

Company Name: Ameren  
 Company Ticker: AEE US  
 Date: 2014-11-06  
 Event Description: Q3 2014 Earnings Call

Market Cap: 10,292.57  
 Current PX: 42.42  
 YTD Change(\$): +6.26  
 YTD Change(%): +17.312

Bloomberg Estimates - EPS  
 Current Quarter: 0.140  
 Current Year: 2.375  
 Bloomberg Estimates - Sales  
 Current Quarter: 1413.000  
 Current Year: 6059.833

## Q3 2014 Earnings Call

### Company Participants

- Warner L. Baxter
- Martin J. Lyons
- Maureen A. Borkowski
- Michael L. Moehn

### Other Participants

- Paul Patterson
- Michael Weinstein
- Paul T. Ridzon
- David A. Paz

## MANAGEMENT DISCUSSION SECTION

### Warner L. Baxter

#### *Q3 Business Highlights*

##### *EPS*

- Today we announced third quarter 2014 earnings of \$1.20 per share compared to the year-ago quarter's earnings of \$1.25 per share
- This earnings decrease primarily reflected milder summer temperatures in this year's quarter, which reduced native load electric sales volumes
  - This lowered earnings by an estimated \$0.06 per share compared to the year-ago quarter, and by an estimated \$0.09 per share compared to normal
- Marty will discuss other key drivers of third quarter earnings in a few minutes
- While the milder than normal third quarter temperatures raised most of the weather-related earnings benefits realized earlier in the year, we remain on-track to deliver strong earnings growth in 2014
- In fact, earnings for the nine months ended September 30th of this year were \$2.21 per share, an increase of \$0.30 per share compared to the year-ago nine-month period
- As a result, today we narrowed our earnings guidance range for this year to \$2.30 and \$2.45 per share, from our prior range of \$2.30 to \$2.50 per share

##### *Dividend*

- Turning to page five, we have also reaffirmed our longer-term EPS growth outlook of 7% to 10%, compounded annually from 2013 through 2018

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- In addition, I am pleased to note that last month, our Board of Directors increased our quarterly dividend to \$0.41 per share, resulting in a new indicated annual rate of \$1.64 per share
  - This is a 2.5% increase from the prior rate of \$1.60 per share and reflects the increased financial stability that resulted from the disposition of the merchant power business, and our confidence in the outlook for our regulated utility businesses
- Looking ahead, we continue to expect our dividend payout ratio to be between 55% and 70% of annual earnings
- Of course future dividend increases will be based on consideration of among other things, earnings growth, cash flows economics and other business conditions

### ***Strategic Plan***

- And as I stated a moment ago, we are focused on delivering strong earnings growth in the future as we execute our well-defined strategic plan, which takes me to page six of the presentation
- Our strategic plan calls for investing in and operating our utilities in a manner consistent with existing regulatory frameworks
  - In addition, we are working to enhance those frame works as well as advocating for responsible energy policies at both the federal and state levels
- Finally, we are focused on delivering superior sustainable long-term earnings growth by creating and capitalizing on opportunities to invest in our rate regulated businesses for the benefit of our customers and shareholders

### ***Capital Allocation***

- Turning now to page seven, in line with our strategy, we are allocating capital consistent with the various regulatory frameworks under which our utilities operate
- And our plan for doing so over the five years ending in 2018 is outlined on this page

### ***Investments***

- We are investing significant and growing amounts of discretionary capital and our FERC-regulated electric transmission activities at Ameren Illinois, in Ameren Transmission Company of Illinois, and in Ameren Illinois' electric and natural gas delivery businesses
  - We are doing so, because these investments can improve the reliability, safety and sustainability of the service we provide to our customers and because these businesses operate under modern constructive regulatory framework
  - Further, these investments benefit our regional economy by creating jobs

### ***Combined Rate Base***

- Overall, we have developed a solid list of projects at each of our subsidiaries and expect combined rate base to grow at a rate of approximately 6% compounded annually over the noted five-year period
  - We project that this rate base growth and capital allocation, particularly to FERC-regulated transmission, will lead to the strong earnings growth that I previously mentioned

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### ***Key Projects Completion***

