fischer, Senior Director of Investor Relations for Ameren Corporation. On the call with me today are Warner Baxter, our Chairman, President and Chief Executive Officer; and Marty Lyons, our Executive Vice President and Chief Financial Officer; as well as other members of the Ameren management team.

Before we begin, let me cover a few administrative details. This call is being broadcast live on the Internet. And the webcast will be available for one year on our website at ameren.com. Further, 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 on our website a presentation that will be referenced by our speakers, who may use terms or acronyms which are defined in the presentation. To access this presentation, please look in the Investors section of our website under Webcasts & Presentations and follow the appropriate link.

Turning to page two of the presentation, I need to inform you that 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 today and the Forward-Looking Statements and Risk Factors sections in our filings with the SEC.

Warner will begin this call with comments on second quarter financial results, full year 2015 earnings guidance and the business update. Marty will follow with a more detailed discussion of second quarter results and an update on financial and regulatory matters. We will then open the call for questions.

Now, here's Warner, who will start on page four of the presentation.

Warner L. Baxter {BIO 1858001 <GO>}

Thanks, Doug. Good morning, everyone, and thank you for joining us. Today, we announced second quarter 2015 core earnings of $0.58 per share compared with core earnings of $0.62 per share in last year's second quarter. Results reported today, we remain on track to deliver solid earnings growth in 2015 and expect our 2015 core earnings to be in the range of $2.45 to $2.65 per share.

Key drivers of our second quarter core earnings are listed on this page. I will highlight a couple of them and Marty will discuss each of these drivers later in the call. Consistent with our strategic plan, year-over-year earnings comparisons are benefiting from the significant investments we're making to better serve our customers. These incremental investments continue to be targeted towards our electric transmission and delivery businesses that operate under formulaic ratemaking.

However, in the second quarter of 2015, milder weather drove retail electric sales volumes and earnings lower than second quarter 2014 levels. Further, seasonal rate redesign and variances in the timing of revenue recognition in the formulaic ratemaking in Illinois also negatively affected the comparisons for the quarter and year-to-date periods. But these effects are expected to reverse over the remainder of the year.

Our second quarter 2015 core earnings do exclude two unusual items. Those are results from discontinuing operations, primarily reflecting recognition of a tax benefit related to the favorable resolution of an uncertain tax position; and a loss provision resulting from discontinuing the pursuit of a construction and operating license for a second nuclear unit in Ameren Missouri's Callaway Energy Center. This relates to development cost incurred in 2008 and 2009 and is reflected in continuing operations.

While we continue to believe nuclear power must be an important clean energy source for our company and country, as evidenced by the 20-year license extension we received this past

March for our Callaway Energy Center, this loss provision was driven by recent changes in vendor support for licensing efforts at the Nuclear Regulatory Commission, our assessment of long-term capacity needs, declining cost of alternative generation technologies, and the regulatory framework in Missouri, among other things. Again, Marty would discuss second quarter earnings in more detail in a few minutes.

Turning now to page five, here, we reiterate our strategic plan. We remain focused on executing this strategy and strongly believe that we'll deliver superior long-term value to both our customers and shareholders. I'd like to highlight some of our year-to-date efforts and accomplishments towards this end. These include our continued strategic allocation of significant amounts of capital to those businesses whose investments are supported by modern, constructive regulatory frameworks, which provide fair, predictable and timely cost recovery and also deliver long-term benefits to our customers.

This capital allocation is illustrated in the graphic on the right side of this slide. As you can see, we invested $556 million of our $846 million of capital expenditures for the first half of this year in jurisdictions with these modern, constructive regulatory frameworks. This represents about 65% of our first half 2015 total capital expenditures and is an 11% increase over the amount invested in these jurisdictions during the first half of 2014.

Approximately $300 million was invested in FERC-regulated electric transmission projects in the first half of this year, driven by ongoing construction work on ATXI's $1.4 billion Illinois Rivers transmission project. Construction is well underway on the first line segment with more than 80% of the 132 tower structures already erected. Completion of this segment is expected next year.

Further, foundation construction is underway on two additional line segments, as well as eight of 10 substations. In addition, I am pleased to note that, in May, the Missouri Public Service Commission approved a Certificate of Convenience (sic) [Public Convenience] (7:20) and Necessity for the seven-mile Missouri portion for the Illinois Rivers project.

