Q1 2017 Earnings Call

Company Participants

- Douglas Fischer, Senior Director-Investor Relations
- Martin J. Lyons, Chief Financial Officer & Executive Vice President
- Michael L. Moehn, Chairman & President
- Warner L. Baxter, Chairman, President & Chief Executive Officer

Other Participants

- Andrew Levi, Analyst, Avon Capital/Millennium
- Leslie Best Rich, Analyst, JPMorgan Investment Management, Inc.
- Neil A. Kalton, Analyst, Wells Fargo Securities LLC
- Paul Patterson, Analyst, Glenrock Associates LLC

MANAGEMENT DISCUSSION SECTION

Operator

Greetings and welcome to the Ameren Corporation First Quarter 2017 Earnings Call. At this time all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Mr. Doug Fischer, Senior Director of Investor Relations for Ameren Corporation. Thank you. Mr. Fischer, you may begin.

Douglas Fischer {BIO 1498560 <GO>}

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

Before we begin, let me cover a few administrative details. This call is being broadcast live on the Internet and the webcast will be available for one year on the amereninvestors.com website. Further, this call contains time-sensitive data that is accurate only as of the date of today's live broadcast, and redistribution of this broadcast is prohibited.

To assist with our call this morning, we have posted on the amereninvestors.com website a presentation that will be referenced by our speakers. To access this, please look in the Investor News and Events section of this website, under Events and Presentations. Acronyms used in the presentation are defined in the glossary on the last page.

Turning to page 2 of the presentation, please note that comments made during this conference call may contain statements that are commonly referred to as forward-looking statements. Such statements include those about future expectations, beliefs, plans, strategies, objectives, events, conditions, and financial performance. We caution you that various factors could cause actual results to differ materially from those anticipated. For additional information concerning these factors, please read the forward-looking statement section in the news release we issued today and the forward-looking statements and risk factors sections in our filings with the SEC.

Warner will begin this call with an overview of first quarter results, full year 2017 earnings guidance, and a business update. Marty will follow with more detailed comments on the financial results and our outlook. We will then open the call for questions.

Before Warner begins, I'd like to mention that all per share earnings amounts discussed during today's presentation, including earnings guidance, are presented on a diluted basis, unless otherwise noted.

Now here is Warner, who will start on page 4 of the presentation.

Warner L. Baxter {BIO 1858001 <GO>}

Thanks, Doug. Good morning, everyone, and thank you for joining us. Before I provide my business update, I want to first welcome Shawn Schukar to our executive leadership team. On May 1, Shawn took over as President of Ameren Transmission Company upon the retirement of Maureen Borkowski, who had an incredible career at Ameren. Shawn is a 30-year veteran of this industry and over the last several years, he has worked side-by-side with Maureen and the entire Transmission team in developing and executing Ameren's transmission strategy. I am confident that we will not skip a beat in executing our strategic plan for our Transmission business under his leadership. Welcome, Shawn.

Now on to my business update. I want to begin by expressing my deep appreciation to our coworkers, our community's first responders, volunteers, leaders and emergency personnel, who have been tirelessly working together to help protect the citizens of Missouri and Illinois from the record floods that we have experienced this week. Our thoughts and prayers go out to those that have lost loved ones, their homes or businesses during this very trying period of time.

From an operational perspective, our coworkers have continued to work safely and our system has held up well, despite these challenging conditions. However, this unprecedented weather is not over, and so we will continue to be focused on safety in all of our activities, and we will continue to work closely with local and state authorities to deliver energy to our customers in a safe and reliable fashion.

Moving now to our financial results, earlier today, we announced first quarter 2017 earnings of $0.42 per share compared to earnings of $0.43 per share in the first quarter of 2016. Highlighted on this page are key drivers of these results, which Marty will discuss in a few minutes. I'm also pleased to report that due to a constructive Missouri electric rate settlement and disciplined cost management, we remain on track to deliver within our 2017 earnings guidance range, despite very mild first quarter temperatures.

Turning now to page 5, here we reiterate our long-standing and effective strategic plan. We remain focused on executing this strategy and continue to strongly believe it will deliver superior long-term value to both our customers and shareholders. I'd like to highlight some of our year-to-date accomplishments and efforts towards this end. These include our continued strategic allocation of significant amounts of capital for our businesses where investments are supported by regulatory frameworks that provide fair, predictable, and timely cost recovery, and also deliver long-term benefits to our customers.

This capital allocation is illustrated in the graphic on the right side of this page. As you can see, we invested more than $300 million, or 61%, of first quarter capital expenditures in jurisdictions with the support of regulatory frameworks. This included about $135 million of capital for FERC-regulated transmission projects. A significant portion of this capital was invested in our $1.4 billion MISO approved Illinois Rivers project, a new high-voltage transmission line that will span 385 miles across the state of Illinois. This project is about 78% complete, with four of its nine line segments energized, including two river crossings, and with eight of 10 substations now in service and the remaining two expected to be in service by the end of this month. The project remains on schedule for completion in 2019.

A second MISO-approved project, the $150 million Spoon River transmission line in Northwestern Illinois will span 44 miles and include one new substation. Foundation work on this transmission line began in January, and the new substation was completed and placed in service in March. This project remains on schedule for completion in 2018.