- Moving now to page eight
- I am very pleased to say that we are successfully implementing this five-year investment plan

### ***Missouri***

- In Missouri, we are currently focused on completing several key projects
- We are replacing the reactor vessel head at our Callaway Nuclear Energy Center during its current refueling and maintenance outage, which I'm happy to report is proceeding according to plan

### ***Labadie Energy Center***

- We're also installing additional environmental controls at our Labadie Energy Center and placing into service the largest investor-owned solar facility in the state
- These projects are expected to be in service by year end, so that they along with recently completed substations, like the one shown on the cover of this presentation, to meet our customers' energy needs and expectations, as well as be included in the rate base used to compute the revenue requirement in our pending electric rate case
  - Reflecting these and other projects, our rate case filing includes rate base additions of approximately \$500mm compared to those included in our prior rate order in late 2012

### ***Illinois***

- In Illinois, we continue to implement our electric and natural gas distribution system monetization action plan
- Our customers have already experienced improvements in service quality, including reliability as a result of the investments we are making

### ***Modernization Plan***

- This modernization plan includes the installation of approximately 780,000 advanced electric meters and approximately 470,000 advanced natural gas meter modules
- Since we began the effort this summer, we have installed approximately 17,000 new electric and 5,000 new gas meter modules as part of the initial stage of this multi-year effort
  - And we expect these installations to reach at least 40,000 and 25,000 respectively by year end

### ***FERC-Regulated Electric Transmission Activities***

- In addition, our FERC-regulated electric transmission activities continue to grow with projects at Ameren Illinois and Ameren Transmission Company of Illinois proceeding on schedule
- In fact, we have invested approximately \$375mm in such transmission projects over the first nine months of this year on our way to our planned investment of more than \$525mm for the full year
  - This includes Illinois Rivers, the largest of our transmission projects where construction has started on seven of 10 substations and real estate easements have been obtained on 40% of the properties along the route

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- In addition, foundation construction on one line segment has begun and clearing on another line segment is well underway

### ***Strategic Plan***

- Of course, execution of our strategic plan requires successfully managing rate cases to recover and earn fair returns on the investments we are making to benefit customers as well as addressing other regulatory matters

### ***Missouri***

- In Missouri, we are squarely focused on achieving a constructive conclusion to the \$264mm electric rate case we filed in July
  - The key driver of this rate request is capital projects including those I mentioned earlier

### ***Illinois***

- In Illinois, our annual proceeding for updating electric delivery formula rates is nearing conclusion
- Based on the recent administrative law judge's recommendation in this case, I expect that we will achieve a constructive outcome
- Marty will provide more details on these regulatory matters a bit later

### ***Operational Improvement and Discipline Management***

- Finally to mitigate rate increases for our customers and to maximize value for our shareholders, we remain relentlessly focused on operational improvement and discipline management of our costs
  - A good example of our progress in this area is the award won by Ameren Missouri's largest coal-fired energy center, Labadie
- In August of this year, Navigant recognized Labadie as the top performing large unit coal-fired energy center in the United States based on detailed analysis of cost, performance, and safety data

### ***Cost Management***

- Another example of our focus on cost management is the \$0.07 per share reduction in parent and other operating cost, we achieved for the nine months ended September 30th of this year compared to the year-ago period

### ***Illinois Modernization Action Plan***

- Turning now to page nine, in addition to the progress we are making in executing our plans for the current five-year period, we are focused on creating and capitalizing on additional opportunities beyond 2018
- Our Illinois modernization action plan is a 10 year plan designed to extend through 2021
- With the support of continued constructive rate-making, we expect to continue to make significant investments under this plan to enhance the reliability and safety of our electric and gas delivery systems in Illinois

### ***FERC-Regulated Electric Transmission Projects***

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- Further, we are pursuing additional FERC-regulated electric transmission projects in the Midwest region beyond those included in our current 2014 through 2018 investment plan
- We have the exclusive rights to build projects already included in our current five-year plan
- Future projects may include those we have the exclusive right to build as well as regional and interregional projects that would be subject to competition on the FERC Order 1000
- We are particularly focused on Order 1000 projects that would resolve transmission system issues in and around Ameren's traditional service territory including projects in and between MISO Central, MISO South, PJM and SPP