Turning to ATXI's Spoon River project in Northwestern Illinois, just last week, Illinois Commerce Commission administrative law judges issued a proposed order recommending approval of a Certificate of Convenience (sic) [Public Convenience] (7:39) and Necessity. And we expect the ICC to issue an order later this year.

We also have a pending request at the Missouri Public Service Commission for a Certificate of Convenience (sic) [Public Convenience] (7:51) and Necessity for the Mark Twain project in Northwestern Missouri and expect the decision early next year. All three of these transmission projects: Illinois Rivers, Spoon River and Mark Twain, are MISO-approved multi-value projects.

With regard to the cases pending at the FERC, challenging MISO's base allowed ROE of 12.38% for transmission services, we and other MISO transmission owners continue to strongly advocate for an ROE level that is fair and that will continue to incentivize the transmission investment needed to ensure a robust grid for our nation. Marty will give you more details in a moment, but I would like to point out that FERC's consideration of these cases is expected to extend into 2016 and 2017.

Turning to page six of our presentation, let me provide an update on the execution of our strategic plan at Ameren Illinois. We invested approximately $250 million in Illinois electric and natural gas delivery infrastructure project in the first half of this year, including those that are part of Ameren Illinois' Modernization Action Plan. This work, enabled by Illinois' Energy Infrastructure Modernization Act, is on track to meet or exceed its investment, the liability, advanced metering, and job creation goals.

Ameren Illinois customers are experiencing fewer and shorter power outages as a result of electric grid upgrades. Since the modernization program began in 2012, the installation of storm-resilient utility poles, automated switches, and upgraded distribution grid resulted in 238,000 fewer annual electric service interruptions on average. And, when customers do experience an outage, Ameren Illinois is restoring power 19% faster on average than in previous years.

Further, installations of advanced electric meters are ahead of schedule. In 2015, Ameren Illinois plans to deploy 142,000 electric meters at customer locations in Central and Southern Illinois. Also, more than 330 employees and an additional 1,000 contract workers have been hired to support investments in Ameren Illinois' electric system and operations.

As a result, we are on track to update our full-time equivalent job creation commitment. All of these benefits are being driven by the forward thinking and constructive regulatory frameworks that support investment in Illinois. Of course, all of this progress requires timely recovery of our investments and constructive regulatory outcomes. We are clearly focused on achieving positive resolutions for our pending Illinois electric delivery formula rate update proceeding and natural gas delivery rate case.

While Marty will cover these cases in more detail in a bit later, I will mention that earlier this week, Ameren Illinois, Illinois Commerce Commission staff, Citizens Utility Board and the Illinois Industrial Energy Consumers, filed a stipulation and agreement on issues in our pending natural gas delivery case. This agreement includes a 9.6% ROE, among other things, which compares to the current allowed ROE of 9.08%. We look forward to the ICC's decision in this case later this year.

In Missouri, our efforts are well underway to align operating and capital spending with the electric rate order we received in April as we pursue our goal of earning at or close to our allowed ROE. We are leveraging ongoing enterprise-wide lean continuous improvement efforts with the natural attrition we are experiencing with our workforce, as well as aggressively pursuing additional cost reductions throughout our supply chain, among other things.

And finally, we're continuing our relentless advocacy efforts with Missouri's policymakers and key stakeholders. Our message is simple and straightforward. Modernizing the state's regulatory framework is essential to spur needed investments to upgrade the state's aging electric utility infrastructure in a timely manner, and to create jobs. We remain convinced that such modernization will yield benefits similar to those that the State of Illinois is realizing today, and is clearly in the best long-term interest of our customers and the economic vitality of Missouri as a whole.

Moving to environmental matters, we await the U.S. Environmental Protection Agency's final Clean Power Plan regulations, which are expected to be issued soon. In recent months, we have engaged in extensive discussions with industry leaders, state and federal regulatory and legislative leaders, including policymakers in the White House and the EPA, and other stakeholders.

In these discussions, we have aggressively advocated for constructive and responsible improvements to the EPA's proposed plan. Those improvements include incorporating a better glide path to achieve the final 2030 targets, as well as protections to ensure that our nation's grid is able to operate in a reliable fashion. And, importantly, we're seeking to protect our customers from the significant rise in electricity costs, while, at the same time, making meaningful progress in reducing greenhouse gas emissions.

While I can't predict what will be in the final rules, I am hopeful that the collective advocacy efforts by Ameren and many other like-minded key stakeholders will result in meaningful improvements in the final Clean Power Plan issued by the EPA. In any event, should the EPA's final rules require that we alter and accelerate our transition plans, we fully expect that required investments will be treated fairly by our regulators.