Moving to our third MISO-approved project, the Mark Twain transmission line in Northeastern Missouri there have been several recent developments. In March, the Missouri Court of Appeals for the Western District vacated the Certificate of Convenience and Necessity for the project granted by the Missouri Public Service Commission in April 2016. The court ruled that the Missouri PSE erred in granting the certificate that was conditioned upon ATXI obtaining assents for transmission line road crossings from the five affected counties. We are currently evaluating whether to appeal this ruling to the Missouri Supreme Court. Meanwhile, ATXI continues to pursue it suits while last (7:44) October seeking to obtain assents for the original project route. A decision in these lawsuits is expected in late 2017.

While we continue to pursue the construction of Mark Twain transmission line under our original plan, we listened to feedback from key stakeholders and evaluated other approaches to address their concerns. We held further discussions with community members, landowners, county commissioners, and local and state representatives, and assessed alternative route options for the project. I believe these discussions and additional assessments have proven to be fruitful, because earlier this week ATXI announced a proposed alternative route that would use existing transmission line corridors for nearly 90% of the project. This alternative route is not expected to change the estimated $250 million project costs. This route would significantly minimize the impact to landowners, communities, and farmland.

To accomplish this, ATXI is collaborating with Northeast Missouri Electric Power Cooperative and with the Ameren Missouri on the proposed alternative route. ATXI will finalize the alternate route after obtaining public input, and then request assents for road crossings from the commissioners in the five affected counties. Upon receiving the county assents, ATXI will then seek Missouri PSC approval. We look forward to continuing to work with key stakeholders and the county commissioners to get this important project for Missouri and the entire Midwest region moving forward. The planned in-service date for the Mark Twain project is late 2019.

We also continue to invest in Ameren Illinois's local electric transmission projects to maintain and enhance reliability, including projects to meet reliability requirements, replace aging infrastructure, and modernize the grid. Our pipeline for these types of projects remain strong, and will continue to deliver significant value to our customers and create jobs.

Moving on to our other segments, we also invested about $170 million in Illinois Electric and Natural Gas Distribution infrastructure projects in the first quarter of this year. These include investments made under the company's modernization action plan, which was enabled by Illinois' Energy Infrastructure Modernization Act of 2011. The Act was extended through 2022 by the Future Energy Jobs Act. To-date, Ameren Illinois's electric grid modernization initiatives have resulted in an overall 17% improvement in reliability and are saving customers an estimated $45 million each year.

Ameren Illinois has installed 460,000 electric smart meters and 250,000 gas meter modules at customer premises. And this year, we plan to install 300,000 advanced electric meters and upgrade 140,000 gas meter modules, as we work to deploy these to all of our 1.2 million electric and 800,000 gas customers in Illinois by the end of 2019. These smart meters and modules provide Ameren Illinois customers with enhanced energy usage data and access to programs that help them save on their energy bills.

Turning now to page 6 for Missouri business update. I am pleased to report that on March 8, the Missouri PSC approved a constructive agreement among all parties in Ameren Missouri's electric rate review. We appreciate the cooperative effort of all parties involved in the case, and consider the unanimous agreement a positive, constructive step forward. Marty will review the key provisions of this agreement in his remarks.

Moving now to a discussion of our efforts to modernize the Missouri regulatory framework for electric utility service. As we speak today, Senate Bill 190, the Missouri Economic Development and Infrastructure Investment Act, remains on the Missouri Senate's informal calendar and is available for further debate. This legislation will implement regulatory reforms to modernize existing energy policies that would drive significant investment and enable Ameren Missouri to execute its $1 billion incremental infrastructure investment plan over the next five years.

These investments would result in significant long-term benefits to customers, including providing the more reliable and smarter energy grid, facilitating the transition to a cleaner and more diverse generation portfolio, delivering greater tools to customers for managing their energy usage, and positioning us to meet customers' rising energy needs and expectations. And clearly, these investments will also create thousands of good quality jobs in the state of Missouri. In addition, this legislation has robust economic development provisions for large electricity users that will also drive meaningful job creation.

Importantly, the legislation has strong consumer protections, including significant Missouri PSC oversight. Informed by extensive outreach, collaboration, and input from key stakeholders, including the Missouri PSC and a Senate Interim Committee, this legislation has received unprecedented statewide support, including from major chambers of commerce, individual businesses, labor, suppliers, the agricultural community, and many other stakeholders.

This unprecedented support has helped drive strong bipartisan support of SB 190 in the legislature. While much progress has been made in designing constructive forward thinking legislation, this legislation was filibustered by a small group of State Senators during debate several weeks ago. While I believe that a strong majority of the Senate wish to see SB 190 come to a vote, over the last several weeks the Senate has spent time on other legislative matters, including the budget. Some of these legislative matters have stalled debate on a number of bills, including SB 190.

While we continue to work with key stakeholders to plan a constructive path forward, time is short, as the current general assembly session ends next Friday, May 12. As a result, we believe it is unlikely that SB 190 will advance during this legislative session. Of course, should SB 190 not advance during this legislative session, we will be very disappointed. However, we will not be deterred from advocating for important energy and economic policies that are in the best long-term interest of our customers and the entire state of Missouri. And I do expect that we would leverage the progress we made during this session and support another legislative initiative in the next session.