### ***Transmission Development Team***

- Our transmission development team continues to actively respond competitive solicitations at the regional and interregional levels that are conducted by MISO, PJM and SPP and estimated many projects solutions
  - These regional transmission organizations are expected to make awards in this solicitations as soon as the end of next year

### ***Missouri***

- Finally in Missouri, we have numerous opportunities for additional investment
- These include the installation of new advanced meters and replacement of aging transmission and distribution infrastructure
- We also have the opportunity to make investments to transition to a cleaner, more diverse generation portfolio in a responsible fashion, including further environmental controls on our existing coal-fired energy centers and the addition of renewable and gas-fired combined cycle generation capacity
  - We believe these longer-term opportunities for investment will benefit customers by improving reliability, safety, market efficiency and the environment

### ***Electric Generation and Environment***

- Turning to page 10; speaking of electric generation and the environment; Ameren Missouri filed its integrated resource plan or IRP with the Missouri Public Service Commission last month, which it does every three years
  - This document details our assessment of the electric energy needs of our customers for the coming 20 years and puts forward our preferred plan for meeting those needs

### ***2014 IRP and Energy Efficiency Programs***

- The 2014 IRP outlines our plan to deliver safe, reliable and reasonably priced electricity for our customers while transitioning Ameren Missouri's generation fleet to a cleaner and more diverse portfolio in a responsible fashion
  - It includes expanding renewable generation, retiring coal-fired generation capacity as this capacity reaches the end of its useful life and adding cleaner burning natural gas-fired combined cycle generation
- Further, we expect to continue to offer significant levels of energy efficiency programs under the constructive regulatory framework in Missouri for these investments and to begin to offer demand response programs

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### ***Investment***

- As noted on page 10, we project that our preferred plan will require an investment of approximately \$4.5B over the 20-year period for new generation and environmental controls
  - This amount is in addition to investments Ameren Missouri anticipates making to maintain and improve its existing energy centers and its transmission and distribution systems
- As we have stated in the past, the level and timing of these investments will be influenced by the regulatory framework in place to support investment in energy infrastructure

### ***Preferred Plan***

- Our preferred plan is projected to achieve the ultimate carbon emissions reductions proposed by the U.S.
  - EPA this past summer in its Clean Power Plan by 2035, rather than the EPA's final target date of 2030 or its aggressive interim target dates beginning in 2020
  - Our plan will achieve these significant carbon emission reductions at a cost to customers that is estimated to be \$4B less than what would be incurred to meet the EPA's proposal
- In addition, our plan would provide us with important operational flexibility to address changes in customer energy demand, changes in technology and new regulations among other things

### ***Potential Regional Reliability Risks***

- Finally, our approach would significantly mitigate potential regional reliability risks that had been raised by many in our industry
- That is why we are aggressively advocating for energy policies at both the Federal and State levels, which support the implementation of our preferred plan
  - We do so because we simply believe it is the right thing to do for our customers, the environment and our shareholders

### ***EPA***

- By December 1, we will file comments with the EPA on their proposed rule
- Our comments will focus on several key issues including the aggressive interim target dates and their impact on customer costs and system reliability as well as the challenges associated with the EPA's four building blocks, among other things
- We look forward to working in a constructive fashion with key stakeholders, including the EPA on this important energy policy matter
  - And to be clear, should the EPA's proposed regulation withstand the legal challenges it will certainly face and ultimately require us to reduce our carbon emissions in a manner different than our preferred plan, we expect that our prudent investments to comply with these regulations will be fairly treated by our regulators as they have been in the past

### ***Closing Remarks***



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In closing, we are successfully executing our strategy across the board, and I'm firmly convinced that this will enable us to deliver superior long-term value to our customers and our shareholders

