Company Name: Ameren
Company Ticker: AEE US
Date: 2014-05-08
Event Description: Q1 2014 Earnings Call

Market Cap: 9,472.46
Current PX: 39.04
YTD Change($): +2.88
YTD Change(%): +7.965

Bloomberg Estimates - EPS
Current Quarter: 0.535
Current Year: 2.398
Bloomberg Estimates - Sales
Current Quarter: 1414.000
Current Year: 6129.857

Q1 2014 Earnings Call

Company Participants

- Warner L. Baxter
- Martin J. Lyons
- Maureen Borkowski

Other Participants

- Stephen C. Byrd
- Paul Patterson
- Julien Dumoulin-Smith
- Paul T. Ridzon
- Michael J. Lapides
- David A. Paz

MANAGEMENT DISCUSSION SECTION

Warner L. Baxter

Business Highlights

EPS

- We announced first quarter 2014 earnings of $0.40 per share, compared to first quarter 2013 earnings of $0.22 per share
- This increase was primarily the result of much colder winter temperatures, which drove higher electric and natural gas sales levels, increased revenues for electric transmission service
- Earnings comparison also benefited from lower interest expense, increased Illinois electric delivery earnings recognized under formula ratemaking and substantial elimination of business and administrative costs previously incurred in support of the divested merchant generation business
- Today, we also updated our earnings guidance for this year
- We now expect 2014 earnings to be in a range of $2.30 to $2.50 per share, $0.05 per share increase from our prior range of $2.25 to $2.45 per share
    - This increase incorporates the positive effect of the colder-than-normal first quarter temperatures just discussed
    - Marty will provide further details on first quarter earnings in a few minutes

Missouri Update

Legislative Matters

- Before he does so, I would like to update you on recent developments in our Missouri and Illinois utilities and our FERC-regulated electric transmission activities
- Turning to page five, I will begin my Missouri update by discussing legislative matters
- In the current session of the Missouri General Assembly, we have strongly advocated for legislation that would reduce regulatory lag and support investments in aging infrastructure; namely Senate Bill 909 and House Bill 2204
- However, with the legislative session scheduled to end next week on May 16, it does not appear likely that such legislation will win approval from the General Assembly this year
  - While progress was made in securing support for these bills from certain legislators who opposed the infrastructure legislation proposed last year, other legislative priorities, such as income tax and education reform, overshadowed the need to enhance policies to support energy infrastructure investment this session

Infrastructure Legislation

- We are disappointed that infrastructure legislation is not likely to be enacted this session, but this will not affect our ability to execute the strategic plan we have discussed with you in the past
- We have and will continue to operate and invest in our utility businesses in a manner consistent with existing regulatory frameworks

Five-Year Investment Plan

- Under the five-year investment plan, we presented to you in February, we will continue to allocate less discretionary capital to the Missouri operations and greater levels of capital to our Illinois energy delivery and transmission businesses, for regulatory frameworks are more supportive of infrastructure investment
- Nevertheless, another key component of our long-term strategy is to enhance frameworks and advocate for responsible energy policies
- As a result, we will continue to actively work with legislators and other key stakeholders to build support for energy policies that reduce regulatory lag and support investment in our aging infrastructure in Missouri
  - Such investment will result in long-term benefits for our customers, shareholders and the entire state of Missouri

Regulatory Matters

Rate Case in Missouri

- Moving from legislative to regulatory matters, I would like to update you on important pending and planned rate cases in Missouri
- Last month, the Missouri Public Service Commission established schedules for the electric rate shift and earnings complaint cases filed by Ameren Missouri's largest industrial customer, Noranda, which operates an aluminum smelter in Southeastern Missouri
- In the rate shift case, the Commission's schedule calls for hearings in mid-June and a decision on August 6; while in the earnings case, the schedule calls for hearings in late July and early August, with the decision on September 26
  - These schedules are summarized in the appendix to today's presentation

- In both of these cases, the burden of proof rests squarely on Noranda and the 37 residential customers who joined the complaint fillings

Rate Case in Noranda

- While Noranda's electric rate shift proposal is revenue neutral to Ameren Missouri, we do not believe Noranda's proposed reduction in its electric rates, which is significantly below its cost of service, is appropriate or in the best interests of our other 1.2mm electric customers, nor do we believe that an overall reduction in our electric rates is justified
- The testimony we file in the rate shift case tomorrow and in the earnings case on June 6 will strongly support our positions
- In fact, on July 15 Ameren Missouri will file a long planned electric rate increase request
  - This rate request will further demonstrate that Ameren Missouri's rates should be increased to recover updated operating costs, including higher net fuel costs, to recover and earn a return on additional electric infrastructure investments made for the benefit of our customers, and to reflect rebates provided for customer-installed solar generation

