Q1 2018 Earnings Call

Company Participants

- Doug Fischer, Senior Director of Investor Relations
- Marty Lyons, EVP & CFO
- Michael Moehn, Chairman & President, Ameren Missouri
- Warner Baxter, Chairman, President & CEO

Other Participants

- Ashar Khan, Analyst, Verition Fund Management
- Julien Dumoulin-Smith, Analyst, Bank of America Merrill Lynch
- Kevin Fallon, Analyst, Citadel
- Michael Lapides, Analyst, Goldman Sachs
- Paul Patterson, Analyst, Glenrock Associates
- Paul Ridzon, Analyst, KeyBanc Capital Markets

Presentation

Operator

Greetings and welcome to the Ameren Corporation First Quarter 2018 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. (Operator Instructions) As a reminder, this conference is being recorded. It is now my pleasure to introduce your host Doug Fischer, Senior Director of Investor Relations for Ameren Corporation. Thank you, sir. You may begin.

Doug Fischer {BIO 16481971 <GO>}

Thank you and good morning. 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. Warner and Marty will discuss our earnings results and guidance, as well as provide a business update. Then we will open the call for questions.

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

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

For additional information concerning these factors, please read the forward-looking statement section in the news release we issued today, and the forward-looking statements and risk factors sections in our filings with the SEC. Now, here's Warner who will start on page 4 of the presentation.

Warner Baxter {BIO 1858001 <GO>}

Thanks, Doug. Good morning everyone and thank you for joining us. Earlier today we announced first quarter 2018 earnings of $0.62 per share compared to $0.42 per share earned in the first quarter of 2017. The year-over-year increase of $0.20 per share was driven by higher Ameren Missouri electric service rates effective April 1, 2017, as well as higher Ameren Missouri electric retail sales, primarily due to colder winter temperatures this year compared to the very mild temperatures experienced in the year-ago period.

In addition, the comparison benefited from earnings by increased infrastructure investments made at Ameren Transmission, Ameren Illinois Electric Distribution and Ameren Illinois Natural Gas. Marty will discuss these and other factors driving the quarterly results in more detail in a moment.

I'm also pleased to report that we remain on track to deliver strong earnings results in 2018 in a range of $2.95 per share to $3.15 per share. We continue to focus on executing our strategic plan, which includes operating our businesses safely while strategically allocating capital and exercising disciplined cost management.

Moving to page 5, here we reiterate our strategic plan, which we have been executing very well over the last several years. That plan is expected to continue to result in strong long-term earnings growth. As you can see on the right-side of this page, during the first three months of this year we invested over $325 million or nearly 60% of total capital expenditures in our transmission and distribution businesses where investments are supported by regulatory frameworks that provide fair, predictable and timely cost recovery.

For Ameren Transmission, the Illinois Rivers and Mark Twain projects remain on schedule for completion by the end of 2019 and we continue to make significant investments in Ameren Illinois local reliability projects. For Ameren Illinois Electric and Natural Gas Distribution businesses, substantial grid modernization investments continue, including replacing aging infrastructure, supporting system capacity additions, making reliability improvements and deploying smart electric meters and gas speeder modules.

And finally, for Ameren Missouri investments continue to be focused on providing safe and adequate service across our entire system. Speaking of Ameren Missouri, we are working on two key strategic initiatives that support important incremental investments that will deliver significant long-term benefits to our customers and the state of Missouri. These initiatives are our effort to enhance the Missouri electric regulatory framework and our plan to add significant wind generation to Ameren Missouri's energy portfolio.

Turning now to page 6, I will update you on the first of these strategic initiatives, our efforts to enhance the Missouri regulatory framework through legislation. As you know, over the last several years Ameren Missouri has worked with other Missouri investor-owned electric utilities, state leaders and key stakeholders to modernize energy policies through a legislation to support incremental investment in the state's energy grid.

Consistent with the benefits we have seen in Illinois and around the country, modernized policies to support energy infrastructure investments would lead to a more reliable and smarter energy grid, as well as provide greater tools for customers to manage their future energy usage. In addition, modernized policies will position us to meet our customers' energy and rising expectations and create significant quality jobs for Missouri.

As most of you know, the Missouri Senate passed Senate Bill 564 earlier this year on a strong bipartisan vote. The bill is now ready to be taken up for consideration by the full Missouri House representatives. If the bill passes the House without amendment, it will be sent to the Governor. If enacted, Senate Bill 564 will significantly enhance Missouri's electric regulatory framework.

