Q2 2023 Earnings Call

Company Participants

- Andrew Kirk, Director, Investor Relations
- Martin J. Lyons, President and Chief Executive Officer
- Michael L. Moehn, Executive Vice President, Chief Financial Officer, Ameren Corporation, President, Ameren Services

Other Participants

- Jeremy Tonet, JP Morgan
- Julien Dumoulin-Smith, Bank of America Merrill Lynch
- Paul Patterson, Glenrock Associates
- Sophie Karp, KeyBanc Capital Markets

Presentation

Operator

Greetings, and welcome to Ameren Corporation's Second Quarter 2023 Earnings Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. (Operator Instructions) As a reminder, this conference is being recorded.

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

Andrew Kirk {BIO 20578297 <GO>}

Thank you, and good morning. On the call with me today are Marty Lyons, our President and Chief Executive Officer; and Michael Moehn, our Senior Executive Vice President and Chief Financial Officer, as well as other members of the Ameren management team.

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. We have posted a presentation on the amereninvestors.com 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 about future expectations, plans, projections, financial performance, and similar matters which are commonly referred to as forward-looking statements. Please refer to the forward-looking statements section in the news release we issued yesterday, as well as our

SEC filings for more information about the various factors that could cause actual results to differ materially from those anticipated.

Now, here's Marty, who will start on Page 4.

Martin J. Lyons {BIO 4938648 <GO>}

Thanks, Andrew. Good morning, everyone, and thank you for joining us today. Before we cover our second quarter earnings results, I would like to discuss a series of major storm events which occurred in late June and July and disrupted power to a significant number of our electric customers across Illinois and Missouri.

Collectively, this was the worst month for storm events Ameren has experienced in approximately 15 years. I would like to thank our customers for their patience as we worked to restore their power. I'm also grateful for and proud of the Ameren team. Importantly, our team worked hundreds of thousands of man hours in challenging conditions with no significant employee injuries. These outages emphasize why we believe continued investment in grid reliability and resiliency remains as important and necessary as ever for our customers, which brings me to Page 4.

Our dedicated team will continue to execute our strategic plan across all of our business segments, which entails proactively investing in energy infrastructure to deliver safe, reliable, clean and affordable electric and natural gas services to our customers.

And moving to Page 5. Our strategic plan integrates our strong sustainability value proposition, balancing the four pillars of environmental stewardship, positive social impact, strong governance and sustainable growth. Here we summarize some of the many things we are doing for our customers, communities, coworkers, and shareholders.

And today we published our updated sustainability investor presentation called Leading The Way to a Sustainable Energy Future, available at amereninvestors.com, which more fully details how we have been effectively integrating our sustainability values and practices into our corporate strategy. I encourage you to take some time to read more about our strong sustainability value proposition.

Turning to Page 6. Yesterday we announced second quarter 2023 earnings of $0.90 per share compared to earnings of $0.80 per share in the second quarter of 2022. The key drivers of our second quarter results are outlined on this slide. As a result of our strong execution in the first half of the year, I'm pleased to report that we remain on track to deliver within our 2023 earnings guidance range of $4.25 per share to $4.45 per share.

Moving to Page 7. On our call in February, I highlighted some of our key strategic business objectives for 2023. We continue to make great progress as a result of our team's dedication.

Outlined on Page 8, our few key accomplishments this quarter. As you can see on the right-side of this page, we've invested significant capital in each of our business segments during the first half of this year, increasing spending nearly 20% compared to the year-ago period. These investments will continue to improve the reliability, resiliency, safety and efficiency of our system as we make a clean energy transition for the benefit of our customers.

During these first six months of the year, Ameren Missouri installed over 175,000 smart meters, 147 smart switches, and 32 underground cable miles and energized eight upgraded substations. Over 75% of our Ameren Missouri electric customers now have smart meters, allowing for better understanding of energy usage and choice among several time-of-use rates offered.

In Illinois, our customers are benefiting from over 3,700 new or reinforced electric poles and 91 new smart switches on electric distribution circuits year-to-date, and we continue to focus on replacing mechanically-coupled gas service pipes. Further, our transmission business completed a total of 117 projects in the first half of the year, including line rebuilds, new transmission circuits, transformer replacements, generator interconnections, and other upgrades to aging infrastructure, supporting the economic delivery of renewable energy resources for our customers, as well as the overall resiliency of the transmission system.