Infrastructure Investments

- The additional infrastructure investments include several significant projects
- These are: replacement of the reactor head at our Callaway Nuclear Energy Center in order to ensure continued safe and dependable operations; upgrades to the electrostatic precipitators at our coal-fired Labadie Energy Center to reduce emissions and make the air cleaner; two new substations in downtown St Louis; and construction of the O'Fallon Renewable Energy Center,, Missouri's largest investor-owned utility solar facility
  - All of these projects are scheduled to be completed by Q4 this year and therefore, eligible for inclusion in the new rates

CSAPR

- In summary, our rate increase request in Missouri is about providing our customers and the state with the safe, dependable and cleaner energy they need and expect
- I will conclude my Missouri update by commenting on the United States Supreme Court's recent decision upholding the Environmental Protection Agency's Cross-State Air Pollution Rule or CSAPR

EPA

- We are continuing to review the court's decision and expect the EPA to issue guidance on implementing the rule in the near future
- Assuming the EPA does not revise the emission reductions it previously included in CSAPR, we believe this new rule will have a minimal effect on our business
  - This is due to the fact that in recent years, we have taken a number of important actions to significantly reduce sulfur dioxide and nitrogen oxide emissions from Missouri energy centers

- We installed scrubbers at our Sioux Energy Center and began burning ultra-low sulfur coal in all of our coal-fired energy centers
- Further, we modified our generating units to lower nitrogen oxide emissions
  - These actions have positioned us well to comply with CSAPR

Illinois Regulatory Update

Electric Delivery Earnings

- Moving to page seven and an Illinois regulatory update
- I remind you that each year's Illinois electric delivery earnings are a function of that year's [indiscernible] (10:04) rate base, a formula determined allowed return on equity, which is the annual average of 30-year U.S. Treasury bond yields plus 580BPS and the ICC authorized equity ratio
- Illinois formula ratemaking requires Ameren Illinois to file for annual rate updates, to systematically update cash flows over time for changes in cost of service and to true up any period over- or under-recovery of such cost

Electric Rates

- Last month, Ameren Illinois filed an update seeking $206mm increase in electric rates reflecting 2013 actual costs, expected 2014 infrastructure investments and changes in prior period over- and under-recovery balances
- While the filing with the Illinois Commerce Commission would result in an increase in 2015 electric delivery service rates, total electric bills in 2015 are still expected to remain below 2011 levels from most customers
- An ICC order is expected by December of this year
- The new rates will be effective in January of next year

Electric Delivery Service

- Summary of our filing is included in the appendix of this presentation
- While we're on the subject of electric delivery service, I want to highlight the fact that our Illinois electric delivery customers are beginning to experience the benefits of a long-term approach to upgrading the state's electric infrastructure under the Illinois Energy Infrastructure Modernization Act; simply put, implementation of advanced technology is increasing electric system performance

Installation of Larger Poles and New Advanced Meters

- We are hardening our system by installing larger poles that can withstand stronger storms, installing smart sensors and switches to reduce outages, resizing transformers to meet future capacity needs for customers, and constructing new overhead and underground lines
- Company also plans to install new advanced meters beginning in the summer of this year
  - Over time, these upgrades will improve service by helping Ameren Illinois detect and isolate outages faster
- Customers will also have more information and new tools and programs to better manage their energy costs

Investments

- All in all, we are on track to meet the performance goals of and the incremental investments required by the Infrastructure Modernization Act, as well as pass the 2014 rate impact test of the Act
- Finally, investments in modernizing the grid are creating significant new jobs
- Since January 3, 2012, these forward-thinking energy policies have supported over 1,000 new jobs in Ameren Illinois' service territory alone, including contract workers
  - These jobs are providing a needed economic boost in downstate Illinois

FERC-Regulated Transmission Business

Investment

- Turning now to page eight and our FERC-regulated transmission business
- As we stated on our February earnings call, we currently plan to invest substantial incremental capital, $2.25B over the 2014 to 2018 period given local and regional needs for transmission investment and FERC's constructive forward-looking formula ratemaking framework
- I am pleased to report that our investment plans are proceeding as expected
- In particular, I would like to update you on activities at the Ameren Transmission Company of Illinois or ATXI
- We are in the early stages of construction of our largest single project, the approximately $1.1B Illinois Rivers MISO-approved regional multivalue project

Substation Construction

- Substation construction is already underway and line construction is expected to begin later this year
- We're also currently reviewing, and expect to update later this year, the estimated costs of this project
  - This estimate will incorporate the final ICC approved route, which is somewhat longer than originally proposed and accommodates certain property owner and environmental concerns

ATXI's Spoon River Project

- Next, I would like to update you on ATXI's Spoon River project, the MISO-approved regional multivalue transmission line between Peoria in Galesburg, Illinois that is expected to be in service by 2018

Open House Meetings

- We recently held a first round of six Open House meetings to inform area residents about the project and to receive input
- The second round of Open House meetings will be held in June, at which time ATXI will identify at least 2 possible routes
- We plan to request a Certificate of Public Convenience and Necessity for the Spoon River project from the Illinois Commerce Commission in Q3 this year and expect to receive a decision in mid-2015

- Spoon River's cost is estimated at approximately $130mm to $150mm, depending on the route approved by the ICC