Let me assure you that we're committed to transitioning to a cleaner, more fuel-diverse generation portfolio in a responsible fashion. Recently, we announced plans for a new solar facility west of St. Louis. The 30-megawatt Montgomery Renewable Energy Center will be the largest investor-owned solar facility in the state of Missouri and three times the size of our O'Fallon solar facility which went into service last December. The new facility is expected to be completed by the end of 2016.

One last environmental update. Last month, the U.S. Supreme Court issued a ruling on the EPA's Mercury and Air Toxics Standards or MATS rule. In short, the Supreme Court determined that the D.C. Circuit Court of Appeals aired in deciding that the EPA was not required to consider cost when it developed the MATS rule. However, the Supreme Court decision did not vacate the rule and remains in effect until a further decision by the D.C. Circuit Court of Appeals.

Since the MATS rule is still in effect, there has been no change in our compliance strategy. And we expect to fully comply with the rule before April of next year. Our most significant capital project to comply with this rule, enhancing the electrostatic precipitators at the Labadie Energy Center, was completed last year. That project was included in our electric rates during our most recent rate case in Missouri.

Turning now to page seven on our long-term growth outlook. In February of this year, we outlined our plan to grow rate base at a solid 6% compound annual rate over the 2014 to 2019 period. As the graphics on this page illustrate and in line with our previously mentioned strategic plan, this growth is being driven by the allocation of significant amounts of capital for FERC-regulated transmission and Illinois electric and natural gas delivery services. Such investments are supported by regulatory frameworks that provide fair, predictable and timely cost recovery. And they deliver long-term benefits to our customers.

Turning now to page eight. In addition, we have consistently stated that we have a strong pipeline of investments beyond those reflected on the previous page to meet our customers' future electric and gas energy needs and expectations. To that end, in recent months, we have identified $500 million to $1 billion of potential investments in our Illinois electric and gas businesses, which would be incremental to those incorporated into the 2014 to 2019 rate base growth plan just mentioned.

Fresh investments would be directed to the reconstruction and replacement of aging distribution system infrastructure such as lines, breakers, transformers and underground network facilities, to sustain and improve reliability for our customers. Further, these investments include infrastructure capacity upgrades and additions in higher growth areas of the service territory. In Ameren Illinois' natural gas delivery business, incremental capital would be directed to gas transmission line replacements associated with the Baldwin Pipeline Safety Regulations in aging distribution main and service replacement project.

Finally, in Ameren Illinois' FERC-regulated electric transmission business, identified projects are primarily reliability-related, including compliance with new NERC reliability standards and age-based replacements of equipment. We will evaluate these potential incremental investments over the balance of this year as part of our normal annual planning process.

As Marty will discuss further, given the strength of our balance sheet and added confidence in the strength of our prospective cash flows resulting from the recent IRS sign-off on our 2013 tax return and associated tax assets, we believe we have the ability to fund the growth plans we announced in February, as well as these potential incremental investments without issuing any additional equity.

Turning now to page nine. In summary, we have a strong long-term earnings growth outlook, driven by above peer average rate base growth that is focused on a transparent mix of utility infrastructure investments in jurisdictions with modern, constructive ratemaking that is formulaic or uses a future test year.

Earlier this year, we reiterated our expectations for compound annual growth of 7% to 10% in earnings per share from continuing operations over the period 2013 to 2018. As we said on our May earnings call, we plan to formally update our long-term earnings growth expectations on an annual basis, consistent with our planning cycle. That said, the $500 million to $1 billion of additional investment opportunities I just described in our added conviction concerning the ability to finance our growth without issuing any additional equity certainly bolsters my confidence in our ability to achieve earnings growth within those expectations.

In addition to a superior earnings growth outlook, Ameren offers an attractive annualized dividend of $1.64 per share and a current yield of about 4.1%, which is also superior to our regulated peer average. We remain focused on delivering a solid dividend as we recognize its importance to our shareholders. Of course, any future dividend increases will be based on consideration of, among other things, earnings growth, cash flows and economic and other business conditions.

In closing, we believe our shares offer very attractive total return potential for our investors. We're committed to executing the strategy I have discussed with you today. And we continue to believe that we'll deliver superior long-term value to both our customers and our shareholders.

Again, thank you for joining us on today's call. And I'll now turn the call over to Marty.