Turning now to page 7, in February, we rolled forward our five-year investment plan, which provides for rate base growth at a strong 6% compound annual rate over the 2016 through 2021 period. As you can see on the right side of this page, we plan to continue to allocate greater levels of capital to those jurisdictions with constructive regulatory frameworks that support investment. Clearly, execution of our five-year investment plan is not contingent on the passage of legislation in Missouri.

Also in February, we affirmed our expectation for earnings per share growth of 5% to 8% compounded annually from 2016 through 2020, based on the adjusted 2016 guidance midpoint we outlined earlier this year. We consider both our rate base and earnings growth rates to be attractive compared to those of our regulated utility peers. Further, Ameren shares continue to offer investors a solid dividend and our board has increased the dividend in each of the last three years. Of course, future dividend increases will be based on consideration of, among other things, earnings growth, cash flows, and economic and other business conditions.

To summarize, we believe our strong rate base and earnings growth profile, combined with our solid dividend, currently providing a yield of approximately 3.2%, results in an attractive total return opportunity for our shareholders compared to our regulated utility peers. As a matter of fact, by successfully executing our strategy, we've seen total shareholder return performance of 63% over the last three calendar years, beating indices that measured performance by utility peers. We remain focused on executing our strategy, and I am firmly convinced that doing so would deliver superior value to our shareholders, customers, and the communities we serve.

Again, thank you all for joining us today and I'll now turn the call over to Marty.

Martin J. Lyons {BIO 4938648 <GO>}

Great. Thanks, Warner. Good morning, everyone. Turning now to page 9 of our presentation, as Warner mentioned, we reported first quarter 2017 earnings of $0.42 per share compared with earnings of $0.43 per share for the year-ago quarter. On this page we highlight by segment the key factors that drove the overall $0.01 per share decrease.

Starting with Ameren Transmission, the earnings per share contribution from this segment increased from $0.11 per share in the first quarter of 2016 to $0.14 per share in the first quarter of 2017. This growth was driven by increased transmission infrastructure investments at ATXI and Ameren Illinois, which both operate under constructive FERC-formulaic ratemaking.

Next, the Ameren Illinois Electric Distribution segment saw its first quarter year-over-year contribution rise from $0.04 to $0.12 per share. This reflected the favorable impact of the 2017 change in the timing of interim period revenue recognition resulting from the recently enacted Future Energy Jobs Act. This Act modified the existing formulaic ratemaking by decoupling our distribution revenues from sales volumes. While this change will impact quarterly comparisons, it will not affect full year earnings. First quarter 2017 earnings at Ameren Illinois Electric Distribution also benefited from increased infrastructure investments, as well as a higher allowed return on equity under formulaic ratemaking of 9.06% compared to 8.71% for the year-ago quarter.

Turning to Ameren Missouri, first quarter year-over-year earnings declined from $0.06 to $0.02 per share. Approximately $0.03 of that decline was due to lower electric sales, primarily driven by very mild winter temperatures. As a matter fact, first quarter 2017 temperatures were the second warmest on record since 1970, based on heating degree data in our service territory. The Ameren Missouri comparison was also unfavorably affected by higher depreciation expense, which reduced earnings by $0.02 per share.

These unfavorable factors were partially offset by $0.01 per share of lower other operations and maintenance expenses, not subject to riders or regulatory tracking mechanisms. This reduction is indicative of our ongoing continuous improvement programs and disciplined cost management.

Finally, the Ameren parent and other net cost comparison was unfavorably impacted by the expected lower first quarter tax benefits associated with share-based compensation, which reduced the earnings comparison by $0.07 per share.

Before moving on, let me briefly cover sales trends for the first quarter of 2017 compared to the first quarter of 2016. Weather-normalized kilowatt-hour sales to Illinois and Missouri residential and commercial customers on a combined basis were flat, reflecting underlying 2017 growth offset by energy efficiency and the absence of the 2016 leap day sales benefit. Kilowatt-hour sales to Illinois industrial customers in 2017 decreased about 3.5%, primarily due to lower sales to a large low margin processor of agricultural products.

Finally, kilowatt-hour sales to Missouri industrial customers were flat, excluding lower sales to the New Madrid smelter, which shut down operations during the first quarter of 2016. I would note that, while the level of sales to the smelter reduced earnings by approximately $0.02 per share compared to the level established in the April 2015 rate order, the year-over-year decline in sales to the smelter did not have a material impact on the earnings per share comparison.

Moving to page 10 of our presentation, I would now like to discuss 2017 earnings guidance. As Warner stated, we continue to expect 2017 diluted earnings to be in a range of $2.65 to $2.85 per share, despite very mild first quarter temperatures, which reduced earnings by $0.08 per share compared to normal. The earnings effect of the mild first quarter temperatures is expected to be offset by the early resolution of the Missouri rate review, which I will touch on in a moment, as well as continued disciplined cost management.