In particular, it will support our ability to invest an incremental $1 billion in infrastructure for 2023 to deliver significant benefits to our customers and better position Missouri for the future. In addition, the Missouri PSC would be granted one time authority to pass on to customers in a very timely fashion, the savings stemming from the lower federal income tax rate retroactive to January 1, 2018.

Further, customers would benefit from the rate certainty this legislation provides, but the base rates will be frozen until April 1, 2020 and average overall rate increases would be capped at 2.85% compounded annually to 2023. The legislation will also provide economic development rates for certain incremental electric sales to larger customers and it would maintain continued strong Missouri PSC oversight and consumer protections. Bottom line, if that passes this legislation, it will create a win-win for our customers, the state of Missouri and our shareholders. We will contain to work closely with key stakeholders through the end of the session on May 18 to get this important legislation passed.

Moving on to page 7 for an update on another key strategic initiative, our wind generation investment plans. We continue to make progress with Ameren Missouri proposed investment in at least 700 megawatts for approximately $1 billion of wind generation to achieve compliance with Missouri's renewable energy standard. In fact we expect to file for certificates of convenience and necessity for ownership of at least 400 megawatts by June 30 with Missouri PSC.

Decisions on these requests are expected within six to ten months of filings. Further, we continue to hold discussions with other wind developers and expect to file for certificates of convenience and necessity for ownership of the balance of our wind generation needs this year. And finally, Regional Transmission Organization interconnection studies are already underway for sites under consideration. We look forward to executing this important component of our integrated resource plan because we believe it will deliver clear benefits to our customers, the environment and the communities we serve.

Turning now to page 8, in February we rolled forward our five-year growth plan, which includes our expectation of 5% to 7% compound annual earnings per share growth for the 2017 through 2022 period, using 2017 core earnings per share as a base. This earnings growth is primarily driven by expected 7% compound annual rate base growth over the same period.

Importantly, our five-year earnings and rate base growth projections do not include $1 billion of potential incremental capital expenditures through 2023 associated with Missouri Senate Bill 564 or the incremental investment opportunity of approximately $1 billion of wind generation by 2020. Further, we have a strong long-term infrastructure investment pipeline beyond 2022.

In closing, we believe our strong earnings outlook combined with our solid dividend, which currently provides a yield of approximately 3.2%, results in a very attractive total return opportunity for shareholders compared to our regulated utility peers.

Now before I turn the call over to Marty, I'd like to mention two recent and important enhancements to our disclosures with environmental, social and governance matters. First, in March we issued our initial EEI, ESG/sustainability report which will supplement Ameren's already substantial reporting on these issues. This report is part of a voluntary industry initiative co-ordinated by the Edison Electric Institute to provide electric industry investors with more uniform and consistent environmental, social, governance and sustainability-related metrics.

And finally, just last week we issued our Annual Corporate Social Responsibility Report. Both reports are available at amereninvestors.com. Again, thank you all for joining us today and I'll now turn the call over to Marty.

Marty Lyons {BIO 4938648 <GO>}

Thanks, Warner, and good morning everyone. Turning now to page 10 of our presentation, as Warner mentioned, today we are reported first quarter 2018 earnings of $0.62 per share compared to earnings of $0.42 per share for the year-ago quarter. The key factors that drove the overall $0.20 per share increase are highlighted by segment on this page.

First, I would like to note that the lower 2018 federal corporate income tax expenses were almost entirely offset by a reduction in revenue, reflecting the expected pass-through of the savings to customers. For our Transmission and Illinois Electric and Gas Distribution segments, we have already received approvals from the FERC and ICC, respectively, to pass on approximately $115 million of 2018 federal tax savings to customers. And if Missouri Senate Bill 564 is enacted, that total would reach nearly $250 million.

Now, back to first quarter results. Ameren Missouri, our largest segment and also the largest driver of the year-over-year earnings improvement, reported an increase of $0.14 per share, up from $0.02 per share in 2017 to $0.16 per share in 2018. This improvement was driven by higher electric service rates effective April 1, 2017, as well as higher electric retail sales, primarily due to colder winter temperatures this year compared to the very mild temperatures experienced in the year-ago period.