Transmission Rate

- On the transmission rate front, a complaint case challenging MISO's current allowed return on equity of 12.38% and other aspects of ratemaking are pending at FERC.
- Ameren Illinois and ATXI electric transmission investments are subject to this MISO-allowed ROE
- We continue to be actively engage in this proceeding and strongly believe that constructive ratemaking policies within the allowed ROE level play a pivotal role in incenting investment

Five-Year Investment Plan

- Our five-year investment plan clearly supports this perspective
- While we can't predict the ultimate outcome of this case, we believe that FERC Commissioners are committed to encouraging transmission investment
- The FERC has not yet established a schedule for the MISO ROE complaint case
  - And we expect it will first resolve the pending New England ROE complaint case before acting on the MISO case

Customer and Shareholders Value

- Turning to page nine, I firmly believe that Ameren is well positioned to deliver superior value to our customers and shareholders as we execute on our strategy of investing in and operating our utilities in a manner consistent with existing regulatory frameworks, as well as working to enhance those frameworks and advocating for responsible energy policies
- Further, we are focused on creating and capitalizing on opportunities to invest in our rate regulated businesses for the benefit of our customers and shareholders

Discretionary Capital and Transmission Projects

- As shown at the top of this page, we are allocating significant and growing amounts of discretionary capital to Ameren Illinois' energy delivery and our FERC-regulated electric transmission businesses because we can improve the safety, ability and sustainability of the services we provide to our customers because these businesses operate under modern constructive regulatory frameworks
- We have a solid list of transmission projects that are expected to increase our FERC-regulated transmission rate base by approximately 28% compounded annually over the 2013 to 2018 period

Investments

- In addition, our Ameren Illinois investments are expected to contribute to projected Illinois electric and gas delivery rate base growth of 5% and 7% respectively on a compound annual basis
- Our five-year outlook incorporates expected Missouri rate base growth at only a 2% compound annual rate, reflecting the need for further enhancements to the regulatory framework, the reduced regulatory lag for investment

Outlook

In summary, over the next five years, we plan to invest almost $5B in the state of Illinois, consistent with our approach to strategically allocate capital in those jurisdictions that support investment and provide greater opportunities to earn fair returns on our investments compared to approximately $3.4B in the state of Missouri

Pulling all of this together, we continue to expect EPS to grow at a 7% to 10% compound annual rate from 2013 to 2018

This outlook is driven primarily by expected rate base growth of approximately 6% compounded annually from year-end 2013 to 2018, as shown at the bottom half of this page, as well as strategic capital allocation and disciplined cost management

Martin J. Lyons

Financial Highlights

Earnings

- Turning now to page 11 of our presentation, as Warner noted, today we reported earnings for Q1 2014 of $0.40 per share compared to $0.22 per share for Q1 2013
- Key drivers of this earnings improvement are listed on this page

Electric and Natural Gas Sales Volumes

- First, colder winter temperatures drove higher electric and natural gas sales volumes, increasing earnings by an estimated $0.07 per share compared to the year-ago period and compared to normal temperatures

Illinois & ATXI Electric Transmission Revenues and Interest Expense

- Second, increased Ameren Illinois and ATXI electric transmission revenues under FERC's formula looking ratemaking, reflecting 2014 infrastructure investments, boosted the earnings comparison by a total of $0.03 per share
- Third, lower interest expense, primarily at Ameren Missouri, increased first quarter 2014 earnings by $0.03 per share compared with Q1 2013

Parent & Other Results and Illinois Electric Delivery Service Earnings

- Fourth, parent and other results improved, reflecting the substantial elimination of business and administrative costs previously incurred in support of the divested merchant generation business
  - This benefited the earnings comparison by $0.03 per share
- Finally, Illinois electric delivery service earnings, recognized under formula ratemaking, increased $0.02 per share, reflecting 2014 infrastructure investments and a higher allowed ROE due to increased 30-year U.S. Treasury bond yields

2014 Earnings Guidance

Moving now to page 12

Warner already mentioned that we raised our 2014 earnings guidance to reflect the colder-than-normal first quarter temperatures

On this page, we list selected items to consider as you update your 2014 earnings models

- These include the effect on earnings that a return to normal temperatures would have on this year's remaining quarters

Debt Maturity

- Also, next week, Ameren's high-cost $425mm parent company debt issue will mature
- We plan to fund this maturity with short-term debt, but expect to issue approximately $200mm to $300mm of parent company long-term debt late this year as we continue to fund our ATXI infrastructure investment
- In addition, I want to remind you that the 2013 Callaway Energy Center nuclear refueling outage and the associated increase in operations and maintenance expenses was a second quarter event last year
- This year's refueling will take place in Q4

Earnings

- Finally, second quarter 2014 earnings should benefit compared to 2013 from the absence of last year's Missouri fuel adjustment clause disallowance, while fourth quarter 2014 earnings should benefit, again compared to 2013, from the absence of last year's Illinois debt redemption cost disallowance
  - Of course, these are only some of the factors that will have an effect on balancing the year 2014 earnings compared to last year

