Q4 2015 Earnings Call

Company Participants

- Douglas Fischer
- Martin J. Lyons
- Warner L. Baxter

Other Participants

- Brian J. Russo, Ladenburg Thalmann & Co., Inc. (Broker)
- Feliks Kerman, Visium Asset Management LP
- Glen F. Pruitt, Wells Fargo Securities LLC
- Julien Dumoulin-Smith, UBS Securities LLC
- Michael Lapides, Goldman Sachs & Co.
- Paul Patterson, Glenrock Associates LLC
- Paul T. Ridzon, KeyBanc Capital Markets, Inc.
- Stephen Calder Byrd, Morgan Stanley & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator

Greetings and welcome to the Ameren Corporation's Fourth Quarter 2015 Earnings Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, 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. To access this, please look in the Investors section of our website under Webcasts & 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 an overview of 2015 results, a business update and comments on our outlook for 2016 and beyond. Marty will follow with more detailed comments on our financial results and outlook. 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 2015 core earnings of $2.56 per share, which represents an approximate 7% increase over 2014 results. In addition, we established a 2016 earnings per share guidance range of $2.40 to $2.60, which includes an expected temporary negative impact of reduced sales to Noranda Aluminum.

And we are pleased to announce updated rate-based growth plans of approximately 6.5% compounded annually from 2015 to 2020, which is expected to drive earnings per share growth of 5% to 8% compounded annually from 2016 to 2020 excluding the impact of Noranda on 2016 earnings. We will discuss these earnings expectations further in a moment.

Moving back to 2015 results, the strong 2015 earnings growth compared to 2014, reflected increased FERC-regulated transmission and Illinois electric delivery earnings resulting from infrastructure investments made under constructive regulatory frameworks in order to better serve our customers.

The earnings comparison also benefited from the absence in 2015 of a nuclear refueling and maintenance outage at the Callaway Energy Center and disciplined cost management. These positive variances were partially offset by lower retail electric and natural gas sales volumes driven by a very mild fourth quarter 2015 winter temperatures.

The earnings comparison was also unfavorably affected by lower allowed returns on equity and higher depreciation and amortization expenses. Marty will discuss these and other 2015 earnings drivers in a few minutes.

Turning to page five, I would like to share my perspectives on our 2015 performance. Overall, I believe we delivered strong results for our shareholders and customers in 2015 despite facing several challenges. These results were driven by successfully executing our strategic plan. Starting with our focus on prudently investing in and operating in our rate-regulated utilities, we continued to allocate significant amounts of capital to those businesses, supported by constructive regulatory frameworks in order to enhance grid reliability and allow customers to better manage their energy usage.

In fact, we invested $1.9 billion in utility infrastructure last year with almost 70% or $1.3 billion and this is going to projects in our FERC-regulated electric transmission and Illinois electric and natural gas delivery businesses. A significant portion of these investments was made in the Illinois Rivers Project where construction is proceeding according to plan with work on the 9 lines segments and 10 substations well underway. And some portions already complete.

The strategic allocation of capital and effective execution of these projects, coupled with disciplined cost management, contributed to a higher consolidated earned returned on equity. And this was accomplished while maintaining our financial strength and flexibility.

Moving down the page, we also achieved constructive December rate orders in both our Illinois electric delivery update and natural gas delivery rate cases. Further, we should not forget that earlier in 2015, we were successful in our advocacy efforts to extend Illinois' modernized electric regulatory framework through the end of 2019. That extension had strong bipartisan support because Illinois' regulatory framework is encouraging greater investment in infrastructure which, in turn, is delivering better reliability, a more efficient modernized grid and significant job creation at reasonable cost to customers.

Since 2011, even with the substantial infrastructure investments we have made, Illinois' residential electric delivery prices have increased at a compound annual rate which is less than 2.5%. Simply put, the Illinois framework is a win-win for customers, the State of Illinois and shareholders.

Overall, efforts within each of our regulatory jurisdictions to create and capitalize on investments for the benefit of customers and shareholders are showing positive results. In 2015, we improved distribution system reliability and continued our solid baseload energy center performance. And our strong operating performance, combined with the fact that our rates remained well below regional and national averages, contributed to improved customer satisfaction.