## Martin J. Lyons

### *Financial Highlights*

#### *EPS, Tax Rate and D&A Expense*

- Turning now to page 12 of our presentation, as Warner noted today, we reported earnings of \$1.20 per share for Q3 2014 compared to \$1.25 per share for Q3 2013
- Key drivers of this earnings decline are listed on this page
- We experienced much milder than normal temperatures in Q3 this year with cooling degree days falling 10% below those of the year-ago quarter and 14% below normal in our service territories
- As a result, native load electric sales volumes declined, reducing earnings by an estimated \$0.06 per share, compared to Q3 last year and by an estimated \$0.09 per share compared to normal
- Other factors contributing to the decrease in Q3 2014 earnings from the year-ago quarter included a higher effective tax rate and increased depreciation and amortization expenses
  - The earnings comparison was positively affected by increased rates for FERC-regulated electric transmission and Illinois natural gas delivery services both effective at the beginning of this year as well as decreased interest charges

#### *EPS*

- Moving then to page 13, as Warner also mentioned our full year 2014 earnings guidance range is now \$2.30 to \$2.45 per share
- On this page, we highlight select fourth quarter 2014 EPS considerations incorporated into this guidance
- First, we expect fourth quarter 2014 results to benefit from the previously discussed 2014 increases in rates for FERC-regulated electric transmission and Illinois natural gas delivery services
- Second, Illinois electric delivery earnings under formula rate making are expected to increase, compared to the year-ago fourth quarter
  - This reflects expected higher revenues recognized under formula rate-making as a result of higher rate base among other things

#### *ROE*

- The allowed ROE for our Illinois electric delivery service is established by adding 580BPS to the year's average 30-year treasury bond yield
- Given the level of 30-year treasury bond yields for the YTD and the consensus estimate for the balance of the year, our 2014 guidance now incorporates the formula midpoint allowed ROE of 9.2%, which is comparable to last year's allowed ROE
- Other factors expected to benefit Q4 earnings comparison include lower interest expense, reflecting the maturity this past May of high coupon parent company senior notes, which was funded with low cost,

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short-term debt

### ***Debt Redemption Cost Disallowance***

- The final positive, I would like to note is the absence this year of a fourth quarter 2013 ICC debt redemption cost disallowance of \$0.04 per share
- Factors that are expected to negatively affect Q4 earnings comparison include expenses associated with the ongoing Callaway Nuclear Energy Center refueling and maintenance outage
  - This is expected to reduce fourth quarter earnings by approximately \$0.09 per share

### ***Earnings and Income Tax Rate***

- Further, earnings guidance assumes normal temperatures for Q4, which would reduce earnings by an estimated \$0.04 per share compared to the year-ago quarter
- In addition, other operations and maintenance as well as depreciation and amortization expenses are expected to increase compared to the year-ago quarter
- Finally, we continue to expect the full year effective income tax rate will be approximately 39.5%
  - Of course, these are only some of the factors that will have an effect on Q4 earnings comparison

### ***FCF***

- Before moving to the next page, I do want to note that FCF after dividends, as defined on page 19 of the appendix, is now anticipated to be negative by approximately \$820mm for 2014

### ***Pending Regulatory Matters***

- Turning then to page 14, I'll provide a brief update on certain recent and pending regulatory matters
- I'm pleased to note that the Missouri Public Service Commission has denied the electric rate shift and earnings complaint cases filed earlier this year, each by unanimous votes of five to zero in orders issued in August and October
- The regulatory focus regarding Ameren Missouri is now clearly on the pending request for \$264mm increase in annual electric service rates
  - This request is driven by increased net energy cost, electric infrastructure investments made for the benefit of our customers, recovery of rebates paid for customer installed solar generation and is net of significant reductions in operating costs
- The next key milestone in the filing of direct testimony by the Missouri PSC staff and interveners which is due by December 5
- The PSC's hearings in this case are scheduled to begin in late February of next year with a Commission decision anticipated by May, and new rates are expected to be effective by June

### ***Illinois Regulatory Matters***

- Moving to Illinois regulatory matters, as Warner mentioned, our annual electric delivery formula rate update filing is pending at the ICC



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- While this filing would increase 2015 electric delivery service rates by \$205mm, total electric bills in 2015 are still expected to remain below 2011 levels for most customers
- I'm pleased to report that last Friday, the ICC Administrative Law Judges issued a constructive recommendation in this case
  - They supported a rate increase of \$204.5mm, an amount nearly equal to our request
  - An ICC decision in this case is expected by December of this year with new rates to be effective in January of next year