These two favorable factors were partially offset by higher other operations and maintenance expenses, primarily due to higher-than-normal scheduled non-nuclear plant outages. Turning to Ameren Illinois Natural Gas results, earnings for this segment grew $0.04 per share, reflecting increased infrastructure investments as well as benefits related to the lower 2018 federal income tax rate. So, this tax benefit is expected to almost entirely reverse by year-end 2018.

Finally, earnings for Ameren Transmission and Ameren Illinois Electric Distribution were each up slightly, reflecting increased infrastructure investments. In summary, we had a positive start to the year with increased earnings across all four operating segments.

Before moving on, let me briefly cover electric sales trends for Ameren Missouri and Ameren Illinois Electric Distribution for the first three months of this year compared to the first three months of last year. Weather-normalized kilowatt-hour sales to Missouri residential and commercial customers on a combined basis increased about 1.5%, excluding the effects of our energy efficiency plan under MEEIA. We exclude MEEIA effects because the program provides rate recovery to ensure that earnings are not affected or reduced electric sales resulting from our energy efficiency efforts.

Weather-normalized kilowatt-hour sales to Illinois residential and commercial customers on a combined basis increased about 1%. Recall the changes in electric sales in Illinois, no matter the cost, do not affect our earnings since the Future Energy Jobs Act provided for full revenue decoupling beginning in 2017.

Moving to page 11 of our presentation, I would now like to briefly touch on key drivers impacting our 2018 earnings guidance. As Warner stated, we continue to expect 2018 diluted earnings to be in a range of $2.95 to $3.15 per share. Select earnings considerations for the balance of the year are listed on this page. I will not comment specifically on these considerations since they are largely self-explanatory and consistent with the 2018 earnings drivers and assumptions discussed on our February earnings call.

Moving now to page 12 for a discussion of select regulatory matters, for Ameren Transmission there has been no change in the status of the second complaint case pending at the FERC that seeks to reduce the base allowed ROE for MISO transmission owners. We continue to expect that the FERC commissioners will consider the court ruling in the New England ROE case, as well as the MISO transmission owners motion to dismiss the second MISO ROE complaint case as both may influence the future MISO allowed ROE.

Moving to Ameren Illinois Electric Distribution regulatory matters, last month we made our required annual electric distribution rate update filing. Under Illinois' formula rate making, our utility is required to file annual rate updates 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. The ICC will review the matter in the months ahead with a decision expected in December of this year and new rates effective early next year.

For perspective, if the requested rate update is approved by the ICC, all-in 2019 residential electric rates for customers taking delivery and energy service from Ameren Illinois will have decreased by an estimated 1% since electric formula rate making began in 2012, even after incorporating substantial infrastructure investments made for the benefit of customers.

Moving to page 13, in Ameren's Natural Gas regulatory matters, earlier this year we filed with the ICC for an annual increase in gas distribution rate using a 2019 future test year. On this page we updated our request for stipulations and agreements with the ICC staff that incorporate a 9.87% allowed ROE and up to a 50% equity ratio. A decision is required by December of 2018 with new rates expected to be effective in January 2019.

Turning now to Missouri regulatory matters, in late February the Missouri PSC staff issued its report recommending the Commission open a proceeding for each utility and pursue rate reductions to pass savings from the lower federal income tax rate on to customers. Of course, if Senate Bill 564 is enacted, Ameren Missouri would pass savings from the lower federal rate on to electric customers in a timely fashion and retroactively applied to January 1, 2018 pursuant to the bill's provisions.

Finally, turning to page 14, I will summarize. We expect to deliver strong earnings growth in 2018 as we successfully execute our strategy. As we look over the longer term, we continue to expect strong earnings per share growth driven by rate base growth and disciplined financial management.

Further, we expect this growth to compare favorably with the growth of our regulated utility peers. In addition Ameren shares continue to offer investors an attractive dividend. In total, we have an attractive total shareholder return story that we believe compares very favorably to our peers. That concludes our prepared remarks. We now invite your questions.

Questions And Answers

Operator

Thank you. We will now be conducting a question-and-answer session. (Operator Instructions) Thank you. Our first question comes from the line of Julien Dumoulin-Smith with Bank of America Merrill Lynch. Please proceed with your question.

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

Hi, good morning.

A - Warner Baxter {BIO 1858001 <GO>}

Good morning, Julien, how are you doing?

