Q2 2016 Earnings Call

Company Participants

- Douglas Fischer
- Martin J. Lyons
- Maureen A. Borkowski
- Michael L. Moehn
- Richard J. Mark
- Warner L. Baxter

Other Participants

- Brian J. Russo, Ladenburg Thalmann & Co., Inc. (Broker)
- Julien Dumoulin-Smith, UBS Securities LLC
- Michael Lapides, Goldman Sachs & Co.
- Paul Patterson, Glenrock Associates LLC
- Steven I. Fleishman, Wolfe Research LLC

MANAGEMENT DISCUSSION SECTION

Operator

Greetings, and welcome to the Ameren Corporation's Second Quarter 2016 Earnings Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, 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 our website at, ameren.com. Further, this call contains time-sensitive data that is accurate only as of the date of today's live broadcast, and redistribution of this broadcast is prohibited.

To assist with our call this morning, we have posted on our website a presentation that will be referenced by our speakers. Acronyms used in the presentation are defined in the glossary on the last page.

To access the presentation, please look in the Investors section of our website under Webcasts and Presentations and follow the appropriate link.

Turning to page two of the presentation, I need to inform you that comments made during this conference call may contain statements that are commonly referred to as forward-looking statements. Such statements include those about future expectations, beliefs, plans, strategies, objectives, events, conditions and financial performance.

We caution you that various factors could cause actual results to differ materially from those anticipated. For additional information concerning these factors, please read the Forward-Looking Statements section in the news release we issued today, and the Forward-Looking Statements and Risk Factors sections in our filings with the SEC.

Warner will begin this call with comments on second quarter financial results, full year 2016 earnings guidance and a business update. Marty will follow with a more detailed discussion of second quarter results and an update on financial and regulatory matters. We will then open the call for questions.

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

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

Warner L. Baxter {BIO 1858001 <GO>}

Thanks, Doug. Good morning, everyone, and thank you for joining us. Today, we announced second quarter 2016 core earnings of $0.61 per share, compared to core earnings of $0.58 per share in last year's second quarter. This earnings increase reflected higher retail electric sales volumes, excluding sales of Noranda Aluminum, driven by warmer early summer temperatures. The earnings comparison also benefited from increased FERC-regulated transmission and in Illinois electric distribution infrastructure investments, made under a modern constructive regulatory frameworks to better serve our customers.

These favorable items were partially offset by expenses for the 2016 scheduled Callaway nuclear refueling and maintenance outage, as well as lower electric sales to Noranda Aluminum, historically, Ameren Missouri's largest customer. Earlier this year, Noranda idled production at a smelter and the plant remains shut down.

Overall, our second quarter results were solid, as our team continued to successfully execute our strategy. And I am pleased to report that we have raised our 2016 guidance to a range of $2.45 to $2.65 per share, up from our prior range of $2.40 to $2.60 per share, reflecting year-to-date results.

Turning to page five, here we reiterate our strategic plan. We remain focused on executing the strategy and continue to strongly believe that we'll deliver superior long-term value to both our customers and shareholders.

I would like to take a moment and highlight some of our year-to-date efforts and accomplishments towards this end. To begin, our accomplishments include continued strategic allocation of significant amounts of capital to those businesses whose investments are supported by regulatory frameworks to 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 the slide. As you can see, year-to-date, we invested almost $650 million of capital in jurisdictions with these supportive regulatory frameworks. This represented almost two-thirds of our year-to-date 2016 investments and included approximately $330 million of capital spend on FERC-regulated transmission projects. The largest of these is ATXI's $1.4 billion Illinois Rivers transmission project.

Construction of the first of this project's nine line segments is complete with construction of three other segments and two of three river crossings well underway. Further, two of project's 10 substations are already in service, with the remaining eight substations under construction.

For ATXI's Spoon River project in Northwestern Illinois, we are acquiring the balance of the needed right-of-way and we plan to begin line construction later this year.

As for the Mark Twain project, we are in the process of obtaining assents from the five counties this transmission line will cross and have begun right-of-way acquisition. All three of these transmission projects: Illinois Rivers, Spoon River and Mark Twain are MISO-approved multi-value projects.

When completed, they will deliver significant customer benefits, such as improved reliability and access to cleaner energy, including wind power from the western and northern parts of the MISO region. We also continue to make significant investments in Ameren Illinois transmission that will result in a smarter and more reliable energy grid.