This includes the transmission portion of our Intelligrid program, which was completed this spring. Ameren's Intelligrid network is a safe and secure private telecommunications network, which enables the full functionality of smart grid technologies, giving Ameren greater awareness of system conditions, potentially reducing outage frequencies and durations to milliseconds instead of minutes or hours. As a result, it will reduce costs and wait times for customers. I'd like to express my appreciation for the Ameren team's dedication, hard work, and collaboration so far this year to deliver value for our customers.

Moving on to regulatory matters. In June, the Missouri Public Service Commission approved constructive settlement terms of the Ameren Missouri Electric Rate Review, which call for a $140 million annual revenue increase. New customer rates were effective July 9th, representing an increase of approximately 2% compounded annually since April 1, 2017, prior to Ameren Missouri adopting plant-in-service accounting, or PISA.

PISA, which is effective through at least 2028, allows Ameren Missouri to make meaningful and timely infrastructure investments, providing significant benefits to our customers. We also continue to make progress on the clean transition through the addition of solar to our generation portfolio.

Moving to Ameren, Illinois. Our team has been working diligently with key stakeholders in our ongoing electric distribution Multi-Year Rate Plan, or MYRP, and natural gas rate reviews. We filed rebuttal and surrebuttal testimony in June and July, respectively, and are encouraged by the constructive progress made to-date. Michael will discuss these in more detail in a moment.

In June, the Ameren Illinois Beneficial Electrification Plan, approved by the Commission in March, was updated to include $65 million through 2025 for programs, incentives, and rates encouraging electric vehicle adoption and infrastructure development.

In legislative matters, we were supportive of the Transmission Efficiency and Cooperation Law, or House Bill 3445, which was passed by the Illinois General Assembly in May. This bill would support timely and cost-effective construction of transmission projects, which I will touch on more on the next slide.

Moving on to operational matters. We remain focused on keeping customer bills as low as possible through disciplined cost management, continuous improvement, and optimizing our operating performance as we transform our business through investment to ensure we sustainably provide safe, reliable and cleaner energy for our customers.

Finally, in early May, the Callaway Energy Center was brought back online following a brief planned maintenance outage, which was completed safely and on schedule. The next scheduled Callaway refueling and maintenance outage is planned for this fall.

Turning to Page 9. As I just mentioned, in May, the Illinois General Assembly passed House Bill 3445 or the Transmission Efficiency and Cooperation Law, which, if enacted, would provide incumbent utilities, including Ameren, the right of first refusal to build MISO long-range transmission planning projects approved by year-end 2024. If enacted, HB 3445 will support the clean energy transition, benefiting our Illinois customers and communities and the broader MISO region.

As the local utility, we believe we are well-positioned to efficiently build, operate, and maintain these transmission assets over time. The right of first refusal allows for the construction process to begin sooner and the resulting customer benefits to be realized much quicker. Importantly, we competitively bid each component of our projects and utilize local suppliers and contractors who support the local economy.

In addition, we have long-term relationships with key stakeholders in the region and work closely with landowners and communities when citing transmission lines. The bill supports the timely and cost-effective construction of the MISO Long Range Transmission Projects, including one Tranche 1 project approved in July 2022 and Tranche 2 projects expected to be approved in the first half of 2024. The legislation was sent to the governor for signature on June 22nd. Who has until August 21st to sign veto or abstain from acting on the bill. Should the governor abstain, the bill will automatically become law.

Turning to Page 10. As we've discussed in the past, MISO completed a study outlining a potential roadmap of transmission projects through 2039, detailed project planning, design work, and procurement for the Tranche 1 projects assigned to Ameren is underway and we expect construction to begin in 2026.

MISO requests for proposal for its estimated $700 million of Tranche 1 competitive projects have been issued. We submitted our first bid related to the Orient-Denny-Fairport project in May. The remaining two bids are due in October and November of this year. The proposal and evaluation process for the competitive projects is expected to take place over the course of 2023 and into mid-2024.

Looking ahead to Tranche 2, MISO's analysis of potential projects is well underway and will continue for the remainder of the year and into next year. MISO anticipates the Tranche 2 portfolio of projects will be approved in the first half of 2024. Continued investment in transmission is needed to facilitate the transfer capability of energy across the region as more dispatchable generation retires and renewables come online.