Summary

Turning finally to page 13, I will summarize

We are executing on a well-defined strategy, as mentioned by Warner

Our first quarter 2014 earnings results were strong

As a result, we have raised our guidance range for this year

Our investment plan, including our strategic allocation of capital, disciplined cost control and reduced parent company earnings drag, are expected to lead to EPS growth of 7% to 10% compounded annually from 2013 to 2018

- This growth rate is better than the expected average of our regulated peers

Further, Ameren's $1.60 per share annualized dividend rate provides investors with a yield of approximately 4%

Finally, we aspire to grow our dividend as earnings grow and expect our dividend payout ratio to be between 55% and 70% of annual earnings

QUESTION AND ANSWER SECTION

<Q - Stephen C. Byrd>: I wanted to talk about transmission growth plans beyond what you've already laid out, as I think about Entergy joining MISO, and as you think about your service territory being a linkage, could you talk about how you think about additional transmission growth plans? What would the process be, timing, et cetera for thinking through that? And is that something we should be actively thinking about?

<A - Warner L. Baxter>: Hey, good morning, Stephen; this is Warner. I'll touch on some of the big picture things. And then in terms of some of the timing maybe I'll ask Maureen Borkowski our CEO of our transmission business to step in. But big picture, we do see opportunities for incremental investments in transmission. Certainly, as you mentioned, you look at Entergy coming into MISO, and we see that there are clearly opportunities there. But I wouldn't limit it to just that. I would look at the opportunities at the MISO and PJM JCM, as well as between MISO and SPP, and frankly, beyond that, just with some of our NERC reliability project. If you put all those types of things together and we see over the next several years, real opportunities for growth in transmission.

And Maureen and her team, even today, are taking steps to position ourselves to execute on an investment strategy there; just as we did, frankly, many years ago to put ourselves in the position we we're at today to execute on the $2.25B that we're executing in that plan. So we absolutely – that something you should be thinking and something we are clearly thinking about, and we intend to execute on.

In terms of overall timing, Maureen, I know that there's a process going on, perhaps you can fill us in a little bit on that.

<A - Maureen Borkowski>: Certainly from a timing perspective, all of the RTOs are engaged in implementing their post-FERC Order 1000 processes, and we've been actively engaged and participating in those both in terms of the certification processes to participate as a transmission developer in those regions, as well as to participate in the planning process proposed projects.

We've actually already been pre-certified by both PJM and MISO to participate in that post-FERC Order 1000 process. We're working with Southwest Power Pool as they continue to develop their rules for certification. So we are in the development phase, I would say, at this point in time. But as Warner mentioned, those are all milestones that need to be met and as we continue to accomplish those, we're hoping to increase that portfolio of projects.

<Q - Stephen C. Byrd>: Great, thank you. And shifting gears over to Missouri, clearly, disappointing that the legislature didn't take action. Can you talk about what would need to happen, what would need to change in the state for there to be better appreciation for the need for more incentives to actually spend capital in the state? It sounds like other priorities, really, you're saying, Warner, sort of took higher priority this year. But just wondering what needs to change for the situation in Missouri to improve?

<A - Warner L. Baxter>: Yeah. Thanks Stephen; this is Warner. I think certainly there were other priorities that the legislature took on this year. And certainly, to be clear, I mean, there certainly was some opposition by certain consumer groups that really, I would say, are taking more of a shorter-term [indiscernible] (27:00) focus than a longer-term. So one of the things that we have been and will continue to do is continue to educate key stakeholders, not just legislators, but others around the state, about the importance of solid energy policy in the state of Missouri; about the importance of infrastructure investment. And not only how it's going to meet our customers' energy needs and expectations in the future, but also how we're convinced it can drive economic development and growth.

I think a great example that will be helpful for us are the great things that Richard Mark and his team are doing over in Illinois, in terms of using that constructive regulatory policy over there to invest in our infrastructure, helping deliver on the energy needs and expectations of customers and certainly driving job growth.

So it is an educational process that we'll continue to do. It is an outreach process to legislators and key influentials. And it's important that we continue to raise the priority level of responsible energy policies in the state of Missouri. And Michael Moehn, who I know has taken over in my role in Ameren Missouri, I know this is a top priority for he and his team. And we're going to continue be relentless in our discussions around this important energy policy in the state. But I think ultimately this is going to continue to be working, working very hard to educate key stakeholders and continue to advocate for that responsible policy.

<Q - Paul Patterson>: I was wondering if you could just give us a flavor for what the level of discretionary capital would have been if something like SB 909 had been implemented? How much more you would have been investing in Missouri? And where that would have come from? It would have come from Illinois? Or would it have been additional capital raised in the capital markets? How should we have thought about it?

<A - Warner L. Baxter>: Hi, Paul; this is Warner. I'll start with sort of the big picture about the incremental capital we thought we could put to work, and then I'll let Marty jump in, in terms of how we're thinking about the allocation of capital. The big picture: we looked at this legislation if it would have got across the finish line, it would have given us the ability to add, say, $50mm to $100mm per year of incremental discretionary capital we could put to work.