Martin J. Lyons {BIO 4938648 <GO>}

Thank you, Warner. Good morning, everyone. Turning now to page 11 of our presentation. Today, we reported second quarter 2015 GAAP earnings of $0.61 per share, which match second quarter 2014 GAAP earnings. Excluding results from discontinued operations and a 2015 loss provision for discontinuing pursuit of a license for a second nuclear unit at Callaway, Ameren recorded second quarter 2015 core earnings of $0.58 per share compared with second quarter 2014 core earnings of $0.62 per share.

Second quarter 2015 earnings from discontinued operations were $0.21 per share, primarily resulting from recognition of a tax benefit related to resolution of an uncertain tax decision. This tax benefit reflects a settlement reached in June with the IRS which resolved tax matters associated with the divestiture of our merchant generation business.

As Warner mentioned, with this settlement in hand, we have even greater confidence in our ability to fund the growth plan we announced in February, as well as the potential incremental investments discussed without issuing any additional equity, including no issuances of equity through our dividend reinvestment and 401(k) plan.

As of June 30, our combined tax benefits from net operating loss carryforwards, tax credit carryforwards and expected refund stand at $643 million, including $454 million at the Ameren parent company level, which are expected to offset income tax liabilities into 2017. In addition to excluding discontinued operations, core earnings also excluded the previously mentioned Callaway license-related provision, which was $0.18 per share.

Turning now to page 12. Here, we highlight factors that drove the $0.04 per share decline in second quarter 2015 core earnings compared to second quarter 2014 core earnings. Key factors included lower retail electric sales volumes, which reduced earnings by $0.04 per share. Milder early summer temperatures accounted for an estimated $0.03 per share of this decline, with the balance due to energy efficiency, partially offset by revenue recovery authorized by the Missouri Public Service Commission under the state's Energy Efficiency Investment Act and lower Missouri industrial sales stemming primarily from a prolonged reduction in consumption by Ameren Missouri's largest customer, Noranda Aluminum.

Second quarter 2015 temperatures were near-normal compared with the warmer-than-normal early summer temperatures experienced in the prior year period. We estimate that weather-normalized kilowatt-hour sales to residential and commercial customers in Illinois increased almost 0.50% and, in Missouri, they decreased about 0.75%. As mentioned, in Missouri, the negative earnings effect of decline in electric sales volumes due to our energy efficiency programs is compensated for under provisions of the utility's energy efficiency plan.

Excluding the estimated effects of these Missouri programs, we estimate the sales to residential and commercial customers would have also increased by almost 0.50%. Kilowatt-hour sales to Illinois and Missouri's industrial customers decreased 3% and 4%, respectively, reflecting lower sales to a large, low-margin Illinois agricultural customer and the aforementioned lower sales to Noranda Aluminum.

As noted on this page, the second quarter earnings comparison was also negatively affected by $0.02 per share by a seasonal rate redesign and the timing of revenue recognition under formula ratemaking, each related to Ameren Illinois electric delivery. These same factors reduced first half 2015 earnings by $0.04 per share compared to the prior-year period. We expect they will reverse by year-end. In addition, the earnings contribution from electric transmission and delivery investments at ATXI and Ameren Illinois was reduced by $0.02 per share for the quarter and $0.04 per share for the first half because of lower recognized allowed ROEs.

Transmission earnings for the year-ago quarter reflected the current MISO base allowed ROE of 12.38%. However, this quarter's transmission earnings were reduced by a reserve to reflect the potential for a lower allowed ROE as a result of the pending complaint cases at the FERC. We began recognizing such reserves in the fourth quarter of last year. The net ROE recognized in our second quarter 2015 transmission earnings is comparable with the level incorporated into our first quarter 2015 earnings and 2015 earnings guidance provided in February.

Regarding second quarter 2015 Illinois electric delivery earnings, these incorporated an 8.75% allowed ROE, compared with 9.4% in the year ago period. This decline was due to a decrease in the assumed annual average 30-year Treasury rate from 3.6% to 2.95%. Of course, full year 2015 Illinois electric delivery earnings will incorporate the actual 2015 average 30-year Treasury rate. Finally, depreciation and amortization expenses increased in jurisdictions not subject to formulaic ratemaking, negatively affecting earnings by approximately $0.01 per share.

Moving to factors that had a favorable effect on the second quarter earnings comparison, increased investments in electric transmission and delivery infrastructure under formula ratemaking increased earnings by $0.04 per share compared with the year ago quarter, and earnings benefited by $0.02 per share from a lower effective income tax rate, both of which I will discuss further on the next page.