Turing to page six of our presentation, let me update you on the execution of our strategic plan at Ameren Illinois. We invested approximately $320 million in Illinois electric and natural gas distribution infrastructure projects during the first six months. These include investments made under the company's Modernization Action Plan, which was enabled by Illinois' Energy Infrastructure Modernization Act. This work remains on track to meet or exceed its investment, reliability and smart meter goals.

Ameren Illinois customers are experiencing fewer and shorter power outages due to our smart grid investments. In addition, natural gas distribution infrastructure projects are improving the safety and reliability of our gas distribution system.

Turning now to Missouri. First, on May 10, we safely completed the 21st nuclear refueling and maintenance outage for our Callaway Energy Center ahead of schedule. In addition, Ameren

Missouri continues to aggressively manage those costs that are under its control. Our success in this area has helped maintain electric rates that are the lowest of any investor-owned utility in Missouri, and are well below the Midwest and national averages.

While we are taking actions to keep our electric rates among the lowest in the country, we also need to take action to begin recovery of energy infrastructure investments that are not included in rates.

As a result, in early July, Ameren Missouri filed a request with the Missouri Public Service Commission, or PSC, for a $206 million increase in annual electric service revenue. This request includes recovery of and a return on the new infrastructure investments I just mentioned, including those for nuclear safety, environmental controls, transmission line improvements and reliability.

In addition, the filing includes recovery of fixed costs related to the loss of sales to Noranda, as well as increased MISO transmission charges. We expect the Missouri PSC to issue a decision in this proceeding in late April of next year. Marty will discuss this rate filing further in a moment.

Shifting now to efforts to enhance Missouri's regulatory framework. As you know, comprehensive performance-based ratemaking legislation was not enacted by the Missouri General Assembly before its session ended in mid-May as a result of a filibuster by a small group of state senators.

Since then, two separate efforts have been initiated by the state to address the need for regulatory reform to support investment in Missouri energy infrastructure. One of these efforts is an undertaking of the Missouri PSC, and the other is the work of a Senate Interim Committee.

The stated purpose of the Missouri PSC's effort is to consider policies to improve the way in which the commission regulates Missouri's investor-owned electric utilities. And the stated objective of the Senate Interim Committee is to evaluate ways utility regulatory process in Missouri might be modernized in order to ensure sustained investment in utility infrastructure, while at the same time promoting the interests of fairness among all constituencies, including customers and shareholders.

We are pleased and we certainly appreciate that the Missouri PSC and the Senate Interim Committee are taking the time and effort to study this important issue. I am convinced that improvements to Missouri's regulatory framework are in the best long-term interests of our customers and the entire State of Missouri as we seek to implement a smarter grid, transition to a cleaner and more diverse energy portfolio, as well as create jobs.

We have filed comments with the Missouri PSC and we will be actively engaged in both proceedings this summer and fall. In addition, we continue to engage with other key stakeholders involved in the process to explore constructive paths forward to support investment in Missouri's ageing infrastructure.

As I wrap up my business update, I want to take a moment to express my appreciation to all of our co-workers who have maintained their relentless focus on executing our strategy, which is enabling us to deliver safe, reliable, and affordable service to our customers and the communities we serve. Their actions have included working under challenging and hot operating conditions in the field and in our energy centers, responding to our customers' needs in a timely manner when faced with periodic summer storms, using innovation to meet our customers' rising expectations, as well as making our operations even more efficient, and most importantly, doing all of these things with safety being at the top of their mind.

Of course, we're not done. Looking ahead, we will be relentless in our efforts to improve our operating and financial performance, including maintaining our strong focus on safety, as well as exercising disciplined cost management and strategic capital allocation. And we will continue to focus on meeting and exceeding our customers' energy needs and expectations, and ultimately delivering superior long-term value to you, our shareholders.

Speaking of delivering superior value to our shareholders, I will now move to page 7, in our long-term total return outlook. In February, we outlined our plan to grow rate base at an approximate 6.5%, compound annual rate over the 2015 to 2020 period, driven by a strong pipeline of investments to benefit customers and shareholders.

Our above peer average rate base growth plan reflects strategic allocation of capital to those jurisdictions that operate under constructive and modern regulatory frameworks. And our rate base growth is foundational to our strong earnings per share growth expectations.