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

Quite well. Thank you very much. I wanted to follow-up first on the wind investment side of the equation. I just want to dig in a little bit on the 700 megawatts and the breakdown between the

400 megawatts and the balance, if you will. Can you talk a little bit about the sort of the timeline here with respect to the incremental, you talked about the 400 megawatts being filed by June 30. What about the remainder here as far as the timeline, do you see the CapEx dollars and how should we be thinking about it if you ultimately are awarded the cadence of the CapEx vis-a-vis the plan?

A - Warner Baxter {BIO 1858001 <GO>}

So, Julien, this is Warner. I'll start with the overall timing and then I'll let Marty comment a little bit more on the CapEx piece. As we said, we expect to file certificates of convenience for these 400 megawatts by June 30 and then it is our expectation that we will fill in the rest of our wind generation needs with agreements and filings with the Missouri Public Service Commission by the end of 2018. So, Michael and his team in Ameren Missouri have been working hard with many of the developers and they will continue to do so. So, Marty, do you want to comment a little bit about the CapEx and the cadence associated with that?

A - Marty Lyons {BIO 4938648 <GO>}

Julien, taking your question in terms of the cadence as when will the CapEx occur relative to our plan, I think with regard to all of these projects, our objective is to get them in service by the end of 2020 in order to take advantage of the production tax credits. Depending upon how we finalized negotiations, for example, if they were ended up being build transferred agreements, then likely the CapEx would really occur in that 2020 timeframe. And again, the goal here is approximately 700 megawatts or at least 700 megawatts with approximately $1 billion overall spending.

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

Just to clarify, why is it broken up between 400 megawatts and 300 megawatts, is it basically if I were to read between the lines, the 400 megawatts you've sort of established and the 300 megawatts would be likely a build on transfer, is that the right way to interpret this?

A - Marty Lyons {BIO 4938648 <GO>}

No, it's not, Julien. It's really just the status of our ongoing negotiations. So we have ongoing negotiations with multiple developers and it is just how we see the timeline unfolding this year in terms of completing negotiations and getting CCNs filed. It really does not have anything to do with the nature of the ultimate agreement, whether it be a build transfer or otherwise, it's really just a situation where you're negotiating with multiple developers for multiple sites, but at the end of the day the goal with respect to all 700 megawatts is to get those megawatts into service providing value to customers in the 2020 timeframe.

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

Excellent. And then just as we come to the end of the legislative session here, sort of curious what are options, if you will, assuming there is an extension even beyond the end of the session here in the spring?

A - Warner Baxter {BIO 1858001 <GO>}

Julian. This is Warner, I'm not quite sure if I understand what you mean by options, but let me just say what we're focused on. We're focused on Senate Bill 564 which now has passed all the -- received approval by all the necessary legislative committees, it is now very well positioned in the House of Representatives. So as you've been following this, I know you have, there's been a great deal of hard work, collaborative efforts and compromise to get this bill to where it is positioned now and along the way, every time as the bill has been reviewed by one of the committees, it's received strong bipartisan support. So now we have until May 18. And so, Michael Moehn and this team are very focused on working with key stakeholders, to make sure that gets adequate time in the floor and at both in the House of Representatives.

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

Got it. So, it sounds like for the time being focused on the May 18 deadline and then we'll talk about anything after at another point in time?

A - Warner Baxter {BIO 1858001 <GO>}

We are focused on May 18th period.

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

Excellent. Best of luck.

A - Warner Baxter {BIO 1858001 <GO>}

Thank you.

Operator

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

Q - Paul Patterson {BIO 1821718 <GO>}

Good morning.

A - Warner Baxter {BIO 1858001 <GO>}

Good morning, Paul.

Q - Paul Patterson {BIO 1821718 <GO>}

We're focused on the 18th as well, but anyway, just the impact of the wind rates, could you remind me what you guys are thinking in terms of -- what you think the impact of the wind projects might be on rates, we've seen some utilities talk about actual rates going down. I'm just wondering what you guys are thinking.

A - Marty Lyons {BIO 4938648 <GO>}

Yeah, Paul, this is Marty. We have not said specifically what we expect the impact could be. Over time as we file for the certificates of convenience and need and update the Commission on our plans for compliance with the renewable energy standard, we'll certainly provide that information to them.