Select earnings considerations for the balance of the year are listed on this page. I will not comment on each of these considerations, since they are largely self-explanatory and we discussed all, but the change in timing of interim period revenue recognition at Ameren Illinois Electric Distribution, on our February earnings call. This additional consideration is discussed in a bullet about two-thirds of the way down this page.

As I noted, this change had a favorable impact on first quarter 2017 results. Had this change in the timing of revenue recognition been effective in 2016, it would have increased Ameren Illinois Electric Distribution earnings by approximately $0.08 per share in the first quarter of 2016, by approximately $0.04 per share in the second quarter, and by approximately $0.11 per share in the fourth quarter, while decreasing earnings by approximately $0.23 per share in the third quarter, with no effect on full year earnings. These estimated 2016 quarterly earnings changes can be a guide to the expected impact of this timing change on 2017 quarterly results.

Turning to page 11, in the recently concluded Ameren Missouri electric rate review, on March 8, the Missouri PSC approved the stipulation and agreement that resolved this rate review. As many of you know, this agreement was a black box settlement, and therefore, the final order does not provide as much specificity as previous orders. To assist in your analysis, this page outlines key takeaways from the stipulation and agreement as compared to Ameren Missouri's most recent prior rate order issued by the Missouri PSC in April 2015.

Effective April 1, base electric revenues were increased by $92 million annually, 80% of which we expect to realize this year and which includes removal of the negative effect of lower sales to the New Madrid smelter. Concurrently, net base energy costs decreased by $54 million annually, excluding cost reductions associated with reduced sales volumes. This updated level of net base energy costs will be the basis used for prospective changes to the fuel adjustment clause rider.

In addition, net amortizations and the base level of expenses for regulatory tracking mechanisms were reduced by $26 million annually, which was largely driven by a $21 million reduction in the base level of pension and OPEB expenses. The agreement did not specify an allowed ROE, a rate base level, or a common equity ratio. However, the Missouri PSC determined that an implicit ROE in the range of 9.2% to 9.7% is reasonable. This represented the high and low ends of the ranges the parties to the case stated were embedded in the agreement

We will use a 9.53% ROE, the level authorized in our April 2015 order, to calculate allowance for funds used during construction, as supported by the Missouri PSC staff in a Commission open meeting. And in the absence of the stated ROE in the rate agreement, our goal continues to be to earn as close to the April 2015 authorized ROE of 9.53% on Ameren Missouri's capital structure as possible. Finally, the approved agreement provided for continuation of key trackers and riders, including the fuel adjustment clause.

Moving now to page 12, I would like to update you on select regulatory matters pending at the Illinois Commerce Commission and the Federal Energy Regulatory Commission. Turning first to Illinois. Last month, Ameren Illinois made its required annual electric distribution rate update filing. Under Illinois' formula ratemaking, 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.

Our filing seeks a $16 million decrease in the annual electric distribution revenue requirement. This net amount includes revenue increases reflecting 2016 recoverable costs, expected 2017 infrastructure investments, and recovery in 2018 of the 2016 revenue requirement reconciliation. These increases are more than offset by a revenue decrease due to recovery by year-end 2017 of previously unrecovered costs associated with the 2015 revenue requirement reconciliation. 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.

I remind you that each year's Illinois Electric Distribution earnings are a function of that year's ending rate base, the formula determined allowed ROE, which is the annual average of the 30-year U.S. Treasury bond yield for that year plus 580 basis points, and the ICC authorized capital structure, with the equity component expected to remain 50% and are not directly determined by that year's rate update filing or the current rates charged to customers.

Finally, a second complaint case seeking to reduce the base allowed ROE for MISO transmission owners, including Ameren Illinois and ATXI, is pending at the FERC. An administrative law judge issued an initial decision in June of last year, recommending a 9.7% base ROE. In addition, our Ameren Transmission business has been authorized by FERC to add up to 50 basis points to MISO's base allowed ROE, reflecting voluntary participation in MISO. A final order from the FERC is expected this year.

Of course, the timing of this decision will depend in part on when new commissioners are confirmed and a quorum exists at the FERC. In addition, we expect deferred commissioners may take time to consider the recent ruling of the U.S. Court of Appeals for the D.C. Circuit vacating the FERC's order in a New England transmission ROE case, as such ruling may influence its order in the pending MISO case.

Turning to page 13, I will summarize. We remain on track to deliver within our 2017 earnings guidance range of $2.65 per share to $2.85 per share, as we continue to successfully execute our strategy. As Warner stated, as we look ahead, we continue to expect strong earnings per share growth, driven by strong rate base growth, and disciplined financial management. And the Ameren shares continue to offer investors an attractive dividend. In total, we believe we have an attractive total shareholder return story compared to our regulated utility peers.

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

Q&A

Operator

. Our first question comes from Paul Patterson with Glenrock Associates. Please proceed with your question.

Q - Paul Patterson {BIO 1821718 <GO>}

Good morning.

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

Good morning, Paul.

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

Good morning, Paul.

Q - Paul Patterson {BIO 1821718 <GO>}

The FERC complaint case, I'm sorry if I missed this, but the D.C. Circuit decision, does that change any of this, in your opinion?