Turning then to page 13. First, I would like to remind you that we expect our 2015 core diluted earnings to be in a range of $2.45 to $2.65 per share. On this page, we list select items for you to consider as you update your earnings outlook for the remainder of the year. These include the effect on earnings that a return to normal temperatures would have on this year's remaining quarters compared with those of last year.

In particular, a return to normal weather in the third quarter would boost earnings by an estimated $0.09 per share compared to the mild year-ago quarter. Over the balance of this year, we also expect increased earnings from our FERC-regulated electric transmission and Illinois electric delivery services, as we continue to make significant infrastructure investments under formula ratemaking.

As I mentioned, we have been recording a reserve to reflect the potential for a lower FERC allowed ROE since the fourth quarter of last year. The cumulative reserve recorded in that quarter was retroactive to November 12, 2013, the date the first MISO ROE complaint case was filed. The absence in the fourth quarter of this year of the prior period portion of the fourth quarter 2014 reserve is expected to benefit this year's fourth quarter earnings comparison.

Moving to a couple of factors that are anticipated to negatively affect the second half 2015 earnings comparison. Depreciation and amortization expenses are expected to increase for our businesses not operating under formula rates, and capitalized financing costs are expected to decline, reflecting a year-over-year decline in ongoing Ameren Missouri capital projects.

In 2014, a significant number of Ameren Missouri capital projects were in process and, ultimately, placed into service late in the year. Back on the positive side, earnings for the balance of the year are expected to benefit from a lower effective income tax rate. Our forecasted 2015 effective income tax rate is approximately 38%, a decrease from the 2014 effective rate, which was approximately 39%.

In addition, I want to remind you of additional factors that will affect the fourth quarter comparison. The absence of the Callaway Energy Center refueling and maintenance outage is expected to boost fourth quarter 2015 earnings by approximately $0.08 per share compared with the year ago quarter. The next Callaway refueling is scheduled for the spring of 2016.

Further, this year's fourth quarter will reflect the absence of a 2014 benefit resulting from a regulatory decision authorizing Ameren Illinois to recover previously disallowed debt redemption cost of $0.03 per share. Of course, these are only some of the factors that will have an effect on balance of the year 2015 earnings as compared to 2014.

Turning now to page 14, I will update you on select pending regulatory matters. Turning first to Illinois, in April, Ameren Illinois made its required annual electric delivery rate update filing with the ICC. Under its formula ratemaking, Ameren Illinois is required to file annual rate update to systematically adjust cash flows over time for changes in cost of service and to true-up any prior period over or under-recovery of such costs.

Our filing speaks $110 million increase in net annual electric rates to reflect 2014 actual costs, expected 2015 infrastructure investment and prior period under-recoveries of cost. A summary of our filing is included in the appendix to this presentation.

The ICC staff testimony filed in mid-July recommended a rate update that is just $3 million less than Ameren Illinois' request. Intervener's recommended rate updates that are $18 million to $19 million less than our request. As noted on this page, significant portions of these interveners' adjustments relate to a position that the ICC has rejected in its past formula rate orders. An ICC decision is expected in December of this year with new rates effective early next year.

Turning now to page 15, we also have a natural gas delivery rate case pending in Illinois. In January of this year, we requested a rate increase based on a future test year ending in December 2016. As Warner mentioned, earlier this week, Ameren Illinois, the Illinois Commerce

Commission staff, the Citizens Utility Board and the Illinois Industrial Energy Consumers filed a stipulation and agreement on issues in our pending natural gas delivery case.

This agreement includes a 9.6% ROE, among other things. Our original rate request incorporated a 10.25% ROE, while the staff had recommended a 9.31% ROE in their June testimony. For reference, the current allowed ROE for this business is 9.08%, effective January of 2014.

Our annual rate increase request is now approximately $45 million, after incorporating the stipulation in agreement that I just mentioned. We estimate the ICC staff June testimony in this case, adjusted for the stipulation, supports an approximately $44 million rate increase. In addition to the parties to the stipulation, the Illinois Attorney General filed testimony in the case in June which advocated a number of downward adjustments to our requested revenue requirement, most of them related to operating expenses. However, the Attorney General did not file ROE testimony.

Our filing also included a proposal for a volume balancing adjustment for residential and small non-residential customers. This would ensure that changes in natural gas sales volumes do not result in an over or under-collection of natural gas revenues for these classes. I am pleased to report that none of the parties to the case have opposed our request for this volume balance adjustment mechanism. We expect the ICC to issue a decision by December with new rates effective by January of next year. A summary of this filing is also included in the appendix to today's presentation.