Now this bill was not – that we were talking about this session, was not the same bill that we had looked at in the past, nor is it really a similar bill that was done in Illinois where you get more timely recovery of costs. But no matter, we could clearly have put $100mm incrementally per year in variety of aging infrastructure projects, from both the transmission distribution and generation side of our business.

Marty, you want to touch a little bit about how we think about that in terms of allocation of capital?

<A - Martin J. Lyons>: Yes, sure, Warner. Paul, as I mentioned on our last call, what we'll do to the extent that we do have incremental CapEx opportunities, whether they be in Missouri at some point in the future or other parts of our business, is fully look at the relative returns that we can get on our various projects across the enterprise, look at our overall funding needs. But also look beyond the current 5-year period, as we've said before, to be developing sort of a pipeline of investment opportunities, rate based growth and earnings growth opportunities beyond the 5-year period through 2018.

So if the opportunities present themselves, no matter where they be, we'll take a look at enterprise-wide and across not just the 5 years but the 10 years, and decide whether to fund those incrementally in the short-term or rearrange our project timing to push some of those projects out and build that pipeline for the future.

<Q - Paul Patterson>: Okay. And I guess just to clarify this. There really was no – you guys in your forecast previously hadn't really baked in anything for SB 909, is that correct?

<A - Martin J. Lyons>: That's absolutely right, Paul. There was nothing baked into our CapEx guidance for that nor did we feel that that was necessary in order to achieve the earnings growth targets that we provided on our last call.

<Q - Paul Patterson>: Okay, great. And then on the Noranda case any potential for settlement? Or should we just expect this to be litigated like, I mean, what you guys think?

<A - Warner L. Baxter>: Hey, Paul; this is Warner. Look, big picture: we feel two things about those cases. Number one, about the earnings complaint case, we don't feel it's justified for our rates to go down, so we look forward to having that discussion before the Missouri Public Service Commission here over the next several months. And then secondly, I think we've been clear that we believe that the rate shift that Noranda is proposing is simply not in the best interest of our customers. And so, you should expect these cases to go before the Missouri Public Service Commission here over the next several months.

<Q - Paul Patterson>: Okay. And then just finally, the FERC ROE case that you guys touched on, looks like things are just sort of halted there. I'm just wondering if you had any other insight or read tea leaves in any certain way about how that might – or when something might happen there?

<A - Maureen Borkowski>: This is Maureen Borkowski. We really don't have any particular insight on either what might happen with the MISO case or even watching to see what happens with the New England case. One thing I will say, we were pleased to see the renomination of Commissioner LaFleur, and are also watching to see what happens with the Norman Bay nomination. I certainly think some of those things are things that need to be resolved perhaps, but we're watching it just like you are.

<Q - Julien Dumoulin-Smith>: So first quick question, if you will. Under the EIMA there seems to be a certain element of inflation permissible. As we're seeing some of the commodity prices recover, how are you seeing your latitude remaining under that mechanism? And if you could remind us a bit, when do we actually kind of true that up and test that, if you will?

<A - Martin J. Lyons>: Yeah, sure, Julien. Yeah, I think that under the legislation coming up actually here in July of this year, we'll be making a filing to show how rates have been impacted in Illinois across the board in terms of the total customers' bill. And interestingly, what's been happening since we got into the formula rates is the major components of the customers' bill, both the power prices as well as the delivery service component, both of those components have actually been coming down. So we said in our prepared remarks, well, number one, we expect that when we present that to the ICC, which is due again on or before July 31, we're going to show a reduction for our residential customers during that period.

We also had mentioned in our prepared remarks that while we did just file recently a rate update case that would take effect early in 2015, we still believe even with that increase that the total electric bills for most of our customers will still be below the 2011 levels. So, so far, so good in terms of not only meeting the overall test, if you well, which was a 2.5% compound annual growth rate in total bills, we're actually believe that the bills for our customers are actually down vs. where we started.

<Q - Julien Dumoulin-Smith>: Great, thank you very much. I suppose just a second question in light of CSAPR of late, but more broadly, environmental spending, especially focusing here in Missouri at this point, how are you thinking about your exposure A) to coal ash; and then secondarily, to future rounds of regulations [ph] 1R, (35:35) SO2, et cetera, what kind of spend are you thinking about in the latter half of the decade as you might tactically shift back to Missouri at some point in time?

<A - Warner L. Baxter>: Julien, this is Warner. In the bigger picture I think that our team has done a nice job and positioned ourselves well to comply certainly with the existing environmental regulations. We're well positioned to address the MATS rules with these electrostatic precipitators and, as we've said, we're well positioned to address CSAPR.