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

Yeah, Paul, this is Marty. We commented on that right there at the end of our prepared remarks. That case I wouldn't say has any direct impact on the MISO ROE complaint cases, but of course the methodology that the FERC used to determine the outcome of the first complaint case and also underscored the ALJ's decision in the second complaint case, were certainly in line with that methodology that the FERC used in the New England case. So again, no direct impact, but of course the methodology did underlie the findings of the FERC and the ALJ, as I mentioned.

So as we look ahead, we suspect that once the FERC has a quorum and they look to decide on the second complaint case, they'll want to take into consideration the court's findings in the first case as they think about how they'll rule in the second. And it's hard to predict, but we suspect that it could end up factoring into the timing in terms of the FERC's decision in the second case.

Q - Paul Patterson {BIO 1821718 <GO>}

With respect to the 206 (31:01), the finding whether or not the original rate was unjust and unreasonable, that element doesn't seem to be – do I understand that you don't think that portion of the D.C. Circuit's ruling applies? Is that right, or is not applicable to this? That's what I'm little bit confused about.

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

Well, I think in our cases, like in the New England case, I mean, they have to do both, right? They have to determine that the existing rate is unjust and unreasonable, and then secondarily determine that the new rate is properly supported by the evidence on the record. So I think both of those things apply in both of the cases. And so I think when they look at those cases, they'll be taking both of those things into consideration.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. And then just on the 9% rate base growth in Illinois and – should we expect a decrease in O&M or fuel and – or purchased power cost or just in general operational cost or productivity increase as a result of this? Or is it rate base growth that doesn't really do that, it's kind of replacement or what have you? I just wonder if you could elaborate a little bit on that.

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

Yeah. I assume you are specifically talking about the Electric Distribution. But absolutely, what the customers in Illinois are seeing, as a result of the investments we are making, are both improvements in reliability and decreased costs overall as a result of the investments we're making. I would also note that over time the customers' rates are also being positively impacted by the lower power and capacity prices that we've been seeing in Illinois, apart from the positive impact of the investments that we're making in the Illinois Electric Distribution system.

Q - Paul Patterson {BIO 1821718 <GO>}

Do you think because of the low – I mean, Dynegy is kind of crying out there about how the price is so low, they can't go on this way. Is there any opportunity for you guys to – I know things would actually have to change there in Illinois, but I'm just wondering if there is an opportunity there for you to provide some sort of resource or something in Illinois or just any thoughts about what Dynegy is talking about with this low price that came in.

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

Yeah, look, I don't have any specific comment on what Dynegy is seeking. I will say this that today it seems like, with respect to capacity, that we have the resources in Illinois to serve our customers' needs. That I think is evidenced by the low capacity price that we saw this year. Longer term, however, we're certainly concerned about capacity adequacy, reliability, and volatility of rates for our customers. And as we have in the past, we stand ready to work with all parties in terms of resource adequacy for the state of Illinois.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. Thanks.

Operator

Thank you. Our next question comes from Joe Zhou with Avon Capital. Please proceed with your question.

Q - Andrew Levi {BIO 17235317 <GO>}

Hey. It's Andy Levi. How are you guys doing?

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

Good morning, Andy. How are you?

Q - Andrew Levi {BIO 17235317 <GO>}

I'm doing well. Just on the Missouri rate order that you got, and I know you kind of went over it, but I just want to understand the earnings power of it. Could we just go over the three components and how they benefit the income statement, $92 million to $54 million and the $26 million?

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

Yeah. So, Andy, this is Marty. Absolutely. I think if you refer to slide 10, you will probably get the best picture of that overall in terms of how we expect the impacts to occur. Obviously, the first element, which was the $92 million overall increase in rates, which was about 3.5% in terms of customer rate increases, is primarily the primary driver. And I would say this year just because of the timing of our rate structure, which we have higher rates in the summer months, about 80% of that will be realized this year.

But as you look at slide 10 and you look down the list, one of the other elements of the case was that the net base fuel costs that are embedded in the rates were lowered. That becomes the base on which any prospective changes in net fuel and purchase power costs are measured.

And then lastly, we saw lower amortizations or lower base for things that are amortizations that are reflected in riders and trackers also reduced by about $26 million. So those are the primary impacts. We list those in the slides. It's the $92 million rate increase, it's $54 million of reduced net base energy costs, and then the $26 million of lower net amortizations. And as you see on slide 10, we list out some of those components.

Q - Andrew Levi {BIO 17235317 <GO>}

Yeah, I do see that. And this is just – this is not the annualized affect. This is nine months. Is that correct?

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

Yeah, that's a good point too, Andy. That is the nine-month impact. And so as we look ahead to next year, we would see the full annualized impact of that. That's why I mentioned on the $92 million, it's about – 80% of that's realized this year. On the other two, it's about three-quarters, about 75% realized this year.

Q - Andrew Levi {BIO 17235317 <GO>}

Right. So really, I mean, it's not $170 million rate increase, but it's $170 million of earnings benefit pre-tax.

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

Yeah, the rate increase was $92 million, like I said, which is about 3.5%, but then on slide 10 we show you the overall impact.

Q - Andrew Levi {BIO 17235317 <GO>}

Right, right, right. And then you have those other two components. What have you built into your forecast for 2017 relative to these three items?

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

In our forecast for 2017, that's what we've got on slide 10, if I'm understanding...