### ***FERC***

- Finally, at the FERC, a customer group filed a complaint case in November of last year seeking a reduction in the current MISO-based allowed ROE of 12.38%, which is the current allowed ROE for Ameren Illinois and Ameren Transmission Company of Illinois' transmission service
  - This case could result in a reduction to this rate retroactive to the complaint filing date

### ***ROE***

- Last month, the FERC issued an order setting the base ROE issue in this case for settlement discussions, and if necessary hearings; however, it denied all other aspects of the complaint
  - We do not expect this case to be decided until at least sometime in 2015
  - Further, we believe Ameren Illinois and Ameren Transmission Company of Illinois are eligible for an adder of up to 50BPS to their allowed base ROEs to reflect their voluntary membership in a regional transmission organization and plan to request such an adder from FERC shortly

### ***Earnings Guidance***

Moving to page 15 of our presentation; as next year approaches, we want to let you know that we plan to provide 2015 earnings guidance and update our longer-term earnings outlook, when we release fourth quarter 2014 earnings in February of next year

However, today we are providing a list of select items to consider as you think about our earnings for next year

### ***Missouri Electric Service Rates***

- Increased Missouri electric service rates are expected to be implemented by June 2015, as a result of our pending rate case
- Our rate increase request is driven in part by our need to recover and earn a return on new infrastructure investments, including the key projects Warner discussed earlier, which are expected to be placed in service by the end of this year
  - Since new rates are not expected to be effective until June of next year, regulatory lag resulting primarily from these investments will be experienced during H1 2015
  - Further no Callaway nuclear refueling outage is scheduled in 2015 as these outages are on in 18-month cycle with the next one scheduled for the spring of 2016

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### ***Ameren Illinois Electric Delivery Service***

- For Ameren Illinois electric delivery service, we anticipate increased earnings in 2015 compared to 2014 under formula rate making due to higher rate base reflecting infrastructure investments
- We also expect to begin using the Illinois natural gas delivery infrastructure rider in 2015, which is anticipated to have a positive impact on earnings

### ***FERC Regulated Electric Transmission Activities***

- Earnings from our FERC regulated electric transmission activities are expected to benefit under forward-looking formula rate making, from higher rate base from investments in reliability projects at Ameren Illinois and multi-value regional projects at Ameren Transmission Company of Illinois

### ***Transmission Earnings***

- Another factor that could affect the level of 2015 transmission earnings is the possibility of a change in the allowed ROE, as I previously discussed
- Regarding parent and other costs, we expect a full year of interest cost savings related to the May 2014 maturity of parent company notes
- Finally, as we mentioned on our August earnings call, we forecasted 2015 effective income tax rate will be about a percentage point lower than the expected 2014 level

### ***Summary***

Turning finally to page 16, I will summarize

As Warner discussed, we remain on track to deliver strong 2014 earnings growth and are successfully executing our strategy

Further, we believe, Ameren's shares offer investors an earnings growth outlook and dividend yield, which are both above peer group averages

EPS are expected to grow strong 7% to 10% compounded annual rate from 2013 through 2018

Further, Ameren's recently increased annualized dividend rate of \$1.64 per share provides investors with a high current yield of approximately 3.8%

- In our view, this earnings growth coupled with our dividend yield add up to a very attractive total return potential for investors

## **QUESTION AND ANSWER SECTION**

**<Q - Paul Patterson>**: Just on the – I just want to check out the FERC stuff a little bit here. One of the things that came in the order seemed to be sort of – they dismissed the complaint – one of the compliance issues regarding the equity level. And I was wondering if you could remind us what the equity level is currently at the transmission business and whether that could be changed as result of those.

**<A - Martin J. Lyons>**: Well, the – Paul, this is Marty. In terms of the equity level, during construction, we do have the ability to use hypothetical cap structure of equity of 56% in that cap structure, and so that is what is being used. And then as projects actually go into service, then they have the cap structure that is in whatever legal entity that they sit within. And so for example within AIC right now, the equity structure is a little north of 50% in terms of where the

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equity sits in that cap structure.