Overall what we have said, which is consistent with the law, is that we do believe that we can ultimately own the 700 megawatt to comply with the renewable energy standard, that the overall investment that we will make and the impact on customer rates would result in rates on average rising less than 1% on average over a 10-year period, projected period following the wind being put in place, and that's really a requirement of the renewable energy standard. That's not to say, however, that we expect that rates would rise that much necessarily on average.

As you note, there could certainly be expected benefits from the wind over time depending especially on what power prices are over time. So, in any event, we haven't said specifically, but we will be providing those updates to the Commission through time and we do expect that, like I said, we'll be able to deliver these projects and keep the impact on rates at that under -- that 1% average.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay, great. And then on the tax side, if the legislation were to happen, how would we think about this offset that you guys have, I guess booking in terms of the tax benefit, if you follow me. How would we think about that -- how should we think about the tax benefit impacting your earnings for the -- I know you guys don't expect this, but if the legislation were for some reason not to happen, how should we think about it?

A - Marty Lyons {BIO 4938648 <GO>}

Well, I think if. If the legislation comes to pass, number one, we would expect that the Commission would have a proceeding then to figure out how much and over what period of time we would end up providing the benefits of the tax reform to customers. Again, as required by law that proceeding could be initiated. Right now as it relates to our financial results, just to be clear, our financial results for the first quarter don't assume that any benefit is retained by the shareholders and that we have established an accrual for the expectation of ultimately providing that benefit back to customers.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay, so that --

A - Warner Baxter {BIO 1858001 <GO>}

Michael, do you have a final --

A - Michael Moehn {BIO 5263599 <GO>}

Yeah, I was just going to add, assuming the legislation is passed, just to be clear, within 90 days we will be refunding that amount back to customers, and so that's spelled out in the legislation very clearly.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. So just to clarify, as far as earnings being reported, we shouldn't expect the legislation to impact that one way or the other from our perspective, do you follow me? Is that understanding me correctly?

A - Warner Baxter {BIO 1858001 <GO>}

Yes, we are understanding that correctly, Paul.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. And we'll just wait till the 18th to see what happens.

A - Warner Baxter {BIO 1858001 <GO>}

You bet.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay, great, thanks so much.

A - Marty Lyons {BIO 4938648 <GO>}

Thanks, Paul.

Operator

Our next question comes from the line of Paul Ridzon with KeyBanc Capital Markets. Please proceed with your question.

Q - Paul Ridzon {BIO 1984100 <GO>}

Just a follow-up to Paul's question, if legislation would not to pass, would it require a rate case to decide to give the tax (inaudible) back to ratepayers?

A - Marty Lyons {BIO 4938648 <GO>}

Yes, we have to go through the normal rate proceeding process to figure that out and ultimately give that back to customers, that's correct.

Q - Paul Ridzon {BIO 1984100 <GO>}

And would that be retroactive to January 1 of 2018?

A - Marty Lyons {BIO 4938648 <GO>}

Yet to be determined.

Q - Paul Ridzon {BIO 1984100 <GO>}

And then just now you've kind of add another billion to the potential on top of the wind, if the legislation passes, what could your rate base CAGR be? Would you just pay some capital and reshuffle projects or will this be completely added in?

A - Marty Lyons {BIO 4938648 <GO>}

Paul, this is Marty. It would largely be additive. We need to bring the wind into the portfolio for compliance with the renewable energy standard and we've said that to the extent that this legislation passes, we will invest more in the state of Missouri. We talked frequently about this potential for a billion dollars of investment over a five-year period. So, we've said repeatedly we will invest more in Missouri, we have not said exactly what that growth rate would be,

And we said that overall as a company we would step back, however, and take a holistic look at our capital expenditure plan. We may make some modification to our overall five-year spending plan, but largely this -- that $2 billion would be additive.

Q - Paul Ridzon {BIO 1984100 <GO>}

So, more additive than extending the growth rate, okay. And then just on 564 in the House, what are the hurdles and who could crisp this up?

A - Warner Baxter {BIO 1858001 <GO>}

In terms of the hurdles, as I said at the outset, and I'll let Michael comment on some of the specifics, it's gone through all the legislative committees. There are no more committee hearings we have. It is on the House calendar and it is ready to go to the floor when that House leadership chooses to have a go to the floor. So, Michael, any other commentary beyond that?

A - Michael Moehn {BIO 5263599 <GO>}

No. Other than, again, just to reiterate that it has continued to experience I think strong bipartisan support. As Warner said, it's been through all the various committees, the House utilities, House rules. So it sits on the calendar and can be debated at any time. And we certainly remain optimistic that it will be debated within the next week or so.