We stated in February that we expected earnings per share to grow at a 5% to 8% compound annual rate from 2016 to 2020, excluding the estimated temporary negative effect on 2016 earnings of lower sales to Noranda.

We also remain focused on delivering a solid dividend, because we recognize its importance to our shareholders. Today, our dividend yield remains above the average of our regulated utility peers. Of course, future dividend increases will be based on consideration of, among other things, earnings growth, cash flows, and economic and other business conditions.

Our strong earnings growth profile, combined with our solid dividend, results in superior total return opportunity for our shareholders. To summarize, we continue to successfully execute our strategy. And I remain firmly convinced that doing so will 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? Marty?

Martin J. Lyons {BIO 4938648 <GO>}

Thank you, Warner, and good morning, everyone. Turning now to page 9 of our presentation. Today, we reported second quarter 2016 GAAP earnings of $0.61 per share, which matched last year's second quarter GAAP earnings. As you can see on this page, there was no difference between GAAP and core results for this year's second quarter.

Moving then to page 10. Here, we highlight factors that drove the $0.03 per share increase in second quarter 2016 results compared to prior year core results. In 2016, we experienced higher retail electric sales volumes, excluding sales to Noranda, driven by warmer early summer temperatures. These temperatures increased earnings by an estimated $0.07 per share versus 2015 and $0.06 per share versus normal conditions.

Moving to the next key driver of the second quarter earnings variance. Increased investments in electric transmission and distribution infrastructure in our ATXI and Ameren Illinois businesses lifted earnings by $0.06 per share, compared to the year-ago period and net of changes in returns on equity. Our Illinois electric distribution business results incorporated an 8.45% allowed ROE under formulaic rate making, compared to 8.75% for the year-ago period, based on an assumed average 30-year Treasury rate of 2.65% for the full year.

Moving to the next two items on the page, earnings for the second quarter also benefited from higher Illinois natural gas distribution service rates effective this year as well as the decline in other operations and maintenance expenses not subject to riders, regulatory trackers or formula rate, each adding $0.02 per share compared to the prior-year period.

Shifting now to factors that had an unfavorable effect on the second quarter earnings comparison. The scheduled 2016 Callaway nuclear refueling and maintenance outage reduced second quarter 2016 earnings by $0.07 per share compared to 2015, when there was no refueling outage. The next Callaway refueling is scheduled for the fall of next year.

The previously mentioned idling of Noranda's smelter potlines reduced earnings by $0.05 per share. And finally, the quarter-over-quarter impacts of Ameren Missouri's 2015 energy efficiency plan negatively affected the earnings comparison by $0.04 per share.

Before moving on, let me briefly cover electric sales trends year-to-date. Overall, we experienced sales trends similar to those discussed on our first quarter call. Weather-normalized kilowatt hour sales to Illinois and Missouri residential and commercial customers on a combined basis were essentially flat as the 2016 leap day sales benefit was offset by energy efficiency impacts.

Kilowatt hour sales to Illinois industrial customers decreased approximately 5%, primarily reflecting lower sales to several large, low-margin Illinois customers, including those in steelmaking, heavy equipment manufacturing, mining and energy. Excluding lower sales to Noranda, kilowatt hour sales to Missouri industrial customers were down 0.50%.

Turning to page 11 of our presentation. Now, I would like to move from this discussion of sales to our guidance for the full year. As Warner stated, we now expect 2016 diluted earnings to be in the range of $2.45 to $2.65 per share, an increase from our prior range of $2.40 to $2.60 per share. This increased guidance reflects solid year-to-date results, including a first quarter tax gain associated with the new accounting rule, and an estimated $0.01 per share first half weather benefit compared to normal, as warmer-than-normal second quarter temperatures more than offset milder-than-normal first quarter temperatures.

Regarding Noranda, we continue to expect the unfavorable impact of lower electric sales to be approximately $0.15 per share in 2016. This estimate is net of expected revenues from off-system sales that Ameren Missouri is making as a result of reduced sales to Noranda and that are retained under a provision of our fuel adjustment clause.

We continue to expect Noranda's smelter to remain idle for the rest of this year, and that this will reduce earnings by approximately $0.05 per share in the third quarter, and approximately $0.02 per share in the fourth quarter compared to the prior-year periods. I will not go through the other earnings considerations listed on this page, because they are largely self-explanatory, and we discussed them on our February earnings call.