**<Q - Paul Patterson>**: So there probably wouldn't be much of a change you think or could there be as a result of the FERC ruling--

**<A - Martin J. Lyons>**: I don't anticipate significant change in the way we capitalize the business in light of the FERC's ruling.

**<Q - Paul Patterson>**: Okay. And then the ROE, the 50BPS, when do you see that -- I know you guys are going to file for it shortly, when do you see that coming into effect? Would that be when the ROE situations finally settled?

**<A - Martin J. Lyons>**: Well, I think, we'll wait and let the filings speak for itself. It is a filing, not only our own filing, but with other transmission owners, and we don't want to get ahead of that filing and what we're asking for there. We do think that there's some language that was in the recent FERC order reaffirmed that that adder is appropriate and needed. There is language in there that basically said the adder is intended to incent continued participation in the RTOs. And we think that was favorable language, supportive of our view that indeed we're eligible for that 50 basis point adder.

So that filing will be made shortly and then the FERC based on history, has taken up consideration of that generally within a 60-day period. So again, we'll let the filing speak for itself and certainly answer questions once it's been filed.

**<Q - Paul Patterson>**: Okay. And then finally on the MISO-PJM, there were several opportunities you guys saw in terms of FERC Order 1000; and one of them was transmission between MISO and PJM, I believe. I was just wondering if there were any specific projects that sort of have been identified and sort of the timing that you guys think you might participate in terms of such a project and just any details you have on that or if you could just elaborate on that a little bit.

**<A - Warner L. Baxter>**: Sure, Paul and I think for that question, we will let Maureen Borkowski, who is the CEO of that business, speak to that question.

**<A - Maureen A. Borkowski>**: Hi, Paul this is Maureen.

We've been participating actively in proposing project solutions in PJM, and in the cross-border MISO-PJM solicitations. There is actually a window that's just opened that we'll be continuing to participate in. We've proposed dozens of different solutions to date. There are still I think one or two that are still pending for further consideration, but we're continuing to populate those project proposals as PJM opens study windows. So I'd say just stay tuned. We certainly continue to participate; and as they go through their refinement process of selecting which projects move forward, we expect to have some.

**<Q - Paul Patterson>**: So, what's the next key data point we should think about, Maureen? What you think will be the next in terms of timing we might see more clarity as to what might actually be selected?

**<A - Maureen A. Borkowski>**: Well, you'll certainly the volume of proposals should be public. The window is open now. So over the next several weeks more projects will be coming in. After the first of the year, PJM will be doing more refinement in their planning processes looking at which ones meet their criteria to move forward. So I would say, Q1 next year, there might be some indication of which projects are moving.

**<Q - Michael Weinstein>**: Just to follow up on some of Paul's questions; do you guys have any kind of indication or any kind of inclination as to how much money some of these PJM, MISO and SPP seams issues might cost? What's the size of the opportunity we're looking at here?

**<A - Martin J. Lyons>**: Michael, this is Marty. We haven't really spoken to, I'd say, the size of the opportunity broadly. We have said that we've proposed tens of projects in various regions around our service territory and whether that be with PJM, MISO, SPP, projects ranging anywhere individually from \$50mm to \$500mm. So, we have said that, but not really spoken to, I'd say universally what the breadth of the opportunity is.

**<Q - Michael Weinstein>**: You guys think a settlement in the ROE complaint is a possibility?

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**<A - Martin J. Lyons>**: The settlement in the ROE, certainly, it's a possibility. We, and I would imagine other transmission owners certainly plan to take those settlement discussions seriously, and we'll see where they take us. Ultimately, if that process does fail to produce an outcome that is appropriate or I guess is reasonable to all parties, then obviously it will go to hearing which would likely take a while. And again either way we think as we said in our prepared remarks would extend into 2015, and I would say quite possibly beyond, although I think definitely into 2015.

**<Q - Michael Weinstein>**: And one final question, on the IRP, could you discuss a little bit about some of the factors that are going into your decision making on plant retirements and also how much of the spending in the IRP that's beyond 2020. How much of that could theoretically and possibly be accelerated into the 2015 to 2020 range?