A - Warner Baxter {BIO 1858001 <GO>}

Because the bottom line, we talk a lot about bipartisan support, I think it's important to recognize that key stakeholders from across the state support this legislation. And so, at the end of the day, we remain hopeful that we will have an opportunity to have this bill not only debated, but voted on the floor of the House by the end of the legislative session.

Q - Paul Ridzon {BIO 1984100 <GO>}

In the past, a similar legislation has enjoyed bipartisan support, it only takes one or two, where are those parties now?

A - Michael Moehn {BIO 5263599 <GO>}

Well, I think that with the issues in the past, we've had difficulty getting Senate votes. This is the Senate bill in the House. I think that's just important to recognize that we did going back to February had a long feel about certain (inaudible), a good compromise, and a bill that came out of the Senate 2526, again strong bipartisan support and again it's gone through the various committees.

So we have never been this close, never been this far through the process. And so, again, we remain hopeful that it certainly gets debated within the next week or so. I think the support is there for it. Clearly the benefits are there for the state of Missouri in terms of, you know, we talked about in the income tax refund, obviously the rate freeze, the rate cap, the investment in the state of Missouri, the creation of job, economic development, etc.

Q - Paul Ridzon {BIO 1984100 <GO>}

Okay, thank you very much. It helps.

A - Warner Baxter {BIO 1858001 <GO>}

Sure. Thank you.

Operator

(Operator Instructions) Our next question comes from the line of Michael Lapides with Goldman Sachs. Please proceed with your question.

Q - Michael Lapides {BIO 6317499 <GO>}

Hi guys, thanks for taking my question and good to see the Cardinals in the first place.

A - Warner Baxter {BIO 1858001 <GO>}

Yeah, they struggled for the last couple of days, I hope they will get back on track, good to hear from you, Michael. How are you?

Q - Michael Lapides {BIO 6317499 <GO>}

I'm okay, let's get Yadier back in the lineup in the coming weeks. One Missouri question and then actually one for Illinois, and then maybe a housekeeping one, so three in total. First, the Missouri question, just bigger, broader, not just this legislation, but legislation in general, has -- in the last 30 to 60 days have any new bills made its way out of the House in the Senate and actually been signed by the Governor in the last 60 days or so?

A - Warner Baxter {BIO 1858001 <GO>}

So, Michael, this is Warner. There has been a bill that went out on environmental matters, that was approved, but it hasn't been signed by the Governor. Michael, why don't you talk about the --

A - Michael Moehn {BIO 5263599 <GO>}

Warner is commenting on a bill that's specific, obviously I think the state of Missouri continues to conduct its business. I think there's bills being passed and I can't comment on what the Governor has signed or not signed. But I do know that the legislature convenes in the progress and specifically as Warner said, we passed a bill related to some coal combustion residuals last week.

Q - Michael Lapides {BIO 6317499 <GO>}

Okay. And that bill is awaiting the Governor's signature or has it been signed and it is now officially a law?

A - Michael Moehn {BIO 5263599 <GO>}

It is awaiting the Governor's signature.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. I want to ask a question about Illinois, and the need for incremental transmission and/or distribution investment, and I know you've kind of laid out your incremental -- your CapEx plan starting back in the fall for the next five years, but just curious, what are the things that could move the needle on that plan, mainly make that plan look very different this time next year versus what you show in the slide decks now. What are some of the things that could, hey, we're not putting this into our CapEx guidance, but these are things in Illinois that could really change the CapEx outlook either on the T side or D side?

A - Marty Lyons {BIO 4938648 <GO>}

Yeah, Michael, this is Marty. I think the -- our growth rates, as you know, are pretty robust in Illinois today. We've got 12.3% kind of growth rates for gas, we got 8.4% for electric distribution and our transmission business overall is growing at about a 12% compound annual rate and there's a significant amount of that, that's actually in the Ameren Illinois business. So, already growing at pretty good clips. As we look ahead, we do see a continuation of strong growth in all of those areas.

In general, I'd say there's still quite a bit of investment to be done for replacement of aging infrastructure, for reliability, as well as capacity additions and safety. The electric business, obviously substation transformer replacements, underground replacements, line rebuilds, pole replacement, various grid modernization, in the gas business, transmission replacement, regulator station rebuilds, coupled steel systems and gas storage field compressors, et cetera. So there's a lot of investment over the next five years and beyond as it relates to those businesses.