Overall, our goal remains to earn at or close to our allowed ROEs in all of our jurisdictions. Of course, we're falling short of this goal in Missouri in 2016, due in large part to the Noranda's sales losses.

Moving to page 12, here we begin to outline in more detail our recently filed Missouri electric rate case, which Warner mentioned earlier. Earlier this week, parties to this proceeding jointly proposed a schedule to the Missouri Public Service Commission, and key dates of the proposed schedule are listed on this page. We expect the Public Service Commission to decide the case by late April of next year, with new rates expected to be effective in late May. Further on page 13, you can see that three-quarters of our $206 million request is driven by our need to recover and earn a return on important new infrastructure investments made for the benefit of our customers, adjust rates to reflect reduced customer sales, largely driven by the idling of the Noranda's smelter, and recover increased MISO transmission charges.

To address the regulatory leg associated with these increasing transmission expenses, we've requested the implementation of a new MISO transmission tracker. In addition, the rate filing includes $8 million for amortized recovery of an estimated $81 million of fixed costs not recovered as a result of lower sales to Noranda. I would also like to update you on select regulatory matters pending at the Illinois Commerce Commission and the Federal Energy Regulatory Commission.

Turning to page 14. In April, Ameren Illinois made its required annual electric distribution rate update filing with the ICC. Under formula rate-making, Ameren Illinois makes such filings 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 calls for a $14 million decrease in the net annual electric revenue requirement consisting of an increase reflecting 2015 actual cost and expected 2016 infrastructure investments that is more than offset by a decrease, reflecting completion of the recovery of 2014 actual cost by the end of this year.

Late last month, Ameren Illinois and the ICC staff entered into a stipulation agreement that resolved all issues currently existing between them and supported an annual revenue requirement that is consistent with Ameren Illinois' filing. The positions for other interveners in the case are noted on this page and an ICC decision is expected in December of this year, with new rates effective early next year.

I'll 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 30-year U.S. Treasury bond yields for that year plus 580 basis points, and the ICC-authorized equity ratio, and are not directly determined by that year's rate update filing.

Turning to page 15, here we outline the previously mentioned complaint cases pending at the FERC that seek to reduce the base allowed ROE for MISO transmission owners, including Ameren Illinois and ATXI.

In the first case, last December, a FERC administrative law judge issued a proposed order recommending a 10.32% base allowed ROE. And the FERC is expected to issue a final order in the fourth quarter of this year.

In the second case, in late June, a FERC administrative law judge issued a proposed order recommending a 9.7% base allowed ROE, with the final FERC decision expected in the second quarter of next year. As a result of these pending cases and consistent with the ALJ rulings in each case, we have accrued a reserve for potential refunds of $58 million as of June 30, 2016.

Finally, turning to page 16, I will summarize. Year-to-date in 2016, we continue to successfully execute our strategy and we have delivered solid second quarter and year-to-date results. Our solid year-to-date results allowed us to increase our full-year earnings guidance range for 2016.

Further, on our February call, we stated that we expected earnings per share to grow at a strong 5% to 8% compound annual rate from 2016 through 2020, excluding the estimated temporary net effect of lower sales to Noranda this year. We said this earnings growth was driven by approximately 6.5% compound annual rate base growth over the 2015 through 2020 period, based on a mix of needed transmission, distribution and generation investments across multiple regulatory jurisdictions being made for the benefit of customers.

When you combine our strong earnings growth with Ameren's dividend, which provides investors with a yield of approximately 3.3% and which is above average compared to fully regulated utility peers, we believe our common stock provides very attractive total return potential for investors.

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

Q&A

Operator

Thank you. At this time, we will be conducting a question-and-answer session. Our first question comes from Julien Dumoulin-Smith with UBS. Please state your question.

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

Hi. Good morning.

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

Good morning, Julien.

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

Good morning.

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

Excellent. So, just first detailed question then a bigger picture question. On energy efficiency, obviously you're talking about lower load growth here in general, but what is the annualized impact here in 2016 after incentives? It seems as if it's about $0.17. In tandem with that, what are the weather-normalized sales trends excluding Noranda? And then, most importantly, what are your 2017 expectations as you think about that energy efficiency drag?