On another matter related to MISO, an independent review was completed in July at the request of the ICC, which evaluated the benefits of Ameren Illinois' continued participation in MISO compared to the PJM Interconnection Regional Transmission Organization.

The study considered reliability, resource adequacy, resiliency, affordability, equity, environmental impact, and general health, safety, and welfare of Illinois residents. In conclusion, the independent consultant determined that Ameren Illinois remaining in MISO avoids significant economic costs for the customers of Ameren Illinois and Illinois residents more broadly.

Before moving on, I'm happy to say that the Illinois Power Agency's procurement events this past May, which set energy and capacity prices from June 1, 2023 through May 31, 2024 resulted in significantly lower prices compared to last year. In fact, we expected a decline of over 25% in Ameren Illinois' basic generation service rate. For customers taking power from Ameren Illinois, assuming normal weather, this could result in double-digit percentage decreases on their overall electric bill, providing welcome relief for customers.

Moving now to Page 11. As laid out in our June 2022 Missouri Integrated Resource Plan or IRP, we are taking a thoughtful and measured approach to investing in new generation as our older energy centers near retirement. In support of this transition, we were pleased with the Missouri PSC approvals of certificates of convenience and necessity or CCNs, for the Huck Finn Solar Project in February and the Boomtown Solar Project in April. Construction of Boomtown began in July, and construction of production of Huck Finn is expected to begin in October.

In June, we filed with the Missouri PSC for four additional CCNs, totaling 550 megawatts of new solar generation across our service territory. These projects support our ongoing generation transformation, which calls for adding 2,800 megawatts of renewable generation by 2030, while maintaining the reliability and affordability our customers expect. These projects will bring over 900 new construction jobs and additional tax revenues and other payments to the area. Subject to approval, these solar projects are expected to go in service between 2024 and 2026. While the Missouri PSC is under no deadline to issue an order on these CCN filings, we expect decisions in the first quarter of 2024.

Ameren Missouri is in the process of finalizing its next IRP, and we look forward to filing it with the Missouri PSC by the end of September. We believe the plan filed in 2022 includes a balanced and measured approach to adding renewables over time. As we continue the transition to a cleaner, more diverse generation portfolio, we are focused on reliability of the system, in particular in the hot summer and cold winter months. As a result, we are evaluating the need for more dispatchable energy prior to 2030, which is also consistent with MISO's view of future generation capacity needs in our region.

On Page 12, we look ahead to the next decade. We have a robust pipeline of investment opportunities, totaling more than $48 billion that will deliver significant value to all of our stakeholders by making our energy grid stronger, smarter, and cleaner. Of course, our investments also create thousands of jobs for our local economies.

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

Turning to Page 13. In February, we updated our five-year growth plan, which included our expectation of a 6% to 8% compound annual earnings growth rate from 2023 through 2027. This earnings growth is primarily driven by our strong compound annual rate-based growth of 8.4%, supported by strategic allocation of infrastructure investment to each of our operating segments based on their constructive regulatory frameworks.

Combined, we expect to deliver strong long-term earnings and dividend growth, resulting in an attractive total return that compares favorably with our regulated utility peers. I'm confident in our ability to execute our investment plans and strategies across all four of our business segments as we have an experienced and dedicated team to get it done. Again, thank you all for joining us today.

And I will now turn the call over to Michael.

Michael L. Moehn {BIO 5263599 <GO>}

Thanks, Marty, and good morning, everyone. Turning now to Page 15 of our presentation. Yesterday, we reported second quarter 2023 earnings of $0.90 per share compared to $0.80 per share for the year ago quarter. This page summarizes key drivers impacting earnings at each segment. As you can see, under our constructive regulatory frameworks, we experience earnings growth driven by increased investments in infrastructure in all of our business segments.

And Missouri earnings were negatively impacted by normal temperatures in the quarter compared to warmer than normal temperatures in the year ago period. We were still able to deliver strong earnings performance during the quarter as a result of our diverse business mix and disciplined cost management. Before moving on, I'll touch on sales trends for Ameren Missouri and Ameren Illinois Electric Distribution.

Year-to-date weather normalized kilowatt-hour sales to Missouri residential and industrial customers decreased about 1% and 2.5%, respectively. Year-to-date weather normalized kilowatt-hour sales to Missouri commercial customers increased about 0.5%. The modest decline in residential sales year-over-year were expected as more people returned to the office, yet there's been nearly a 4% increase in residential sales as compared to pre-pandemic levels.