But we certainly can't predict what the new rules are going to be in the future. And so certainly as the [ph] DASH (36:16) rules get finalized, we will obviously take the steps to comply with them. As we all know, here in June there'll be potentially proposed rules around greenhouse gas regulations. The one thing I will say is that we'll continue to be advocating for responsible energy policies. We will take a very active role within the industry, within the state and federally to try and make sure that we have responsible energy policies that factor in the impacts on customers, the economy and certainly environment. And so with that that's really how we see it is as we sit here right now.

<A - Martin J. Lyons>: Yeah, Julien, the only other thing I would add – this is Marty, is go ahead and take a look at the 10-K disclosures we've made and we'll update them as appropriate in the 10-Q, though I don't think there's anything major in terms of latter half of the decade changes and estimates for costs. I – the 10-K is probably the best reference in terms of some of those longer-term potential CapExs.

And the other thing that I'd just remind you of and everybody else, we'll be also filing an Integrated Resource plan in Missouri later this year, in the October timeframe. And that'll also be a document that you might reference in terms of thoughts on our future generations.

<Q - Julien Dumoulin-Smith>: Great and perhaps just a last quick clarification of the last question here around Noranda settlement, et cetera. How does the Noranda case ultimately play out in terms of your own upcoming filing? Obviously, the timing of the decision relative to when you file the Missouri case doesn't exactly coincide. Is there any potential true-up or any impact at all as you think about one vs. the other?

<A - Warner L. Baxter>: Julien; this is Warner. The bottom line is that we intend to file our electric rate increase request by July 15th, and we will execute that case as planned. We will have these other proceedings going on, and perhaps in parallel, perhaps it'll be consolidated at some point, we simply can't predict. But we know that we will be filing our other electric rate increase requests by mid July.

<Q - Paul T. Ridzon>: Do you still expect kind of the merchant costs to whittle away half of those this year?

<A - Martin J. Lyons>: Yeah, Paul, this is Marty. You're correct. The guidance we gave at the beginning of the year – last year, we had about $0.18 of parent and other costs. It was both a G&A cost as well as parent interest costs. And our guidance at the beginning of the year was that we would expect to reduce this year down to about $0.10 per share. And we are on target to accomplish that, if not beat that slightly.

<Q - Paul T. Ridzon>: And I know it's less pertinent to you, but what's the update on SB 702?

<A - Warner L. Baxter>: Paul, the SB 702, this is the property and transmission cost trackers, is that what you're referring to?

<Q - Paul T. Ridzon>: Yes, yes.

<A - Warner L. Baxter>: The update is as follows, that that bill has been passed, and a bit different, but similar conceptual bill in the House have been passed by the two committees, the Energy committees, both in the Senate and the House. And so it has not received floor debate. And as we said, we're coming up to the end of session. So while not impossible for that bill to still get – potential have passage, obviously, as each day goes by it becomes more challenging.

<Q - Michael J. Lapides>: I have a couple of questions, first on Missouri. Can you talk about the rate base in Missouri that is being mentioned in the two cases that are outstanding, the complaint and the earnings – the rate design case and the earnings complaint case vs. the amount of rate base addition that might be included in a filing? I'm thinking the work at Labadie, the reactor vessel head that you mentioned at the beginning of the call. I'm just kind of trying to get a picture of how much incremental rate base that is? I know that's capital spending, probably previously disclosed. I'm just not sure of any of the offsets.

<A - Warner L. Baxter>: Well, Michael, this is Warner. I'll try and take a high-level shot, because you know the fact of the matter, the specific rate base in the earnings complaint case is still, I would say, a moving target. No one really knows the specific rate base, I think ultimately the final test year and true-up period is still under discussion. So we really don't have that.

In terms of the rate design case, rate base may not be as critical a discussion as it would be in the other earnings case. What I would say is this, as we've talked about in our talking points, just in terms of incremental capital additions I mentioned three that are – a few of them that out there. Number one is the Calloway, the reactor vessel head at Calloway. We had the precipitators that are taking place at our Labadie Energy Center. We have a new solar energy facility, which will coming on in H2. And then we've actually added two new substations downtown.

Those projects alone, I'm not talking about the rest of our projects rate, they alone are about $370mm. And so then you can look at some of the other disclosures that we've had in the past in terms of our rate base may be growing, but those are just some meaningful projects that whether a piece of those will be included in this rate base, but certainly they will be included in our rate case that we'll file in July.

<Q - Michael J. Lapides>: And the best way to think about what you'll file in July is you'll use kind of an ending year 2014 rate base, because you're doing a midyear filing, the known and measurable process, like you kind of true that up?

<A - Warner L. Baxter>: Yeah, I mean, that's right. We will do a known and measurable process and, historically, what you typically see is a true-up of about six months post that test year. And so obviously, when we think about filing rate cases, we factor all those elements into our thinking, including meaningful rate base additions. And so that's all part of the effective managing of a case process, from our view.

<Q - Michael J. Lapides>: Got it. One or two other items, on the Illinois side, we've seen a – I mean, the broader markets have seen a pretty decent downdraft from kind of the highs in terms of where the 10-year Treasury was and where the 30-year Treasury yield was. Can you talk about just the earnings sensitivity in Illinois to changes in the 30-year Treasury?