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

Yeah. Sure, Julien. This is Marty and, obviously, a number of questions there. I think as it relates to energy efficiency, you got to keep in mind that some of what we've quantified is year-over-year comparative impacts from last year to this year. So, when we think about that, you got to remember that the construct of the energy efficiency plan in Missouri from 2013 through 2015 was different than the one we've got now. And last year, we were being compensated for some of the efforts associated with energy efficiency, and being compensated not only for the current year effects in 2015, but some of the carryover effects to 2016. And so, that's creating a bit of a year-over-year comparison, and that's why we've noted some of those facts this year.

In terms of the sales trends, what we're seeing, and we mentioned this on the call, year-to-date, on a consolidated basis, residential and commercial sales were roughly flat. Frankly, they're up a little bit in Missouri and down a little bit in Illinois. And then industrial sales overall were down about 4%, with Missouri down about 0.5%, and Illinois down more significantly. When you actually exclude the impacts of energy efficiency in Missouri, we would actually see overall sales, instead of being flat, overall sales we'd see up about 1.5%.

On the residential, we think they'd be up about 1.3%, commercial maybe up 2%, and industrial, while they're down on a reported basis, maybe up 0.5% excluding energy efficiency. So, we do see those programs as having an effect, both the programs we put in place last year having a carryover effect to this year, but also the current year programs that we've now put into play. So, they are having an impact, but overall, sales are about where we thought. We said they – we thought they'd be about flattish because of the effects of energy efficiency and that's about where they are.

I think, economically, unemployment's running pretty good in Missouri, frankly. I think you probably saw nationally the unemployment is at about 4.9% now for the past couple of months. What we're seeing in Missouri is it's actually running a little bit below that, closer to 4%. While, unfortunately, on the Illinois side, we're seeing some of the industrial sales declines, seeing unemployment a little bit higher over there at about 6%.

But overall, I think, the economies are remaining stable. We're seeing a little bit of growth, I'd say in Missouri, especially when you strip out energy efficiency. In Illinois, while the industrial sales are down, we're still seeing some growth in terms of residential and commercial demand, which we see as a positive.

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

And then, just a follow-up here on the broader 5% to 8% CAGR. Can you comment quickly what the impact is from the U.S. Treasury being down within that range? Perhaps it's a linear (28:55), but I just want to reaffirm it. And then separately related, what about the impact from pension discount rates? Just want to make sure we understand, it's probably fairly modest given Illinois and then also Missouri, but just want to make sure we have that right.

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

Yeah. Sure. I know, I understand the question. I think that if you really think about the 5% to 8% growth over time, as we've said repeatedly, that's really anchored by the 6.5% compound annual rate base growth. And so, that really is the foundation. And then, when you think about whether we would be above that or below that from an earnings per share growth perspective, certainly, changes in Treasury rates or earned ROEs, sales growth levels, spending levels, regulatory decisions, all of those things can push you up or down within that range. And look, it's a five-year outlook, going out to 2020. So, a number of things can happen over that time, and that's why we have sort of a $0.40 range when you look out to 2020.

As it relates to the current impact of the 30-year Treasury since we mentioned on the call, we have booked to a lower Treasury yield than we expected at the beginning of the year. Beginning of the year, we had expected Treasury yields to be around 3.2%, while we booked 2% as of the end of June as an average rate for the year of about 2.65%, and of course, the current 30-year Treasuries are sitting at 2.25%.

So, that has caused us to change our outlook for this year; we've baked that into our guidance range for this year. I'd remind you that 50-basis-point move in ROEs in the Ameren Illinois delivery business of about $0.025. So, that gives you a sensitivity, but we've baked that into our current year guidance. We feel very good about the guidance, we were able to raise it $0.05 as you know this year, which is a positive. It's net of the impacts of those changes in 30-year Treasuries.

And as it relates to our long-term guidance, we obviously update our overall thoughts about how we're going to manage the business going forward on an annual basis, but right now, feel very good about that 6.5% rate base growth and that 5% to 8% compound annual EPS growth that we've projected.

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

Marty, Julien had one other issue on pensions and OPEBs.