Q - Andrew Levi {BIO 17235317 <GO>}

I understand that, but originally when you came out with a forecast (37:22)...

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

Oh, you're talking about our guidance?

Q - Andrew Levi {BIO 17235317 <GO>}

Yeah. I think the settlement had been already out there, is that correct, before you gave guidance? (37:34)

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

It is, Andy, yes. No, I understand your question now. Yeah, I understand your question now. Yes, when we came out with our guidance for this year, certainly that we had reached the settlement amongst the parties and we believe that the guidance range that we provided accommodated that outcome. Andy, I think as you think about the guidance that we gave at the beginning of the year and what we're seeing here to-date, we've had about $0.08 of negative weather in the first quarter. And as you think about when we provided you that guidance, which was midway through February, certainly we had a sense that weather hit was very mild and that there were some negative impacts.

We also had a sense of this constructive settlement that have been reached. However, the Commission had certainly not yet ruled on it and we really didn't know definitively when the rate increase would go into place. So when we gave that guidance, we certainly felt like the range that we gave was appropriate, given the multiple things we had in front of us there. As we look ahead for the remainder of the year, when you think about the first quarter and if you look ahead, in the first quarter we had about a negative $0.08 of weather, and that was offset, when you think about the first quarter, by this change in the timing of the revenue recognition in Illinois.

But the Illinois item is simply a timing item, whereas the weather is more permanent, if you will, unless we see some weather variation in the next nine months. So as we look ahead at the guidance, we obviously left our guidance unchanged and, as we think about it, we expect that negative impact of the weather to be overcome in part by a constructive outcome in the rate case and the timing of the rate increase, but also by continued financial management and disciplined cost control.

Q - Andrew Levi {BIO 17235317 <GO>}

Okay. Thank you very much on that. And the other question is just on kind of a big picture basis and the reason I'm asking it – maybe I shouldn't. I mean, hopefully, I'll like the answer. But, obviously, this Great Plains-Westar merger is having issues, and may or may not happen. They just filed for reconsideration today. But I don't know if that's a half-hearted effort or not, but whatever. But then the media talk was like, oh, well, then Ameren is going to come and when everything is said and done and take a look at WR -- and I know you don't like to speak about specific names and all that, so I'm not asking you to do that. But just in general, can you kind of address that? Because over the last two weeks there has been a lot of talk within the investment community concerning that and the concern around that.

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

Andy, this is Warner. I can be happy to address that. Number one, as you rightly said, we never comment on any rumors or M&A activities or speculative transactions, right? But as I said before, and I will say it again, I want to be clear. We remain very focused, very focused on executing our strategic plan, and that strategic plan is all about organic growth in our regulated business. It's all about executing that rate base growth that we've talked about. And that plan has delivered strong total shareholder returns over the last three years. So that's where our focus is.

Q - Andrew Levi {BIO 17235317 <GO>}

Thanks.

Operator

Our next question comes from Leslie Rich with JPMorgan. Please proceed with your question.

Q - Leslie Best Rich {BIO 2186455 <GO>}

Hi. You cited $0.07 per share in corporate from lower tax benefits from share-based compensation, and as I go back and look at the first quarter, last year your tax rate was particularly low. So I'm just wondering if you could talk about sort of the timing there. Was that a benefit that you took in 2016 that didn't recur in 2017, or is there something changing in terms of the new FASB rules on accounting for stock-based compensation?

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

Yeah, thanks, Leslie. This is Marty. Yeah, we actually adopted that accounting for stock-based compensation last year in the first quarter. And last year, if you look back, which we were pretty clear about, we had a $0.09 benefit from adoption of that standard in the first quarter of last year. And that really gets to a difference between the value of what employees received at that time versus what had been recognized previously in earnings. It was a $0.09 benefit last year. This year the benefit was $0.02. And therefore, the delta is a negative $0.07 year-over-year.

Q - Leslie Best Rich {BIO 2186455 <GO>}

Okay. And then your tax rate for the full year, are you still thinking it will be around 38%?

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

Absolutely, Leslie. Yes, that's right. So when you look at – it is lower here in the first quarter. I think it was around 35-and-change in terms of the effective tax rate, but we expect 38% for the full year.

Q - Leslie Best Rich {BIO 2186455 <GO>}

Great. Thank you.

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

Thank you.

Operator

Thank you. Our next question is a follow-up from Paul Patterson with Glenrock Associates. Please proceed with your question.

Q - Paul Patterson {BIO 1821718 <GO>}

Hey. How's it going?

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

Hey, Paul.

Q - Paul Patterson {BIO 1821718 <GO>}

So just, you guys covered SB 190, but as you know, this has been going on for some time. Each legislative session, it seems like déjà vu. We had a filibuster before. I listened to some of the debate, as you mentioned, this session. But how should we think about the fact that – first of all, I don't know whether or not constitutionally or rule-wise, what have you, if the filibuster could be broken. But, I mean, I don't know what the rules actually are associated with that, so maybe you can elaborate a little bit on that. But I guess in the absence of that, how should we think about your legislative strategy, I guess, next year or what have you regarding this?