The bottom line is that we are working every day to provide safer and more reliable service to our customers, and we achieved this in 2015 despite challenging year and weather conditions including unprecedented flooding and an ice storm.

While I am pleased with the results we've delivered in 2015, I am particularly pleased with our team's successful execution of our strategy over the last three calendar years has delivered a peer-leading total shareholder return at approximately 60%. As a result and looking ahead, we are going to stay in the course and remain focused on executing the strategy.

Turning now to page six and our 2016 earnings outlook. We anticipate 2016 earnings to be in the range of $2.40 to $2.60 per share. The primary drivers of the variance between 2015 actual results and our 2016 guidance range are noted on this page. And Marty will cover these in more detail a bit later.

I want to highlight that our 2016 guidance includes an estimated $0.13 per share reduction and net earnings anticipated the result from significantly lower electric sales in Noranda. I want to spend a few moments on this unique and temporary headwind that we face.

Moving to page seven, here, we summarize key facts about Noranda's current situation. And while we fully expect its impact on Ameren Missouri to be temporary. First, you should know that Noranda operates an aluminum smelter in southeast Missouri, and they are our largest customer. On January 8, 2016, Noranda announced that production have been idled at two of the three potlines at its smelter operation following an electric supply circuit failure.

The circuit failure did not occur on assets owned by Ameren Missouri. Further, on February 8, 2016, Noranda and its subsidiaries filed voluntary petitions for restructuring under Chapter 11 of the U.S. Bankruptcy Code due to operating issues, as well as very challenging global aluminum market conditions.

At that time, Noranda stated that it expected to curtail all remaining operations at its smelter this March, although it would remain the flexibility to restart operations should conditions allow. While we are working closely with Noranda and other key stakeholders on legislation to provide Noranda with long-term, globally competitive electric rates; we can't predict at this time whether it will restart its smelter operations. As a result, our 2016 earnings guidance assumes Noranda will not restart any of its potlines this year.

We can and will take actions to mitigate the financial impacts of Noranda's outage on Ameren Missouri. Those actions may include seeking recovery of lost revenues in the context of an electric rate case or filing with the Missouri Public Service Commission for an accounting authority order. At a minimum, in Ameren Missouri's next electric rate case, we expect the Missouri Commission would accurately reflect Noranda's ongoing sales volumes, thereby removing the related drag on our perspective earnings. Pending conclusion of the Missouri legislative process, we expect to file a Missouri electric rate case this year in order to earn a fair return on investments made to serve customers. As a result, we fully expect the earnings impact of Noranda's lower sales to be temporary.

Turning to page eight. Here we note key areas of focus for 2016 as we continue to execute our strategy. Our FERC-regulated transmission businesses with advanced regional multi-value and local reliability projects included in our capital investment plan. In addition, we will continue to work to obtain constructive outcomes in the complaint cases pending at the FERC that seek to reduce the base allowed ROE for MISO transmission owners, including Ameren Illinois and

ATXI. In late December, a FERC administrative law judge issued a proposed order in the initial complaint case recommending a 10.32% base allowed ROE. We expect a final FERC order in that case in the fourth quarter this year.

Moving to Illinois electric and natural gas delivery, Ameren Illinois will continue to invest in infrastructure improvements to upgrade systems, to enhance reliability and safety, including those under its Modernization Action Plan. This plan includes the installation of approximately 780,000 advanced electric meters and the upgrading of approximately 470,000 gas meters by the end of 2019, including approximately 148,000 electric and 103,000 gas meters this year.

Turning now to Missouri where modernizing the regulatory framework remains a high priority. We have been actively engaged in discussions with customers, legislators, state officials and other stakeholders, including other Missouri investor-owned utilities to build support for legislation that would modernize Missouri's existing regulatory framework. An improved framework will allow us to increase investment to replace and upgrade aging Missouri energy infrastructure to enhance reliability and customer service and to retain and create jobs. Earlier this month, Senate Bill 1028 and identical House Bill 2495 were filed with the intention of accomplishing these objectives. I will touch more on this legislation in a moment.