**<A - Martin J. Lyons>**: Yes, sure, this is Marty. I will take that one again. So, on the slide that we provided on slide 10, we laid out some of the investments that may be required as we implement our preferred plan that's laid out in the IRP. I would say generally with respect to our coal-fired power plants, the goal of the IRP and something that we think is appropriate is to be able to run those plants and benefit from that capacity through the end of their useful lives.

So that's one of the things that sort of a foundation of our preferred plan. But along the way as you see, investing in wind, solar, landfill gas and some hydro projects as laid out on slide 10 of our materials, we did break some of the potential CapExs down into two buckets, one bucket for the next 10 years and then the 10 years beyond that mainly because the IRP filing is a 20-year look, a 20-year plan.

I would say some of the investments that are in that first 10 years are embedded in our current CapEx and rate-based growth guidance that we've provided. There's some that would be incremental to that, much of that investment that 10-year period would fall into the five-year period beyond the current five-year period that we're in, so basically rate-base growth beyond the current five-year period.

As Warner discussed on the call, to the extent that the EPA's Clean Power Plan was ultimately put into effect in its current form. And of course Warner spoke to the various legal and practical concerns with that plan. But as we mentioned, if it was put into place, the interim targets by 2020 with ultimate carbon reductions by 2030, we said that would have a potential impact on our customers of \$4B.

It would also require us to invest by 2020 an incremental \$2B in additional infrastructure and rate base. So again, we filed our IRP. We're advocating for our preferred plan, but ultimately we're going to stay flexible and certainly continue to engage in discussions with the EPA and other stakeholders around the Clean Power Plan.

**<Q - Paul T. Ridzon>**: Is there any – what's the status of discussions in Missouri about a legislative fix to lag? Is that just kind of dormant right now?

**<A - Warner L. Baxter>**: Yeah, we'll let – we have with us this morning, Michael Moehn, who's the CEO of the Ameren Missouri Business, and we'll let him to provide some comments on that.

**<A - Michael L. Moehn>**: Thanks for the question. Yes, it's certainly not dormant. I mean we continue to talk to key legislators, key stakeholders about the aging infrastructure issues we have in Missouri. As I sit here today, I don't have necessarily a decision on what we're going to do going into this legislative session, but we remain committed to trying to find ways to address that lag either through legislative – through the legislative arena or through the regulatory arena, but definitely are spending a lot of time educating folks about that issue.

**<Q - Paul T. Ridzon>**: And when did the session start up again?

**<A - Michael L. Moehn>**: January 2015.

**<Q - Paul T. Ridzon>**: January, okay. And then just your 7% to 10% CAGR, how lumpy is that and is the biggest source of lumpiness kind of Callaway outages?

**<A - Martin J. Lyons>**: No, the 7% to 10% – this is Marty again. The 7% to 10% growth obviously is driven primarily by rate base growth. As you've seen in our rate base growth chart, about 6% rate base growth between 2013 and 2018. So, I'd say there is a little bit of lumpiness along the way that has to do with the timing of the CapExs.

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Market Cap: 10,292.57  
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Bloomberg Estimates - EPS  
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There will be a little bit of lumpiness due to the timing of rate cases, and there will be a little bit of lumpiness as you say along the way in earnings due to the Callaway refueling outage schedule. So we've got one ongoing right now. As we mentioned on the call, we don't have one next year. And then again in 2018, we would not have one in 2018. So, as you're well aware, on an 18-month cycle for those refueling outages, but certainly there will be a little bit of lumpiness in earnings from year-to-year for the reasons I described.

**<Q - Paul T. Ridzon>**: And so next year we should have \$0.09 pick-up on Callaway.

**<A - Martin J. Lyons>**: Yes, that'd be right. So we have \$0.09 negative impact here in Q4 from that refueling outage. There won't be one next year. So we would expect to see \$0.09 pickup for Callaway. And then as I described in the earnings drivers for next year, I referred you to that slide, there's a number of pluses and minuses for next year, but certainly that's a plus.