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

Yeah. Thanks, Warner. On the pension and OPEB, which was a good question, Julien, I know that's impacting some folks with the lower discount rates that are expected. But we have trackers in Missouri for both pension and OPEB and then, in Illinois for our energy delivery business as well as in our FERC transmission business. You have formulaic rates, so we're largely protected from those declines that are happening in terms of the discount rate.

In the Illinois gas business, obviously, we have forecasted test years and depending on the timing of those filings, there can be some impact there, but largely insulated from the impacts of the changes in discount rates and any kind of asset performance changes.

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

Thanks so much.

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

Sure, Julien.

Operator

Our next question comes from Brian Russo with Ladenburg Thalmann. Please state your question.

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

Yeah. Hi. Good morning.

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

Good morning.

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

Good morning, Brian.

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

The $0.05 increase in the guidance, is there any way to break down some of the more noticeable positives and negatives? It looks like interest rates would be maybe a $0.025 negative versus previous guidance and – I'm not sure – I think weather is $0.01 positive, just maybe if you can elaborate on that, what's operational and what's kind of weather-related?

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

Yeah. Sure, Brian. Good question. And I think if you look back at our beginning-of-the-year guidance and then, walk through our first quarter and now second quarter disclosures, you can piece some of these things together and you've got some of those. I think as it relates to –

starting with our guidance at the beginning of the year and thinking about how it moved, we had an $0.08 or so pickup from the adoption of the new accounting standard in the first quarter, which was a positive. At that same time, we also had a couple of additional cents of decline due to this Noranda outage. We started the year thinking it was going to be about a $0.13 impact and now we're at about $0.15 impact.

We also had – as you mentioned, we've now had a little bit of a lowered expectation in terms of the Treasury rates, and again, like you said, that has impacted us by $0.02 or $0.03 there as well. So, those are some of the impacts that we had. Now, in the first quarter, we also had negative weather, it was about $0.05 negative in the first quarter. As mentioned on the call, we had a positive weather here in the second quarter, which more than offset – more about a $0.01 positive now for weather year-to-date.

So, when you look at that, where we are at the end of six months, you've got that tax gain that we experienced in the first quarter, you get about a $0.01 of positive weather and we've had some offsets due to the decline in the Treasuries and then, this temporary impact of the Noranda outage that we're experiencing this year. So, those are some of the things that were plusses and minuses versus our original expectations and why we were positioned then with the backdrop of very solid operations and very solid execution of our strategy and our plan for this year that we're able to raise the guidance by $0.05.

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

Okay. Great. And it's my understanding that you're using – that the ATXI and FERC transmission is being financed at the parent. Just want to be – if you like, you could clarify the financing strategy with ATXI and when might we see it break out into a separate sub and that parent leverage be a little bit more transparent?

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

Yeah. That's – you correctly described it, I mean, what we're doing today, because it is the most – has been the most efficient way to do it as we've been financing the transmission growth at our ATXI business through financing at the parent, which we've got both some short-term and long-term financing in place there at the parent that supports the investments we've been making at ATXI. Obviously, as that short-term debt grows to parent, we'll consider when it might be appropriate to term some of that out. I don't expect that to be this year, but in prospective periods, we'd really might consider that.

And to the extent that we believe it's more efficient at that point to do it at an entity other than Ameren Corp, at either ATXI or a holding company level, we'll evaluate that going forward. But as we approach that decision, whether that be next year or in some period beyond, we'll certainly be happy to discuss our thinking at that time about why we're proceeding.

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

Got it. And then, the Missouri electric case filing, did you file the a utility cap structure or the parent cap structure?

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

On the Missouri filing that we filed as we mentioned on the call, it had a equity content in the cap structure of 51.8%, and that is the cap structure of the utility subsidiary, Ameren Missouri.

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

Okay. Great. Thank you.

Operator

Our next question comes from Michael Lapides with Goldman Sachs. Please state your question.

Q - Michael Lapides {BIO 6317499 <GO>}

Hey, guys. Congrats to a good start to the year. Can you talk about, in your multi-year forecast what your planning is for leverage at the holding company level? Meaning, do you plan on delevering the holding company, do you plan on issuing debt solely to fund ATXI or using debt at the holding company level and sending it down to the utilities to help fund utility growth?

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

Michael, this is Marty. And as you've seen in our slides, we have about $11 billion expenditure plan over the next five years. It's something that we believe, given the strength of our balance sheet today, we can finance solely with debt and maintain a very strong balance sheet and maintain very strong credit metrics relative to the ratings that we have today.