Year-to-date weather normalized kilowatt-hour sales to Illinois customers have declined about 3.5% compared to last year. Recall that changes in Illinois electric sales, no matter the cause, do not affect our earnings since we have full revenue decoupling. On the economic development front, there have been several announcements to build or expand within our territory. In

Missouri, Boeing plans for a nearly $2 billion expansion of its aerospace program, and we create 500 new jobs.

In addition, ICL Group plans to expand their lithium battery and material manufacturing plant in St. Louis, which will support the production of EV batteries and be the first large-scale plant of its type in the country, creating an additional 165 jobs. I'm pleased to say that we continue to see a strong labor market in Missouri, with an unemployment rate of 2.6%, well below the national average. In Illinois, Manner Polymers and the Prysmian Group announced plans to build facilities manufacturing electric vehicle components and renewable energy cable, which collectively would create nearly 150 jobs in the state.

Moving to Page 16, yesterday we reaffirmed our 2023 earnings guidance range of $4.25 to $4.45 per share. On this page, we've highlighted select considerations impacting our 2023 earnings guidance for the remainder of the year. These are supplemental to the key drivers and assumptions discussed on our earnings call in February. I encourage you to take these into consideration as you develop your expectations for quarterly earnings results for the remainder of the year.

Turning now to Page 17, I'll provide an update on our regulatory rate proceedings. In June, the Missouri PSC approved a stipulation and agreement in our Ameren Missouri electric rate review for $140 million annual revenue increase. The agreement was a black box settlement and did not specify certain details including return on equity, capital structure, or rate base.

The agreement did provide for the continuation of key trackers and riders, including the fuel adjustment clause. New electric service rates were effective July 9. In other Missouri regulatory matters, in preparation for the planned retirement of our Rush Island Energy Center, last week, Ameren Missouri filed a 60-day notice with the Missouri PSC for the securitization of costs associated with the Rush Island Energy Center.

We will seek to finance the costs associated with the retirement, including the remaining net book value of the Rush Island Energy Center, through securitization. As of June 30, 2023, the net book value was approximately $550 million. We expect to file our petition seeking commissioner approval for the securitization as early as the fourth quarter of this year. Once filed, the regulatory proceeding is expected to take up to seven months to complete.

Moving to Page 18, in January, Ameren Illinois Electric Distribution filed its first Multi-Year Rate Plan or MYRP, with the ICC. Our MYRP is designed around three key elements, providing safe and reliable energy to our customers, deploying capital in a way that achieves the Climate and Equitable Jobs Act objectives as included in our performance metrics, and facilitating the clean energy transition by preparing our system to accept more renewables and electric vehicles over time.

The MYRP details a grid modernization plan that includes our planned electric distribution investments and supports our annual revenue increase request for the next four years. On July 13th, the ICC staff filed a rebuttal testimony recommending a cumulative increase of $317 million in revenue for 2024 through 2027. This includes a return on equity of 8.9%, reflecting the 2022 average 30-year treasury rate plus 580 basis points. If adopted, staff suggested the return on equity would be updated annually. It also includes a 50% equity ratio.

On July 27th, Ameren Illinois updated its request for a cumulative increase of $448 million in revenues. This increase includes a return on equity of 10.5% and an equity ratio of 54%. The variance in Ameren Illinois is a cumulative request and the staff's recommended cumulative increase is driven primarily by the return on equity and the common equity ratio, which makes up $81 million of the $131 million variance. An ICC decision is required by December 2023 with new rates affected by January 2024.

Turning to Page 19, in April, we filed our electric distribution annual rate reconciliation filing to reconcile the 2022 revenue requirement to actual cost. In late June, the ICC staff recommended a $109 million base rate increase compared to our updated request of a $125 million base rate increase. The $16 million variance is primarily driven by a difference in the common equity ratio, as we have proposed 54% compared to the ICC staff's recommended 50%. An ICC decision is required by December 2023, and the full amount will be collected from customers in 2024.

Earlier this year, we also filed with the ICC for an annual increase in Ameren Illinois natural gas distribution rates using a 2024 future test year. In July, we filed surrebuttal testimony requesting a $148 million increase based on a 10.3% ROE, a 54% equity ratio, and a $2.9 billion rate base.