**<Q - Paul T. Ridzon>**: And then just – you said that next year's tax rate is expected to be 38.5%.

**<A - Martin J. Lyons>**: Yes, that's good point, I think an important one. We have an effective tax rate projected for this year of 39.5% and that compares last year. We actually finished the year at about 37.5%. And so, in our third quarter and you would expect in Q4 to have a little bit of a negative delta this year vs. last. But next year, we expect that to trend back to 38.5%, which is frankly where our longer-term expectations are. So I think that 38.5% is a good thing to think about in terms of model.

**<Q - David A. Paz>**: Just wanted to check on the sales growth. What was the weather-adjusted sales growth by class in Q3 and just what you expect for the full year 2014.

**<A - Martin J. Lyons>**: Yeah, David, that's a very good question. I appreciate you asking. And I'll give you – it's a bit of a more a long-winded answer than you might expect, but I think generally some positive trends, some positive data that we do have to report. When you look at the sales data in the statistics page, you will see a decline; of course, part of that is weather as you point out.

But part of it I think you've got to remember too you have to do with the energy efficiency programs we have in Missouri. In those energy efficiency programs, we do believe our fair and constructive programs where we are made whole for the impacts the cost and the impacts of that energy efficiency and even to some extent are provided incentives.

So, getting to your question though, looking at Q3 data on a weather-normalized basis, the residential and commercial sales were down about 0.8% and the industry was down about 0.9% which on the surface, is not appealing. But when you actually again peel that back and you look at for example in Missouri, the residential weather-normalized sales are down 1.1%. But energy efficiency spending investment is really causing most of that excluding the energy efficiency impact residential sales are actually be up 1%. And again, we're being compensated for that energy efficiency impact.

So again, normalized for weather and energy efficiency up 1%. Commercial sales on a weather-normalized basis and these are YTD numbers by the way, that residential number. Commercial sales weather normalized is down about 0.6%. But again if you exclude the impacts of energy efficiency, it's pretty flat.

And then in terms of our industrial sales, you recall in Missouri in the first two quarters, we had industrial sales increases in Q3. We did see a little bit of a decline, but that was solely related to a dip in usage at Noranda.

And on their earnings call a couple days ago, indicated that they had some temporary production issues that I believe were probably causing that. Excluding that Noranda impact on a YTD basis, our industrial sales are actually up 0.5% and again normalized for energy efficiency are up 1.1%. So, we're really seeing growth again in Missouri in all of those classes: residential, commercial and industrial when normalizing for not only weather but for the energy efficiency.

In Illinois, some positive trends there; weather-normalized residential sales up 1.5%, and they've been up across all three quarters; commercial sales, up 7% YTD. And then as we've reported previously, industrial sales have been off



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nearly 2%. And we've gone through some of the industrial categories that factored into that in prior calls. But overall, I'd say the trends are positive; and I'd say economically, we're seeing housing starts in our service territory have been in an upward trend.

Unemployment has been coming down near to national averages around 6%. Manufacturing jobs have been stable. Services jobs have been growing, those are all positive and our residential customer counts are up in both states and our commercial customer counts are up in both states, so really some positive trends that we're seeing kind of across the board.

**<Q - David A. Paz>**: Great, thank you, very helpful. Just a quick question on the weather impact vs. normal YTD. Can you just remind me what that is?

**<A - Martin J. Lyons>**: Yeah, if you look at the page 18 of our slide deck, YTD the temperatures are having a negative – excuse me, a positive 2% – \$0.02 vs. normal. So, YTD, again temperature is \$0.02 positive vs. normal.

**<Q - David A. Paz>**: I see, okay. So, if – okay, got it. And then just last one: remind me please your 7% to 10% EPS CAGR is based off of what year and what number?

**<A - Martin J. Lyons>**: That was based off of 2013, David. So, that's 2013 through 2018 compound annual growth rate.

**<Q - David A. Paz>**: So, is that base just a reported 2013 or is it adjusted for any outages or weather impact?

**<A - Martin J. Lyons>**: No, it's continuing at reported continuing operation. So, it is a GAAP number, and it's 2013 through 2018, I'd say the only thing we've done there is obviously taking out discontinued operations

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