And then as we think about the expenditures, obviously we've got those at each of the subsidiaries, we do financing independently at each one of the subsidiaries. So we have – obviously, we issued long-term debt at Ameren Illinois, Ameren Missouri. And then as we just spoke about on a prior Q&A, as it relates to the ATXI transmission business, then we are using parent company leverage or debt to be able to fund those investments at ATXI and at some point may very well be able to do financing either at ATXI or some sort of intermediate holding company.

But that's overall our plan, and our goal is with each one of our utility subsidiaries to maintain very strong overall balance sheets there as well. So that's how we're balancing things out, and again, we do believe we'll be able to finance this capital expenditure plan with debt (38:52) over the coming five-year period.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. So, no real plans for equity or significant debt at the holding company to infuse as equity into the operating company?

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

That is correct. That's absolutely correct. And I think one thing too to keep in mind longer term, over time, we'll be able monetize some of tax assets that we have up at the parent. We've got quite a bit of tax assets built up overall, about $760 million, but about $460 million or so of that is really at the parent company and it's something that over time we'll be able to monetize as well.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. One last one, and this is really – I don't know if this is Warner or for Michael, but when you're thinking about the proceeding in Missouri to help improve ratemaking processes, I know some of the testimony filing dates have already passed, and honestly, it didn't look like there were lots of suggestions of very specific things that other interveners, besides you guys, really were recommending. More, the testimony seemed like it was more please don't do this or don't do that, but not as much please do this or do that.

How do you think the commission kind of takes it from there? Like, if you think about it as this is a giant kind of – a cauldron or boiling pot or lots of things can come out of this, how do you think about what the options that the commission actually looks at are based on what's been filed in the public testimony?

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

Hello, Michael, this is Warner. I'll take a shot at it and then I'll let Michael add some more of the details on that. Number one, I think I would start with this. This is a positive development that we're talking about the need to address Missouri's aging infrastructure and seeking solutions, especially outside of the legislative session. So, I see that these proceedings that are being conducted, both by the Missouri Public Service Commission and the Senate Interim Committee, an opportunity for stakeholders really to come together to not only share ideas, to share differences, and to try and find a constructive path forward. And so, while maybe some of the filings included things that the interveners or others did not want to see, that's informative.

Secondly, I know that that Ameren Missouri and then certainly the utility group, they filed specific suggestions. And there was a host of suggestions to try and address this issue. So I fully expected the commission to carefully look at these things, to engage with stakeholders as well as the Senate Interim Committee to try and advance Missouri forward. Because we've been consistent, we strongly believe that this not only an opportunity but one of these things that it's really imperative for Missouri to move forward with the constructive policies.

And so, we're encouraged by these developments, we look forward to engaging with the key stakeholders. Michael, you've been working with some of the more specific key stakeholders. Anything you'd like to add in terms of the overall process and where things go from here?

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

Yeah. Perfect, Warner. Thanks for the question, Michael. I think that – I mean, where we are today is a positive, as Warner said. I mean, there's a great deal of dialogue that's occurring. And I think that given where the various stakeholders are, it's not terribly surprising. I think that the commission is being very constructive in this process. We'll have a couple more rounds of testimony as we move through it.

As Warner said, the Senate Interim Committee is going to hold some hearings in the very near future. They're really looking to get some outside perspectives. And I think, to me, the one thing that's really positive in all of this is there's a recognition of the issue. Now, there's not tremendous consensus on what the solution is yet, but there's a recognition of the issue. And that's where this whole thing starts. Once we have the problem identified, we can figure out how to go about it and come through, through debate and dialogue, come up with the right solution.

So I think it's a positive first step, hard to predict where it's going to go, but both, I think, the commission-ordered process as well as the Senate Interim Committee are driving towards an early December date with ample time to work something through the legislative process.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. Thanks, guys. Much appreciated.

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

Sure, Michael.

Operator

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

Q - Paul Patterson {BIO 1821718 <GO>}

Good morning.

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

Hello, Paul.

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

Morning, Paul.

Q - Paul Patterson {BIO 1821718 <GO>}

Just a few quick follow-ups. So, most of my questions have been answered. But the tax asset monetization that you were referring to, is that just over the course of business, or is there any potential transaction that might be contemplated with this structure (43:49)? I was just wondering if you could elaborate a little further on that.