Staff has recommended a $128 million increase, reflecting a 9.89% return on equity and a 50% equity ratio. Other interveners have recommended an increase of $98 million to $106 million, reflecting a 9.5% return on equity and a 52% equity ratio. An ICC decision is required by late November 2023, with rates expected to be effective in early December of this year.

On Page 20, we provide a financing update. We continue to feel very good about our financial position. On May 31st, Ameren Illinois issued $500 million or 4.95% first mortgage bonds due in 2033. Proceeds of this offering were used to repay a portion of the short-term debt and to repay $100 million of 0.375% first mortgage bonds that matured June 15th.

Further, in order for us to maintain our credit ratings and a strong balance sheet, while we fund our robust infrastructure plan, we expect to issue approximately $300 million of common equity, consisting of approximately $3.2 million shares by the end of this year. These shares were previously sold forward under our ATM equity program.

Additionally, we have begun to enter into forward sales agreements to support our 2024 equity needs. As of June 30th, approximately $92 million of the $500 million of equity outlined for 2024 has been sold forward under the program. Together with the issuance under our 401(k) and DRPlus programs, our ATM equity program is expected to support our equity needs in 2024 and beyond.

And turning to Page 21. We're off to a strong start and well positioned to continue executing our plan. We expect to deliver strong earnings growth in 2023 and over the long term, driven by robust rate-based growth and disciplined cost management. Further, we believe this growth will compare favorably with the growth of our peers. Ameren shares continue to offer investors an attractive dividend and total shareholder return story.

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

Questions And Answers

Operator

(Question And Answer)

Thank you. At this time, we will be conducting a question-and-answer session. (Operator Instructions) Our first question comes from Julien Dumoulin-Smith with Bank of America. Please proceed with your question.

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

Hey, good morning, team. Thanks so much for the time. I appreciate it. Thanks for all the comments. Maybe just kicking this thing off on the Rush Island side of the equation, just with the book value, it seems like that's $550 million. Can you comment a little bit on the size of the securitization and maybe, the offset to that, if you will, when you think about the additional transmission rate-based opportunities and otherwise you articulated, just thinking about the timing and the net puts and takes here, if you will?

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

Yes. Good morning, Julien. I appreciate the question. This is Michael. Yeah, from an overall amount, I mean, again, we provide that book value of $550 million, again, this will be, probably a year from now. But you should think roughly in those lines, I mean, around $500 million would be some of the depreciation, et cetera, that'll occur there's another couple of items that get incorporated into that, like inventory, et cetera, but around $500 million.

And, yes, I think as we've talked about in the past, I mean, we have a lot of flexibility here in terms of what we do with that, in terms of additional investments. It's really not restricted. It just really needs to go back into infrastructure. We obviously can use it to buy back and debt and other things as well. But, I mean, given our capital plan, there's lots to do there.

I think from a timing perspective, that's what -- we're being very thoughtful about, trying to determine the actual retirement date itself, get this, well in advance of that to give us plenty of time to make sure that we continue to replace that rate base over time and avoid any sort of earnings hit there. Hopefully that helps.

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

No, it does. Absolutely. Thank again. And then just when you think about the offsets here, just to push a little bit further on that, right? Rush Island, okay, securitization when you're out. Obviously, you alluded to a few different things there. Transmission probably being the single most notable element of what you talked about a moment ago.

Can you maybe elaborate a little bit what HB 3445, if I got the number right, does? And then separately, just on timing for Tranche 2, I mean, what opportunity do you see there as well, right? I mean, and/or competitive pieces from Tranche 1, just trying to think about like, again, the emphasis on the puts, and especially the opportunities.

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

Hey, Julien, this is Marty. Hey, thanks again for your questions. Just to first tack on to what Michael said, and then answer some of your specific questions. But when we planned out our capital expenditures for this five years, and we looked at the timing and amount on a year-by-year basis, we were thoughtful about the potential timing of this Rush Island closure and securitization filing.

And so within that, we had already timed some of our capital expenditures in a thoughtful manner to as Michael said, ensure that as Rush Island comes out of rate base that we don't have any kink, if you will, in the trajectory of our rate base growth and our earnings growth. So some of that's already baked into our plan, Julien, I guess first and foremost.

Now, you did ask about, some of the transmission investment and specifically about the legislation coming through Illinois, the transmission efficiency and cooperation law, which was HB 3445 that you referenced. There, as we explained in our prepared remarks, the General Assembly passed that legislation in May of this year and now it's really on the governor's desk for his potential signature.