Same thing in transmission as it relates aging structures, you know, field wire conductors, transformers, breakers, switches, etcetera. So there is lot of components that are in need of modernization and that investment opportunity extends beyond the five years. I don't know if there is really anything specific to point to. We've been waiting for some new regulations in the gas business for some time now, that may cause us to increase even further level of investment there.

We have in terms of modernization of our infrastructure, but certainly the expenditures that we've got planned for the next five years and beyond should put us in a good position in terms of compliance with those rules. But that is one of the things, obviously, to look forward as you think about future investments.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. And then one last item, just a little bit of the housekeeping side, the expected planned outages or planned work in Missouri on the non-nuclear fleet, is that just a 2018 item? I think it's $0.11 or $0.12 headwind in 2018. Will all of that go away when we think about 2019, so it's just a -- it's a little bit of an incremental bump to '18 but it's kind of a once every 5 or 10 years thing or will some of that drag into either '19, '20 and beyond?

A - Marty Lyons {BIO 4938648 <GO>}

What we're seeing there is, we took on more of that this year in light of the fact that there was no Callaway refueling outage. So in terms of that type of expense, I would expect to see that drop down as you move into 2019. But as I noted in February, I wouldn't really consider those to be one-time expenses and I don't really think that we should look at those as something that's occurring this year, but won't reoccur next year.

It's something that the amount varies from year to year and I think you'd expect that we would do more of that in a non-Callaway refueling year. So I guess bottom line is, Michael, I would expect some further expenses of that nature next year, but perhaps not at the level that we're seeing this year.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. Thank you, guys. Much appreciated, as always.

A - Warner Baxter {BIO 1858001 <GO>}

Thanks, Michael.

Operator

Our next question comes from the line of Ashar Khan with Verition Fund Management. Please proceed with your question.

Q - Ashar Khan {BIO 19979997 <GO>}

Good morning and congrats on good earnings.

A - Warner Baxter {BIO 1858001 <GO>}

Thank you.

Q - Ashar Khan {BIO 19979997 <GO>}

Marty, can I just understand one thing, I know we have under the legislation certain price caps, but is it fair to say that the investments that we would make as part of the legislation and as well as part of the wind investment that have to be done in 2020, that we should as a shareholder be expecting to get a return on those investments once that fully in by the year, I guess, 2021 as we take on the wind and all that. So, we should be able to, on the earnings, as you show them on the book, be able to get a return on those investments as they are fully completed?

A - Michael Moehn {BIO 5263599 <GO>}

Good morning. This is Michael Moehn. With respect to the caps and the 2.85% that you referenced, yes, the billion dollar income incremental investment we talked about, the wind investment, we are assuming all of those that underneath a 2.85% cap and obviously we'll have to continue to manage things closely as we have been from a disciplined cost management side, but absolutely you should be expecting a return on those investments.

Q - Ashar Khan {BIO 19979997 <GO>}

Thank you so much.

Operator

Our next question comes from the line of Paul Ridzon with KeyBanc. Please proceed with your question.

Q - Paul Ridzon {BIO 1984100 <GO>}

I have a quick follow-up, you said that Illinois Gas benefited from some tax timing issues. How much was that?

A - Marty Lyons {BIO 4938648 <GO>}

Yeah. Paul, it's a good question. It's obviously about $0.01 to $0.02 in terms of the timing impact.

Q - Paul Ridzon {BIO 1984100 <GO>}

And that will reverse by the end of the year?

A - Marty Lyons {BIO 4938648 <GO>}

Yeah, exactly. The Natural Gas segment earnings were up about $0.04. And like I said, $0.01 to $0.02 for that would reverse over the remainder of the year.

Q - Paul Ridzon {BIO 1984100 <GO>}

And then the fossil outages, that are going to be $0.11 for the balance of the year. Should we think that those are in the shoulder months, so we should see those in the 2Q and 4Q?

A - Marty Lyons {BIO 4938648 <GO>}

Yeah, I think that's a fair assumption in terms of those overall expenses. When I gave our guidance at the beginning of the year and we said, higher O&M in Missouri $0.14 and we talked about the scheduled non-nuclear outages, which you are right, would generally occur in shoulder months, also talked about timing of vegetation and management, routine line inspections, which would be more ratable for the year, but you're absolutely right as it relates to the outage costs.