Finally, in another regulatory matter, last week the Missouri Public Service Commission approved a new Ameren Missouri energy efficiency plan. This plan will begin March 1 this year and continue through February 2019 and follows on the heels of our very successful three-year energy efficiency plan completed at the end of last year. We believe the new plan, which reflected an agreement between Ameren Missouri and other key stakeholders, appropriately balances customer and shareholder interests. It accomplishes this by providing for timely recovery of both energy efficiency program costs and revenue losses resulting from these programs.

In addition, the plan provides Ameren Missouri an opportunity to earn performance incentive revenues, which would be $27 million if 100% of the energy efficiency goals are achieved during the three-year period with any such revenues recognized after the plan concludes.

Regarding Ameren-wide initiatives for 2016, as you know, the U.S. Supreme Court recently stayed the EPA's Clean Power Plan. This stay blocks the plan's implementation until its legality is determined by the courts. A three-judge panel at the Court of Appeals for the D.C. circuit is scheduled to hear legal challenges to the Clean Power Plan beginning on June 2 of this year.

We agree with the Supreme Court's decision. It is in the best interest of our customers and the communities we serve because we believe it is important to know whether this rule will withstand legal challenges before steps are taken to implement it. Of course, we can't predict the outcome of these legal challenges. We remain committed to transitioning to a cleaner, more fuel-diverse generation portfolio in a responsible fashion. As a result, we will continue to advocate for responsible energy policies related to the EPA's Clean Power Plan while working with key stakeholders to address important issues associated with the Missouri and Illinois State implementation plans should the Clean Power Plan ultimately be upheld.

Finally, we will continue our ongoing efforts to relentlessly improve operating performance, including our focus on safety, disciplined cost management and strategic capital allocation with the goal of earning at or close to our allowed ROEs.

Turning to page nine, I would now like to discuss the recently introduced Missouri legislation. Senate Bill 1028 and identical House Bill 2495 would modernize Missouri's regulatory framework to support and encourage investment in aging energy infrastructure for all Missouri investor-owned electric utilities for the benefit of their customers.

The proposed legislation calls for timely recovery of actual, prudently incurred costs of providing service to customers. It would also provide long-term, globally competitive electric rates for energy-intensive customers like Noranda. Further, this legislation would include several customer benefits, including earnings caps and rate stabilization mechanism as well as provide incentives for utilities to achieve certain performance standards. Ultimately, passage of this legislation would be an important step forward for the State of Missouri.

This legislation would spur investment in aging infrastructure, support incremental investments in physical and cyber security, support environmental upgrades and cleaner generation sources as well as position Missouri's grid for growth in the future at a time when interest rates remain very low. All this would be done while providing more stable and predictable rates for customers and other appropriate safeguards under the strong oversight of the Missouri Public Service Commission.

Importantly, this legislation will create and retain jobs throughout the State of Missouri. It is a win-win for all stakeholders. In upcoming weeks, we expect that additional language will be added to the bills as consensus building is advanced and the bills move through the legislative process. As a result, it would be premature to go through the specific details of the legislation at this time.

We are pleased that both Senate and House leadership are supporting this legislation including key leaders of the Senate Commerce Committee and the House Utilities Committee. Of course, and as you know, the legislative process is complex and lengthy. We continue to work with key stakeholders to advance this legislation in a thoughtful yet timely fashion. The legislation session ends on May 13, 2016.

Moving on to page 10, our long-term total return outlook. In February of last year, we outlined our plan to grow rate base at a 6% compound annual rate for the 2014 through 2019 period. Today, we are rolling forward our multi-year plan and I am very pleased to say that we expect to grow rate base at an even higher, approximately 6.5%, compound annual rate over the new 2015 to 2020 period. I want to be clear that our new rate base growth outlook incorporates the effects of the recent five-year extension of bonus tax depreciation.

You will recall that late last year, we noted that we were evaluating bringing forward into our new five-year investment plan, certain liability projects which totaled between $500 million and $1 billion. Our team ultimately brought forward in excess of $1.5 billion of additional Ameren Illinois energy delivery and transmission reliability projects that have now been incorporated into our updated five-year plan.