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

Paul, this is Warner. I'll take a shot at it and I'll address both of them in terms of the bigger picture – sort of the déjà vu comment, as well as sort of filibuster. Number one, it may feel like déjà vu, but I will tell you, from my perspective, we have consistently made progress in advancing the discussion on important energy infrastructure legislation that will support investment. And I think what we have seen over the last two sessions has been, not just meaningful progress in terms of stakeholder support, but also legislative support. And so, of course, if it doesn't advance this session, we are going to be disappointed.

But from my perspective, what we've done in the Missouri legislature working with our other utilities across the state is make sure they understand the clear opportunities in terms of what's important to modernize the energy grid, but also those opportunities that those investments will create jobs. I think this is why you see such strong bipartisan support. This is why you saw we come out of Senate Commerce Committee with such a strong vote. Unfortunately, as you rightly point out, we have had some challenges in avoiding the filibuster. And so, in terms of the filibuster, there are two ways to address a filibuster, or probably maybe three.

Number one, you try and minimize the number of folks that are willing to filibuster and, from our perspective, that number has meaningfully decreased from where it was in the past. Secondly, what you hope to do is try and find a compromise with those folks. But if not, then you need to be given adequate floor time to try and drive either negotiations or get something across the finish line. It's not unusual in the Missouri legislature. Filibusters do occur in other bills, and frankly, ultimately, sometimes they get passed, sometimes they don't. But the bottom line is, a filibuster doesn't ultimately kill everything that goes on in the Missouri legislature.

Last, but not least, there are rules that the Senate has available to it that could help debate on the bill. But as we've said before, those rules are used pretty infrequently. But there are ways to address it. First and foremost, we try to do it in a constructive fashion and find good compromise that creates a win-win for everybody.

So as we look forward then to the next legislative session, as I said on my comments, while we may be disappointed if Senate Bill 190 does not advance this session, we're not going to be deterred, because we think it's absolutely critical to continue to advocate for important energy and economic policies. They're in the best long-term interest for our customers and the entire state of Missouri.

I think when you look at the work that we've done and the growing body of evidence across the country that these regulatory reforms are truly driving customer benefits and creating jobs, those kind of things will continue to put us in a very good position, whereby constructive regulatory reform can ultimately be passed in the state of Missouri. That's my perspective.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. That's very helpful and very comprehensive. Just to make sure, although, I understand personally, because I don't want to monitor the thing forever. When you say that you would be disappointed, it sounds like you are not hopeful that it will pass, but do you think that there is a significant chance that it may pass still?

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

No. Well, Paul, what I said, we said it's unlikely. We have till May 12, so time is short. And so because of that I think it creates – it's very challenging for that Senate Bill 190 to get passed this legislative session.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. But, never say never maybe.

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

You never say never. And we still – or as I said also, that we're still trying to work on the constructive path forward with key stakeholders, but the time is ticking.

Q - Paul Patterson {BIO 1821718 <GO>}

And then just one final follow-up on the rate base growth question that I had about Illinois. Is there any quantitative number in terms of O&M or just cost savings in general that are associated with them that you have? I know you may not have off the top your head, but I'm just wondering if there is a rule of thumb that we should maybe be thinking about in terms of what might happen there in terms of – I don't know – smart meter, lowering costs or what have you. Any thoughts?

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

I don't know that there is really a rule of thumb. If you look back at some of our prepared remarks today, you will notice some of the mention we gave to the improvement in reliability, as well as some of the annual value that customers are realizing as a result of the broad infrastructure investments that we're making and we'll continue to update those over time, Paul, I guess. I don't think I have a good metric for you and we'll look at whether one of those exist. But clearly over time as we invest more in our smart infrastructure as we roll out more of our smart meters to our customers in Illinois, both the electric meters as well as the gas meter modules, we will provide continuing updates on the improvements that we're seeing in overall reliability and cost savings that we're bringing to the customers. And, in the meantime, we'll work with some of our folks in operations to see whether we can come up with some meaningful metrics that we might provide going forward in terms of the savings.

Q - Paul Patterson {BIO 1821718 <GO>}

Great. I really appreciate it. Thanks a lot.

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

Thanks, Paul.

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

All right. Thanks, Paul.

Operator

Thank you. Our next question comes from Neil Kalton with Wells Fargo Securities. Please proceed with your question.

Q - Neil A. Kalton {BIO 6409354 <GO>}

Yeah, hi, guys. Thanks for taking my call.

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

Hi, Neil.

Q - Neil A. Kalton {BIO 6409354 <GO>}

So really you answered most of my questions on SB 190 in the last question – or the last answer, but just a follow-up. I think your points are well taken that in the state, the legislative support, other support for something is really strong. So what point in time, tactically, do you say maybe going down the legislative route we don't need to do that as much anymore and really look for solutions just going straight to the regulators themselves? Would that be something that you would rethink as we think about 2017 and 2018 and beyond?

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

Hi, Neil. This is Warner. Look, the bottom line is that in moving policies forward, we consider both the legislative route and we consider the regulatory route. You've seen us in regulatory, the rate cases advance policies that are within the tools that the Commission currently has. So that's always an option. But we also pursue the legislative option. And we think too clearly that that is a good sustainable path as well. So there is no point of inflexion. There's no black or white line that you just literally go through and say here's the time. The point is, we factor a number of things into our thinking around that, but the most important thing is that we get it done for the state of Missouri and for our customers.