Turning now to page 16, I will update you on some regulatory matters pending at the Federal Energy Regulatory Commission. As previously mentioned, there are two pending complaint cases seeking to reduce the base allowed ROE from MISO transmission owners, including Ameren Illinois and ATXI. The anticipated schedules for these cases are outlined on this page.

In the first case, the ROE decision is expected to be based on market data for the six months ended February 11, 2015. And the schedule calls for an initial decision from an administrative law judge by the end of this November with a FERC final order expected sometime in 2016. In the second case, the ROE decision is expected to be based on market data for the six months ended December 31 of this year. And the schedule calls for an initial decision from an administrative law judge by the middle of next year with a FERC final order expected in 2017.

Moving then to page 17. In Missouri, hearings were held last week for our proposed 2016 to 2018 Missouri energy efficiency plan. This plan would replace the current one, which has been in effect since 2013 and expires at the end of this year. The new plan would provide net customer benefits of $165 million over 20 years and reflects Ameren Missouri's continued commitment to offering cost-effective and realistically achievable energy efficiency programs for its customers. We expect the Missouri Public Service Commission decision early this fall. And, if approved, the plan would be implemented beginning January 1, 2016.

Finally, turning to page 19, I will summarize our comments this morning. As Warner discussed, we continue to successfully execute our strategy. We delivered second quarter earnings that were solid. And we expect our 2015 core diluted earnings per share to be in a range of $2.45 to

$2.65 per share. In addition, we have a superior long-term earnings growth outlook, driven by an above peer group average rate base growth plan that is focused on utility infrastructure investments in jurisdictions with modern, constructive ratemaking.

As Warner stated, earlier this year, we reiterated our expectations for compound annual growth of 7% to 10% in earnings per share from continuing operations over the period 2013 through 2018. And we plan to formally update our long-term earnings growth expectations on an annual basis, consistent with our planning cycles.

That said, the $500 million to $1 billion of additional investment opportunities we discussed today and our added conviction concerning the ability to finance our growth through 2019 without the need for equity, given the recent favorable settlement of our 2013 tax return, a strong financial position, and our outlook for cash flows, certainly bolsters our confidence in our ability to achieve earnings growth within those expectations.

When you couple our superior earnings growth outlook with Ameren's dividend, which today provides investors with an above peer group average yield of approximately 4.1%, we believe our common stock presents a very attractive total return potential for investors.

That concludes our prepared remarks. We now invite your questions.

Q&A

Operator

Thank you. At this time, we will be conducting a question-and-answer session. Thank you. Our first question is from the line of Brian Russo with Ladenburg Thalmann. Please go ahead with your questions.

Q - Brian J. Russo {BIO 6238768 <GO>}

Hi. Good morning.

A - Martin J. Lyons {BIO 4938648 <GO>}

Good morning.

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

Good morning, Brian.

Q - Brian J. Russo {BIO 6238768 <GO>}

The $0.5 billion to $1 billion of CapEx investment upside, when might we get an update on that and are there drivers or regulatory hurdles that you have to navigate through in order to feel comfortable increasing the existing CapEx budget?

A - Martin J. Lyons {BIO 4938648 <GO>}

Yeah. Thanks for the question. I think, really, it's going to be a matter of – we've talked before about our annual planning cycles and certainly wanted to provide greater clarity on some of the growth pipeline that we've been communicating about in the past. But we'll be evaluating that potential CapEx over the remainder of the year taking into consideration multiple factors which is really about customer needs, balancing that with rate impacts, coordinating these projects and the timing of these projects with other projects that we've got ongoing over the next five years, making sure we've got the labor, vendor support, et cetera, available to complete all those projects. So there are a number of things that go into the assessment, but we would expect to complete that over the remainder of this year and certainly have concluded on the exact amount by the time we give guidance next February.

Q - Brian J. Russo {BIO 6238768 <GO>}

Okay. Great. And I would imagine that would be upside to the 6% rate base CAGR. And correct me if I'm wrong, but probably put you at the higher end of your EPS CAGR.

A - Martin J. Lyons {BIO 4938648 <GO>}

Well, we're certainly, as we've discussed on the call, not updating our EPS CAGR. This added CapEx would certainly be incremental to the rate base growth that we've provided in the slide that we have. And, as we mentioned on the call, certainly, this added CapEx bolsters our confidence in our ability to achieve the earnings growth within the previously communicated expectations.