So I got to the governor on in late June, June 22nd in a 60 days, which means the decision deadline for the governor is August 21st. And if you were to sign that, that would mean then that the one Tranche 1 project in Illinois would come to us and then any Tranche 2 projects that were approved in the first half of '24 that's our expectation, but anytime in 2024 would also come down to the incumbent transmission owner.

Now the governor's expressed some concerns about that legislation, so it's unsure what action he will take. I'll tell you that supporters of the bill including ourselves continue to share the benefits of the legislation and hopefully addresses concerns. If he signs the law, obviously, our bill obviously becomes law, and as we mentioned in our prepared remarks, if he takes no action, that bill becomes law as well. So we'll see what action he ultimately takes, but we continue to believe that right of first refusal is really in the best interest of our customers and the residents of the state of Illinois.

Then you just mentioned on overall what MISO is doing in terms of these projects. Again, as MISO is evaluating what projects might come out of Tranche 2. I will say there that we continue to believe that the work that they're doing points to an overall portfolio that would be larger than what they approved in part of Tranche 1.

And that's really because as they've gone through this analysis, one of the things obviously that's come to fruition is the IRA legislation and in D.C., which means that, we expect more renewables than had previously been expected. And so, MISO is planning towards something that's between sort of a future two and future three. And again, we expect that they'll continue to work through that. It's premature to say exactly how large that portfolio will be or exactly what transmission projects may fall into our service territories in Illinois or Missouri. But MISO continues to believe that they'll approve those projects in the first half of next year.

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

Got it. Excellent. Thank you for the thoughtful response, guys. Really appreciate it. Take care.

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

Thanks, Julien.

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

Thank you.

Operator

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

Q - Paul Patterson {BIO 1821718 <GO>}

Hey, good morning, guys.

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

Good morning, Paul.

Q - Paul Patterson {BIO 1821718 <GO>}

So Just to follow-up on Julien's questions about the ROFR. I know that you guys are involved in, I apologize, but what I was wondering is that the Supreme Court and this 5th Circuit decision regarding the ROFR in Texas, do you think that could have any wider implications in the country if it's allowed to stand?

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

Julien, sorry, Paul, I apologize. Paul, it's -- yeah, it's okay. I apologize again. But, look, it's -- some of the actions have been taken in various states, seem to be particular to the way that legislation was passed or -- and so, look, we're going to continue to pursue it. We think that if the governor were to sign this into law it would be applicable and applicable to as I said before both the MISO Tranche 1 projects as well as Tranche 2 projects that approved in 2024. So look, I guess time will tell, but I think that as we sit here today we think this would stand.

Q - Paul Patterson {BIO 1821718 <GO>}

You think it would stand, so I got you. So in other words if the 5th Circuit which is a Texas situation, you don't think it would apply to Illinois because of the individual walls that were -- because of the differences -- if I understand you correctly tell me if I'm wrong because of the differences between the Texas law and what passed in Illinois assuming that it's signed is that right?

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

I do believe that.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay, that's great. Thanks so much.

Operator

Our next question comes from Jeremy Tonet with JP Morgan Please proceed with your question.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Hi, good morning.

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

Hey, good morning, Jeremy.

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

Hi, Jeremy.

Q - Jeremy Tonet {BIO 15946844 <GO>}

I just want to dial into Illinois a little bit more, if we could, and I know that you touched on your commentary, but just wondering if it's possible to provide any more color on updates in the Illinois electric rate case, and just maybe how the tone of conversations with regulators and stakeholders have been trending so -- recently?

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

Yes, I think that maybe I'll start, and perhaps Michael would want to tack on here as well, this is Marty. I think, what you heard in our prepared remarks, again, is that, we really feel like we're working constructively with stakeholders as we work through this process. Of course, this is the first multi-year grid and multi-year rate filing. And so, as to be expected, you're going to have to work through some of the mechanics.

But ultimately, I still believe that we're going to get to a constructive outcome, something that accomplishes the policy goals that CJEA had for the state. And you'll notice that, when we started this, down this path in direct testimony, the ICC staff's recommendation was about 56% of our overall ask. And through the rounds of testimony and additional support that we've been able to provide with the staff, we've been able to work constructively with them to where their suggested revenue increase now is about 70% of our requests. So we've made positive progress there.