And, Michael, you have some additional comments on that as well.

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

Yeah. Well, I think the important thing associated with the legislative side is creating that consistency, right? I mean, I think the uncertainty associated with the regulatory processes that you are looking for is long-term investments to make, and that's really what we see through the legislative process is giving us the window to do that. That's why we've been so focused on it.

Q - Neil A. Kalton {BIO 6409354 <GO>}

Okay. That makes sense. Thank you.

Operator

Thank you. Our next question is a follow-up from Joe Zhou with Avon Capital. Please proceed with your question.

Q - Andrew Levi {BIO 17235317 <GO>}

Hey. It's Andy again.

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

Hi, Andy.

Q - Andrew Levi {BIO 17235317 <GO>}

So, I guess, the points are kind of well taken on the legislation. So it just seems like that strategy is going to kind of work in Missouri and maybe it does, but God only knows when. So how about on the regulatory front, what are you thinking there? I mean, you have kind of backed off spending more money and allocating more money to Illinois, which obviously is the right strategy and not as much to Missouri. At the same time, you got a pretty fair rate order, and we're also compensated for Noranda in the latest filing. And I guess there's been some workshops, but over my career workshops tend not always to be too much.

What's the thinking now in Missouri CapEx-wise, investment-wise? Is it still kind of to not invest as much as you had planned, or as much as maybe the legislation would have allowed? Or at some point do you decide to kind of go the more traditional route and start ramping up the investment there? And, obviously, there is regulatory lag, but also working with the Commission to try to – the word is not eliminate that, but to kind of be able to recover costs on a timely basis Missouri-wise? I'm not saying timely in general, but just Missouri-wise. So what's the thinking on that?

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

Andy, this is Warner. I'll hit the highlights and certainly Marty and/or Michael can join in. My view is that we're pretty clear about what our five-year plan is. I mean, it's laid out there and clearly the compound annual growth rate for Missouri is what it is. It's laid out there in the slides, about

2% and we feel very comfortable with that. And the strong robust plan, the 6% rate base growth plan that we talk about is not contingent on regulatory reform in Missouri. But we've have also said, if we have regulatory reform in Missouri, whether it comes through legislative means, whether it comes through regulatory means, or a combination thereof, it will give us the ability to put more money to work in the state of Missouri, and therefore enhance that investment profile. So I think that's really how I see it going forward.

Michael, any other comments?

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

Yeah, absolutely. I just want to be clear that we are investing to maintain safe and adequate service here in the state of Missouri. There's no question about that. We are missing an opportunity, I think, to modernize this grid. And what we are doing in Illinois today, I think, is a great example, but we're going to continue to stay after this. But just want to be clear about the investments that we're making today in the state of Missouri.

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

Absolutely right.

Q - Andrew Levi {BIO 17235317 <GO>}

I understand that. I mean, obviously, you're going to run the system the best you can and it's just a matter of modernizing the system to where other states are at right now. But you don't get to a point where – not because the system is not running well, don't misunderstand me, but where you decide, okay, the legislative route is not working. Obviously, you are trying not only to run a really good system in Missouri, but also trying to make a point too that without proper regulatory reform or treatment, it's very hard as a business to make those investments, especially when you have opportunities across the border in Illinois. So at what point do you decide to make those investments? And I want to say regardless, but kind of just – are you saying that you won't unless there is reform?

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

Again, this is Michael Moehn. I think it's looking for that certainly. I think you said it well. I mean, as we said before, we are maintaining safe and adequate service. We're allocating where we can in other jurisdictions today. We'll continue to look at all tools that we have in front of us, legislative or regulatorily, and if we see an opportunity, we'll certainly take it, but it is that certainty that we're missing today and we have better opportunities. But, again, we're going to continue to invest where we have to to maintain the system that customers are expecting from us.

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

So the bottom line, Andy, is we feel comfortable with our plan.

Q - Andrew Levi {BIO 17235317 <GO>}

I know you do.

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

And we have been pretty clear. So we're going to continue to stay at it, because we think it's simply the right thing to do for our customers, for the state of Missouri, and our shareholders.

Q - Andrew Levi {BIO 17235317 <GO>}

I mean, obviously, we like your story quite a bit and you guys have done a very, very good job. But I guess, at the same time, we could see some higher growth from Missouri, obviously, that would enhance the growth rate of the corporation as well beyond the 6% through 2021. But I completely hear what you are saying. I mean, Missouri regulation is – again, this is me talking, not the company, somewhat arcane in the way that they do things and makes it difficult, both on an investment basis as a investor and also for you guys as well. But okay. Thank you very much.

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

Thanks for your question, Andy.

Operator

Thank you. There are no further questions at this time. I would like to turn the call back over to Mr. Fischer for closing remarks.

A - Douglas Fischer {BIO 1498560 <GO>}

Thank you for participating in this call. Let me remind you again that a replay of the call will be available for one year on our website. If you have questions, you may call the contacts listed on 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, thank you for your interest in Ameren and have a great day.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a wonderful day.