Q - Brian J. Russo {BIO 6238768 <GO>}

Okay. And correct me if I'm wrong, but you will not be paying cash taxes through 2016. Is that accurate?

A - Martin J. Lyons {BIO 4938648 <GO>}

Yes, through 2016. So, as it stands right now, we'd be again paying taxes again sometime in 2017.

Q - Brian J. Russo {BIO 6238768 <GO>}

Okay. Great. And then, forgive me that I haven't read through the gas stipulation yet. But what drove the higher ROE in this case versus your previously allowed ROE?

A - Martin J. Lyons {BIO 4938648 <GO>}

I can't really recollect, going back to the last case, the factors that got to that. But certainly here, we were successfully able to reach a compromise and accord with the other parties in the case. And the 9.6% is the outcome of those conversations, and will be the ROE pending final decision by the ICC later this year.

Q - Brian J. Russo {BIO 6238768 <GO>}

Just remind me, the previous gas rate case outcome, was that a stipulation or did that go to hearing?

A - Martin J. Lyons {BIO 4938648 <GO>}

No, it wasn't. It went to hearings and so that 9.08% from the final – for the previous case was the result of an ICC decision.

Q - Brian J. Russo {BIO 6238768 <GO>}

Okay. Great. Thank you very much.

Operator

Thank you. Our next question is coming from the line of Glen Pruitt with Wells Fargo. Please proceed with your questions.

Q - Glen F. Pruitt {BIO 18912620 <GO>}

Hi, guys. Good morning.

A - Martin J. Lyons {BIO 4938648 <GO>}

Good morning, Glen.

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

Good morning.

Q - Glen F. Pruitt {BIO 18912620 <GO>}

Just for clarification. Your statement that there will be no equity needs, does that include DRP type programs?

A - Martin J. Lyons {BIO 4938648 <GO>}

Yes. Glen, thanks. Yes. If we weren't clear, that is correct. As we talked about on the call, we're able to reach a settlement of our 2013 tax return with the IRS, which not only gave us the ability to book the gain we booked in discontinued operations, but also, it took away uncertainty relative to the overall tax benefits that we have at Ameren Corp., which we reiterated on the call today was about $454 million of accumulated tax benefit at Ameren Corp. So, with that added certainty, as we look at the CapEx investment plans that we've got, as we look at our overall financial plans looking out over the next five years, we really don't see the need for any equity, including from the DRP and 401(k).

Q - Glen F. Pruitt {BIO 18912620 <GO>}

Okay. Great. Thank you.

A - Martin J. Lyons {BIO 4938648 <GO>}

Thank you.

Operator

Thank you. At this time, there are no additional questions. I'd like to turn the floor back to Mr. Fischer for concluding comments. Thank you. We have the next question coming from the line of David Paz with Wolfe Research. Please go ahead with your question.

Q - David A. Paz {BIO 16573191 <GO>}

Hey. Good morning.

A - Martin J. Lyons {BIO 4938648 <GO>}

Good morning, David.

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

Good morning, David.

Q - David A. Paz {BIO 16573191 <GO>}

Just on the incremental investment opportunities, could you just roughly breakdown, at least like you see it today, how much of that would go toward FERC-regulated transmission?

A - Martin J. Lyons {BIO 4938648 <GO>}

Yeah. Sure. David, this is Marty again. That $500 million to $1 billion really breaks down about a third, a third, a third between Illinois electric distribution, Illinois gas distribution, and FERC-regulated transmission.

Q - David A. Paz {BIO 16573191 <GO>}

Okay. Great. And second question. In your 7% to 10% EPS target for outlook, are you still assuming rising ROEs in Missouri and Illinois?

A - Martin J. Lyons {BIO 4938648 <GO>}

Yeah, David, sure. Just going back to the guidance we've given there, that growth has always been driven by the transparent rate base growth plans that we've got, the reduction of parent and other costs, monetization and reinvestment of the tax assets, and certainly the expectation of rising interest rates and ROEs over time.

Q - David A. Paz {BIO 16573191 <GO>}

Okay. How about the assumed sales growth in that outlook?

A - Martin J. Lyons {BIO 4938648 <GO>}

The assumed sales growth in that outlook, David, has been about flattish, is what our projection is, really, out through time. That's about what we've been seeing this year, frankly. In terms of the overall sales growth, when you take into consideration the energy efficiency programs that we've got, it's about flat year-to-date. And we expect residential and commercial sales this year, again, excluding the impacts of our energy efficiency programs in Missouri, to be about flat. So that's the expectation embedded in those longer term plans.