On our slides, we detailed that, there's still a difference between our recommended or requested cumulative increase and that recommended by the staff. And that difference is about $131 million over that four-year period. And we broke down some of the components for you. So look, we're going to continue to, work constructively with stakeholders. And like I said, I think we'll be able to get to a constructive outcome, and importantly, that accomplishes the policy goals of CJEA. So, I don't know if you have any more specific questions, or Michael, you want to add something?

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

Yeah, just a couple of comments, Marty, a good overview. And I -- look, I do think the teams collectively, between us and staff and others continue to work very collaboratively. Trying to really work through these issues, I think we all want the best answer, obviously, for customers, making sure that we're delivering on all of the policy objectives that Marty talked about, that CJEA is really, wanting to achieve as well.

And I think as Marty talked about, that difference today of about $131 million, about 62% of that is really tied up in ROE and cap structure. And so, there is this sort of fundamental difference on ROE today, they're still recommending the old formula that was approved under EMI which was basically 580 basis points, plus the 30-year treasury versus we really think the law says, look, it's a cost of equity and determined by the commission under their authority under the laws of the state that govern these rate reviews.

But I mean even putting that aside, I think the important thing to remember, if you took a current mark on that are we today at 580 basis points, I mean, you're -- it's something approaching 10. And I think the only other point I would make to is I think and under a kind of traditional cost of capital under like a cap and/or DCF, staff did also point out I think they would have been in about 10.02%, but then reverted back to this formula. So anyway, I give you those details because I think it does kind of narrow a lot of the issues in terms of what the difference is Jeremy.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's very helpful and maybe to follow-up, peel back a little bit more if I can, if there is anything left that can be said here, just, specifically with regards to your rebuttal strategy on the notably lower than expected ROE the $700 million capital discrepancy, $100 million medical OPEB overfunded balance. Just wondering if you could speak to any changes in receptivity overall, given Ameren's rebuttal argument.

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

Yes. Hey, Jeremy, this is Michael again. Yes. I mean, just again, to be clear, I think that receptivity has shown in the fact that I think we've closed that gap. So you continue, you referred to the $700 million gap, I'd say that gap is about $350 million today. So I mean, there's been some good work that's been done on both sides to agree that, look, here's some additional support and go ahead and accept those. That really, ultimately, Marty mentioned going from 56% to 70% of the asset, that was really a large part of that.

The other items that you noted are still out there, the post-retirement issue that we'll continue to argue for. We do think that it should be included. Customers are benefiting from this. It's an overfunded plan. It's throwing off gains that are actually reducing rates for customers, et cetera. We're going to continue to make those arguments, and we'll see ultimately where it goes, through the process over the next couple of months.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's very helpful. And one just quick last one, if I could. With the decrease in energy prices, as we've seen, has bill pressure kind of faded from the conversation with the public and policymakers, or is it still front of mind in discussion?

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

No, look, I mean, I think the overall backdrop is much better today. I mean, just given what's happened with commodity prices, both on the natural gas side, so you've actually already seen some of those benefits start rolling through on the PGAs, et cetera. I think we've talked about that.

And then certainly, some of these capacity auctions and the corresponding energy auctions are certainly providing relief to customers. That's always a good thing to see, right, in terms of just making sure that we're trying to get the lowest possible bill for customers. So I'd say it's less of a conversation today and it's a good tailwind as we think about the future.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That makes sense. That's helpful. I'll leave it there. Thanks.

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

Okay. Thanks, Jeremy.

Operator

Our next question comes from Sophie Karp with KeyBanc Capital Markets. Please proceed with your question.

Q - Sophie Karp {BIO 19699392 <GO>}

Hi. Good morning, and thank you for taking my question.

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

Good morning, Sophie.

Q - Sophie Karp {BIO 19699392 <GO>}

Yes, if maybe I can chew on this Illinois situation a little more. And you provided a lot of color already, but I'm just curious if you think there's a legitimate legal argument as to why, the old formula should be used in the new framework, why the staff is sticking to that old formula here?

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

Yes, Sophie, this is Marty. One of the things CJEA called for, in the legislation was that the cost of equity be determined consistent with commission practice and law. And we believe that means the use of traditional methods like capital asset pricing model, discounted cash flow analysis, IEIMA, which was the prior legislation had some very explicit language that required the use of a formulaic.