<A - Martin J. Lyons>: Yeah, sure, Michael. This is Marty. One of the – I'm sorry, a little background noise there, I was distracted. The best way to think about is we've talked before about a 50 basis point [indiscernible] (43:35) in Illinois is about $0.025 per share of those electric delivery earnings. So I think that's probably the best thing to think about. Coming into this year with respect to the ROE, we would expect sort of a formula midpoint of about [audio gap] (43:59), which is – we were expecting a 30-year Treasury of about 4.1%. And as we sit here now and based on as we look at our guidance, given Treasury rates – 30-year Treasury to-date plus a Blue Chip consensus estimate as of May 1, we're thinking it could be a little lower than that 4.8% maybe around 3.8%, which would give us an [ph] ROI (44:23) about 9.6%. So at that 9.6% vs. the 9.9% expected, I mean, again, it's probably about $0.015 of earnings right there, if that holds.

<Q - Michael J. Lapides>: Got it. And one last…

<A - Martin J. Lyons>: In the grand scheme of the earnings…

<Q - Michael J. Lapides>: Not a big number.

<A - Martin J. Lyons>: Not a big number.

<Q - Michael J. Lapides>: Okay. And then just one last question, I'm trying to think through O&M over the next couple of years. Callaway outage in 2014, no Callaway outage in 2015, but one in – I guess and like if you're on an 18-month cycle or 20-month cycle that would imply like second quarter-ish, first quarter-ish 2016. Do you incur all of the O&M still in the quarter incurred? Or is there some amortization, meaning, would 2015 benefit because there is no Callaway outage O&M in 2015, but then you'd have it back into 2016?

<A - Martin J. Lyons>: Yeah, Michael, absolutely, that is about [audio gap] (45:50) 10 months of this Q4 this year. We expect to have another about [audio gap] (45:57) cost for Callaway refueling. Next year, we would not expect to incur those costs. So there's no amortization of the actual cost. We end up reflecting those and incurring them in the quarter that they incur. From time to time, and I'm not certainly giving out the 2015 guidance, but we certainly think about our outage schedules with respect to our other fossil-fired generating units too though as we think about year changes in O&M, so there's some variability there as well.

<Q - Michael J. Lapides>: Got it, okay. Thank you. And one final one on Illinois Rivers, how significant was the route change? I'm just kind of think about what the kind of directionally, what the capital spending change could potentially be when you re-file.

<A - Martin J. Lyons>: Well, it's not going to be necessarily to re-file, but we'll provide you – what we're basically saying on the call is that as we go through the year, at some point, we'll give some updated guidance on CapEx. And just wanted to y'all to know we were looking at the overall final project plan, timing and CapExs for that project.

Overall, as Warner mentioned in his talking points, the route was, I'll call it, marginally longer. There were numerous angles that we're in the final plan to accommodate property owners and avoid environmentally sensitive areas. So all of those things we do think put some modest upward pressure on the total cost of the project. But as I said, again, we're working through the final project plans, CapEx amounts and timing. And as I said, I think in response to a question earlier, what we do then is we'll step back and look at our overall Ameren wide spending plans and allocate capital as we feel appropriate.

<Q - Michael J. Lapides>: Okay. And can you remind us what was the original capital for that project? And what was the length of the original plan, meaning mileage?

<A - Martin J. Lyons>: I don't think I have the length of the original plan, but our cost estimates you see in our slides have not been changed, so the cost estimates that you have in the slides are the same cost estimates that we've provided historically. And we're just simply saying that we do expect to be some moderate upward pressure on those cost estimates, and we'll provide updates later on. But – so I don't have the exact change in the miles, but the miles were an impact. But also, like I said, twists and turns to avoid certain properties also had an impact.

<Q>: Good quarter. Curious, weather was beneficial in the quarter, as you say, by $0.07. You raised the guidance for the year by $0.05. What's going on that's going to take – and then you list a bunch of other things, most of which are positive this year vs. last year for the next three quarters. What's going on that's going to go bad and keep that large range full year guidance?

<A - Martin J. Lyons>: [ph] Carl (49:37), this is Marty. Thanks for the question. When you look at those various drivers for the quarter, they were positive vs. the prior year…

<Q>: Right.

<A - Martin J. Lyons>: …and many of those were right in line with our expectations, when we put out the guidance. So the first one that temperatures was really the one that was unexpected and drove electric margins about $0.05 higher, gas margins by $0.02 higher. So the weather clearly had a benefit. When we think about the guidance for the year, which we started at $0.20 and we're still at $0.20, it's important, obviously, to remember that the bulk of our earnings come in Q3 the year. So we've got a long way to go here for the remainder of the year, both in terms of calendar month, but also in terms of where the bulk of our earnings really come from.