Q - David A. Paz {BIO 16573191 <GO>}

Great. Thank you so much.

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

Thanks, David.

Operator

Our next question is – gentlemen, at this time, we have a question coming from the line of Joe Chao (44:30) with Avon Capital. Please go ahead with your question.

Q - Andrew Levi {BIO 17596378 <GO>}

Hi. It's Andy Levi here from Avon. How are you guys doing?

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

Hey, Andy.

A - Martin J. Lyons {BIO 4938648 <GO>}

Andy, how are you?

Q - Andrew Levi {BIO 17596378 <GO>}

That was a really good rundown. Just want to make sure I heard it correctly. So, literally, no equity at all, DRP, ESOP, anything, through 2019. Is that what you said?

A - Martin J. Lyons {BIO 4938648 <GO>}

Yes, Andy. That is what we said.

Q - Andrew Levi {BIO 17596378 <GO>}

Okay. So whatever the share count is today, that's what it should be in 2019. Is that correct?

A - Martin J. Lyons {BIO 4938648 <GO>}

That's our expectation as we sit here today, Andy. Yes.

Q - Andrew Levi {BIO 17596378 <GO>}

Okay. Great. Because I had built in a little bit. Okay. Otherwise, I think, everything else was pretty clear. When do you typically update your CapEx forecast? And with the $500 million to $1 billion or whatever else you may come up with, when could we possibly – will that be at EEI or will that be next year?

A - Martin J. Lyons {BIO 4938648 <GO>}

Andy, as I said in a response to a question a little while ago, we'll continue to evaluate that over the remainder of this year. Most likely, I'd say, we'd give an update in February. If we have greater clarity to provide before that, we would do so. But as we go through our annual planning process, it generally lines up that we'd be able to give a comprehensive update on CapEx and rate case growth plans in February.

Q - Andrew Levi {BIO 17596378 <GO>}

Okay. And I thought you and Warner gave a really good rundown today. So good job.

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

Thanks, Andy.

A - Martin J. Lyons {BIO 4938648 <GO>}

Thank you, Andy.

Operator

Our next question is coming from the line of Kevin Fallon with SIR Capital Management (46:09). Please go ahead with your questions.

Hi. I'm sorry if you already walked through this and I missed it. But, on the incremental $500 million to $1 billion of CapEx, I thought you said it was like a third each among the different buckets you highlighted. Can you walk through the thresholds of what you need to do to get approval to do that? Is it purely formula rate, so you won't need to get approval from the ICC or the FERC or will they have to sign off on the spending?

A - Martin J. Lyons {BIO 4938648 <GO>}

No real sign off on the spending. I mean, if you go back after the call and read through the transcript, I think, we gave some pretty good description of the types of projects that we're looking at, which, in a lot of cases, is replacement of aging infrastructure, putting new servicing where needed based on certain changes in growth in customer usage, as well as certain expenditures that we believe we're going to need to make to meet the safety code requirement and otherwise improve the safety and reliability of our system. So, all of these expenditures look like they are needed for customer service and don't look to require any specific regulatory approvals.

Q - Operator

So just to clarify there. Effectively, as long as you guys, you being Ameren, deem that they are required and needed that it's basically file and implement? I just wanted to get a sense.

A - Martin J. Lyons {BIO 4938648 <GO>}

Yeah, absolutely. And, as I said earlier in response to a question, obviously, we have to weigh all this with the timing of other projects we've got in our pipeline, make sure that we can execute this well for the benefit of our customers and certainly need to weigh these customer needs and these projects again with other projects in our system and with the rate impacts.

Q - Operator

Okay. That's great. Thank you.

A - Martin J. Lyons {BIO 4938648 <GO>}

Thanks, Kevin (48:10).

Operator

Thank you. Thank you. At this time, I will turn the floor back to Mr. Fischer for closing comments.

A - Douglas Fischer {BIO 1498560 <GO>}

Thank you for participating in this call. Let me remind you again that a replay of the call will be available for one year on our website. If you have questions, you may call the contacts listed on today's release. Financial analyst inquiries should be directed to me, Doug Fischer. Media should call Joe Muehlenkamp. Our contact numbers are on today's news release. Again, thank you for your interest in Ameren and have a great day.

Operator

Thank you. This concludes today's teleconference. Thank you for your participation. You may now disconnect your lines at this time.