So we've certainly argued that the intent of CJEA was for the commission to use its traditional methodology. And I would note there that, the staff and their testimony as part of the Multi-Year Rate Plan, instead of that traditional CAPM and DCF kind of analysis was used that, they would get an ROE of about 10.02%, as a recommendation, and of course, in our gas rate case, that's pending the staff. They're recommending a 9.89%. So Sophie, at the end of the day, that's what we're hanging our head on is that, we believe that CJEA called for the use of that kind of methodology.

Q - Sophie Karp {BIO 19699392 <GO>}

Got it. Thank you. And then maybe if I can ask a solar question, I'm just curious on your Missouri Solar Projects, particularly the ones that you're self building or participating and building them. How are you thinking about your procurement strategy with respect to potentially getting adders for them as content and things like that? Does that influence your decision as to what equipment you're going to procure for these?

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

Yeah, it certainly does. So as you saw on our slides in terms of our build out, we do plan to have projects that -- or build transfer agreements that are built by developers, projects that are developed to a certain point, and then we procure them and finalize the construction ourselves, and then some self-build. And certainly, we're taking a host of considerations into account when we look at, where these projects are being built and, what they're being built with.

And so if we can, take advantage of a site that provides us with incremental tax credit opportunities, we'll do that. If we can take advantage of procurement strategies that resources that allow us to maximize the value of credits, we're going to do that. So at the end of the day, our goal with this is to build a portfolio of projects that really provides good diversity, low cost for our customers, reliability for our customers, and we'll look to maximize those tax credits to the extent possible to, again, deliver the lowest present value of revenue requirements for our customers.

Q - Sophie Karp {BIO 19699392 <GO>}

Great. Thank you. And do you expect to self-consume those tax credits, or would you be looking to monetize them with a third-party?

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

Yes, ultimately, I think it's a combination of both, Sophie. I mean, we're not sitting on a lot of credits today, but I mean, as we build into these, certainly, again, we'll be very thoughtful about it. We've been very involved in these issues on transferability and getting clarification, working through some of these rating agency issues, et cetera, but, I absolutely think that it could be a combination of both as we move forward.

Q - Sophie Karp {BIO 19699392 <GO>}

Great. Thank you so much.

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

You bet. Thanks.

Operator

(Operator Instructions) Our next question comes from Julien Dumoulin-Smith with Bank of America. Please proceed with your question.

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

Hi, guys. I was worried it was going to end early. I wanted to squeeze in a couple here. Look, I wanted to come back to what was being discussed on Illinois real quickly. Do you have any thoughts about Illinois gas here? I know that's very preliminary, but it seems like there could be some conversations going into '24 on perhaps reform that might look akin to Colorado or something like that, or Minnesota at that? But you guys tell me, what were you guys hearing or seeing on any front there?

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

Yes, Julien, in terms of legislation for next year, I can't say that there's anything percolating right now that we're aware of or involved in. I think that right now, our focus obviously is on this Illinois Multi-Year Rate Plan on the electric side and also getting a constructive resolution of our pending Illinois gas case.

And so that's our focus right now. I know in the past there was some discussion around QIP, but of course, that's expiring at the end of this year and right now we think we're positioned well as we utilize the forward rate cases in Illinois for our gas business. So really nothing to share with you on that front right now Julien.

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

All right, fair enough. And obviously, you've got these new CCNs going on the Missouri side. Just any lessons learned from Boomtown, Huck, et cetera?

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

I don't think there any specific lessons learned. We were certainly pleased to receive the commission's authorization to move forward with Huck Finn and Boomtown and pleased with the orders received and the resolution of those. So I wouldn't say there's any specific lesson learned.

We think all four of the projects that we have proposed are excellent projects for the benefit of our customers and move us along the path towards the investments that were laid out in our 2022 IRP. And we've got another IRP that we plan to file this September. And certainly, we think those projects are consistent with the path that we'll lay out as part of that IRP as well.

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

Awesome. All right, guys. Super quick. Thank you.

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

All right. Thanks, Julien.

Operator

It appears that there are no further questions at this time. I would now like to turn the floor back over to Marty Lyons for closing comments.

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

Yeah, terrific. Well, thank you all for joining us today. We have a strong first half of 2023, and we remain absolutely focused on strong execution for the remainder of this year. So we look forward to seeing many of you at conferences in the coming months, and thanks again. Have a great day.

Operator

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