Q - Paul Ridzon {BIO 1984100 <GO>}

Okay, thank you very much.

Operator

Our next question comes from line of Kevin Fallon with Citadel. Please proceed with your question.

Q - Kevin Fallon {BIO 19872493 <GO>}

Good morning.

A - Warner Baxter {BIO 1858001 <GO>}

Good morning.

Q - Kevin Fallon {BIO 19872493 <GO>}

Just a question for you. Hey, how are you? A question on the transmission business, you have a thicker equity ratio at ATXI than you do at Ameren Illinois Transmission. Is there any chance that you guys can increase the equity ratio at Ameren Illinois Transmission up to the 56%, and if so how do you have to do that?

A - Marty Lyons {BIO 4938648 <GO>}

Kevin, this is Marty. At the Ameren Illinois, we would really reflect the capital structure of that legal entity. So I would say to assume that going forward. And of course it's a holistic business, Ameren Illinois with gas, electric and transmission. As we noted earlier, both in the gas and the electric distribution businesses, we're targeting a 50% equity ratio there, in keeping with the agreements we have for rate making under both of those two areas. So again, Kevin, I would look -- as you look ahead, today and in the future and I'd simply look at the equity ratio for Ameren Illinois business overall.

Q - Kevin Fallon {BIO 19872493 <GO>}

Okay, that's helpful. And then on the timing on a CapEx refresh, assuming the legislation in Missouri gets done by the 18th, when are you guys going to be in a position to actually refresh your outlook?

A - Marty Lyons {BIO 4938648 <GO>}

I think, Kevin, as we've been given the spot, obviously we have reported out today, both in our prepared remarks and Q&A sort of the status of the ongoing wind negotiations, there again looking to file CCNs some by June 30, some by later in the year. We updated you on the situation in terms of the legislation. As we look ahead, I think it would be reasonable to assume that we might update the plans as early as the third quarter call. But then again, as it has been more typical we've done that in conjunction with our year-end call. So I think we will, again, we're progressing well on both of those initiatives. But I think we'll let both of those things play out a little further and be thinking again either late this year or early next in terms of an update.

Q - Kevin Fallon {BIO 19872493 <GO>}

And just to clarify, on the legislatively related to CapEx, you guys already have a line of sight of what you want to do, correct? Like, you know what the projects are behind the 1 billion?

A - Warner Baxter {BIO 1858001 <GO>}

Yes, we filed our filing back in 2016 and outlined a billion dollars and I would say that we continue to refine that and make sure that we got exactly the right projects. But that gives you a pretty good glimpse of where we're headed on the grid modernization.

Q - Kevin Fallon {BIO 19872493 <GO>}

Okay, that's great. Thank you very much.

A - Warner Baxter {BIO 1858001 <GO>}

Thanks, Kevin.

Operator

Our next question is a follow-up from Michael Lapides with Goldman Sachs. Please proceed with your question.

Q - Michael Lapides {BIO 6317499 <GO>}

Hi, guys, a nitty-gritty tax reform question probably for Marty. Have you all quantified what the ex sort of unprotected accumulated deferred federal income taxes and what's the time horizon, either in the Missouri bill or in something in the Illinois, what the time horizon is for refunding that level back to customers?

A - Marty Lyons {BIO 4938648 <GO>}

Michael, probably in the details of the regulatory filings, those things are probably embedded, but I'll be honest with you. Off the top of my head, I don't have that number and I do think that the actual timing at the flow back is somewhat still up in the air as it relates to especially Missouri where we don't yet have a definitive timeline on what amount that would be flowing back to customers. So, that's something, Michael, I just don't have off the top of my head. We can see if we can provide that to you over time, but I don't think either we have it in our 10-Q that we plan to file either, so it will be maybe something we will have to provide you over time.

Operator

Thank you. We have reached the end of the question-and-answer session. I would now like to turn the floor back over to Mr. Fischer for closing comments.

A - Doug Fischer {BIO 16481971 <GO>}

Thank you. 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 our earnings release. Financial analyst inquiries should be directed to me, Doug Fischer or my associate Andrew Kirk. Media should call Joe Muehlenkamp. Our contact numbers are on the release. Again, thanks for your interest in Ameren and have a great day.

Operator

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