So in thinking about it, while weather benefited of $0.07 and we're raising our guidance about $0.05, there are obviously in a forecast there are always things as you move through to time that change either +/-, in terms of a little bit of a negative, certainly, talked about the 30-year treasuries earlier on the call, which if our updated Treasury forecast holds, probably costs us maybe $0.015 or so vs. our initial expectations.

Then again, we're doing well in terms of reducing the parent and other costs. Expect to do well in terms of refinancing of that parent company debt, we'll probably pick up about $0.015 there [indiscernible] (51:17). So – and it's interesting about interest rates, kind of cuts both ways for us in terms of savings on the re-financings it's a benefit.

We mentioned sales when we did look at our Q1 sales, frankly, absent weather normalization they were actually a little better than expected. So taking credit for that, but not really changing the balance of year expectations, probably picked up about $0.01 there and then we lost a little bit in the expectation of a higher effective tax rate.

So those things we didn't all call out, there are a bunch of pluses and minuses that are $0.01 here, or $0.01 there. Again, weather was a big benefit, upped our guidance. And the guidance range simply reflects we got a long way to go this year.

<Q>: Okay. And given the breadth of the range, hopefully, you'll tighten that up a little bit, perhaps at the next quarter?

<A - Martin J. Lyons>: Yeah, historically, we'll continue to evaluate it. I think, historically, maybe we tighten it up a little after Q2. But really, as I said before, Q3 is where the bulk of the earnings come. We [indiscernible] (52:22) pretty significantly after Q3.

<Q>: Okay. Well, we'll all keep our fingers crossed, particularly with regard to Missouri.

<A - Warner L. Baxter>: Great, thanks, [ph] Carl (52:32).

<A - Martin J. Lyons>: Thanks, [ph] Carl (52:33).

<Q - David A. Paz>: What was your – I think you just touched on this, Marty, though, what was your weather adjusted sales growth by segment?

<A - Martin J. Lyons>: Yeah. No, I didn't go through that in any detail. In response to the last question, I simply kind of mentioned it. But I think I'll go ahead and go through it in some detail if you'd like. I'd remind you that coming into the year, we did expect that residential and commercial sales would be down about a full 1% and industrial down about 0.7%. And remind you that 1% decline in residential and commercial, really, we expected that to be driven by significant investment in energy efficiency in Missouri, as well as just sort of national energy efficiency lighting standards.

For the quarter, our heating degree days were up about 19% compared to last year, and about 26% compared to normal. And as I said on the call, we estimate both of those had an impact of about $0.07, about $0.07 positive compared to the normal and compared to the prior year. And we weather normalize our residential and commercial sales, they're actually up about 0.8%.

Illinois was really driving that. Illinois residential and commercial sales up, while Missouri was down, which was certainly our expectation that they would be down, given some of the energy efficiency spending. But I would say that overall and what I said in the last Q&A was that that was better performance, I would say, in terms of sales growth, both in Illinois and Missouri than had been expected, despite Missouri being down; it was just down less than expected.

Absent the impacts of the energy efficiency programs in Missouri, which as I mentioned – I think I mentioned on the prior call, we get recovery and are basically made whole of the impacts of energy efficiency investment in Missouri, we actually estimated, excluding those impacts of energy efficiency, so both weather normalizing and stripping out the impacts of energy efficiency, that the residential and commercial sales in Missouri also would have been up maybe 0.5% or so across the residential and commercial class.

So in overall, David, I think it was a positive. What I said in the last response though is I think for the remainder of the year, we're going to continue to take a cautious approach and take credit for the good performance here in Q1, but not really raise our expectations for the remainder of the year.

I guess a couple of other comments in the sales area. I'd remind you the last year our sales in that residential/commercial were up about 0.6%, which was good. Our customer accounts in Q1 were up about 0.3% in residential and commercial. So there are some good signs there and we'll continue to watch that.

In terms of industrial sales, again, Missouri was up, which was positive. We saw that last year. We saw about 0.3% of increase, nothing huge, but nonetheless a little bit of positive growth in Missouri, which was great. Illinois, as I mentioned in our last call, we continue to see industry struggling there, where we saw our industrial sales down about 2.6%. So that's kind of an update, unless you want more in terms of what we saw in terms of sales.

<Q - David A. Paz>: I can follow-up offline on that. I just had a couple of quick ones. I understand your rate cases in Missouri are based on historical test year. Just wanted to confirm that sales are weather normalized in rate cases, correct?

<A - Martin J. Lyons>: Absolutely, yes.

<Q - David A. Paz>: And I presume it will be the same in the pending, over earnings complaint?

<A - Martin J. Lyons>: Well, again, we'll see how that proceeding plays out, but absolutely, we believe that in the process of setting rates that sales levels should be normalized for weather.

<Q - David A. Paz>: Great. And then just your coal stockpiles, I'm just curious what they're looking like right now as we head into shoulder? Or I guess we're in the shoulder season.

<A - Martin J. Lyons>: Yeah. I would say that we don't typically give out our exact coal pile levels, but...

<Q - David A. Paz>: Are they normal or about normal?

<A - Martin J. Lyons>: Yeah, I would say that they're normal.