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

Yeah, really, expect it to be monetized just over the course of business. As we go through time, what will happen is that as we have taxable earnings and we have taxes due, what will happen over time is that the utilities will burn off their tax assets, the utilities will then pay taxes up to the parent. The parent will be able to monetize this sort of – kind of this tax shield of the $460 million that I spoke about. And then ultimately, once that's burned through, Ameren Corp. becomes a taxpayer, which is out in the 2020, 2021 timeframe is when we project today.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. And then, on Illinois, there's a lot of legislative discussion there regarding the nuke stuff that Exelon's asking for, but also others are asking for sort of renewable stuff, et cetera. And there's been some discussion of an (44:54) bill, discussion of single ISO kind of things. And I was just wondering, is there any opportunity there for you guys, given your Formula Rate Plan and everything else for additional investments or additional opportunity, or any thoughts or risks – or any thoughts that you guys have that – in terms of seeing what's going on in Illinois?

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

Hello, Paul, this is Warner again. The simple answer is yes, we're at the table with key stakeholders. And as Exelon and others have promoted plans or potential pieces of legislation, we have provided input. We provided input that we believe that will encourage some additional investments that we believe will benefit customers, but also to make sure that it's balanced for certainly the southern part of Illinois as well as the northern part of Illinois. That's all part of the framework.

And so, we think there are opportunities. Whether that will be a legislative effort, that will be the priority for this legislature here in the short term, remains to be seen. They obviously are very focused on addressing some budget issues, and so once those matters are addressed, perhaps an energy legislation will come to the forefront. But the bottom line is we're engaged, we're simply engaged with them. And Richard Mark, who oversees our operations there. Richard, would you have anything else to add to that?

A - Richard J. Mark {BIO 4447427 <GO>}

No, I think you put it well, Warner. I think we're at the table with stakeholders, we're watching the legislation very closely. But in Illinois right now, I think the primary focus of legislature is trying to get some of the state budget issues resolved.

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

Sure.

Q - Paul Patterson {BIO 1821718 <GO>}

Right. Sure. And then just finally, on the Mark Twain, you guys mentioned the assent process at the counties, is that going well? Is that working out? It's just a – sort of a follow up from – just was wondering if there's anything going on there.

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

We'll have Maureen Borkowski who oversees our Transmission operations, she'll be able to give you some input on that.

A - Maureen A. Borkowski {BIO 7081192 <GO>}

Hi. This is Maureen. Yeah, everything at Mark Twain is going as per schedule. We are basically preparing the packets of information to demonstrate to each county that we need the statutory requirement of safely crossing public roadways. And we continue to have dialogue with each of the commissioners and each of the five counties to move that forward. So, everything's on schedule at this point.

Q - Paul Patterson {BIO 1821718 <GO>}

Great. Thanks so much.

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

Sure.

Operator

Our last question comes from Steven Fleishman with Wolfe Research. Please state your question.

Q - Steven I. Fleishman {BIO 1512318 <GO>}

Yeah. Hi, good morning.

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

Good morning, Steve.

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

Morning, Steve.

Q - Steven I. Fleishman {BIO 1512318 <GO>}

Wanted to give you a rare compliment for basically staying disciplined in this Westar M&A process. Usually, people congratulate on doing deals, but sometimes best not to. So just on that front though, could you maybe just give a sense of how important M&A is to the plan or is it pretty much focused on the core rate base growth and it's kind of more opportunistic?

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

Steve, this is Warner. So, let me comment squarely on this. Our focus is on the strategic plan we laid out right at the outset. That focus, as you can see, is on the organic growth in our business, which is driven by robust rate base growth, which we believe is going to deliver solid earnings per share growth. And we have obviously talked about the dividend that goes along with it that's going to deliver what we think is superior total shareholder return.

As you said, we do believe the industry will continue to consolidate. And certainly in the past, we have obviously participated in some level of consolidation. And so, bottom line is we're focused on our organic growth plan, we're attentive to what's going on in the industry and we'll simply just continue to execute, execute, execute, period.

Q - Steven I. Fleishman {BIO 1512318 <GO>}

Okay. Thank you.

Operator

I'm showing no further questions at this time. So I will turn it back 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 Friday.

Operator

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