As you can see on the right side of this page, we are allocating significant and growing amounts of capital to our FERC-regulated transmission businesses and Illinois delivery utilities in line with our strategy. Our list of transmission projects is projected to increase FERC-regulated rate base by approximately 20% compounded annually over the 2016 to 2020 period. In addition, our Ameren Illinois investments are expected to result in projected natural gas and electric delivery compound annual rate base growth of 11% and 6% respectively over this period.

And finally, our Missouri rate base is expected to grow at a slower 2% compound annual rate. This level of Missouri growth incorporates increased mandatory environmental expenditures associated with coal combustion residuals.

Our updated five-year capital expenditure plan illustrates Ameren's strong pipeline of investment opportunities to address aging infrastructure and reliability needs that we have discussed with you previously. The projects we have brought forward enable us to take advantage of the cash flow stimulus benefits, bonus tax depreciation for the benefit of customers and to more than offset the effects of bonus depreciation and projected rate base.

Utility infrastructure investments and projected rate base growth I just discussed will not only bring superior value to our customers but also to our shareholders.

We expect earnings per share to grow at a 5% to 8% compound annual rate from 2016 to 2020. Excluding the expected temporary net negative effect on 2016 earnings of $0.13 per share as a result of lower sales in Noranda. And we expect this growth will compare well with our regulated utility peers. Further, we continue to expect compound annual earnings growth for the 2013 through 2018 period within the range of 7% to 10%.

Looking ahead, we will also remain focused on our dividend because we recognize its importance to our shareholders. The board of directors' decision to increase the dividend by 3.7% last October for the second consecutive year reflected its confidence in the outlook for our regulated businesses and our ability to achieve our long-term earnings and rate base growth plans. We continue to expect our dividend payout ratio to range 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 and economic and other business conditions.

To summarize, we have successfully executed our strategy across the board and I am firmly convinced that continuing to do so will deliver superior value to our customers, shareholders and the communities we serve.

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

Martin J. Lyons {BIO 4938648 <GO>}

Thank you, Warner. Good morning, everybody. Turning now to page 12 of our presentation. Today, we reported 2015 core earnings of $2.56 per share, compared earnings of $2.40 per share for the prior year. We are pleased to achieve core 2015 earnings that were just above the midpoint of our initial 2015 guidance we provided early last year despite some significant headwinds in the fourth quarter including extremely mild temperatures and the extension of bonus tax depreciation. As you can see, there were no difference between GAAP and core results for the fourth quarter of 2015.

Moving then to page 13, here we highlight factors that drove the $0.16 per share increase in 2015 results. Key factors included increased investments in electric transmission and delivery infrastructure in our Illinois and ATXI businesses which increased earnings by $0.20 per share compared to 2014.

In addition, the earnings comparison benefited from the absence in 2015 of a nuclear refueling and maintenance outage at the Callaway energy center which cost $0.09 in 2014. These refueling outages are scheduled to occur every 18 months.

Further, earlier last year, the Illinois Commerce Commission approved recovery of certain Ameren Illinois cumulative power usage costs and this had a positive effect on the earnings comparison. Earnings also benefited from a reduction in parent company interest charges reflecting the May 2014 maturity of $425 million of 8.875% senior notes that were replaced with lower cost debt.

Finally, as Warner mentioned, we continue our ongoing efforts to relentlessly improve operating performance including managing costs in a disciplined manner. Reflecting this, 2015 other operations and maintenance expenses declined compared to the prior year for our Missouri utility. Factors having an unfavorable effect on the earnings comparisons included lower retail electric and natural gas sales driven by a mild weather.

Weather effects decreased full year 2015 earnings by an estimated $0.06 per share compared to 2014. The unfavorable earnings impact of very mild fourth quarter 2015 temperatures is estimated to have been $0.08 versus normal which more than offset an estimated $0.05 per share favorable impact of weather experienced over the first nine months of 2015.

Heating degree days were down about 30% versus normal fourth quarter levels. We estimate that weather normalized kilowatt hour sales to Illinois residential and commercial customers were flat year-over-year, while such sales to Missouri residential and commercial customers decreased about 1%. The decrease in Missouri sales was driven by the residential sector.

It is important to note that Ameren Missouri's 2013 through 2015 energy efficiency plan compensated for the negative earnings effects of reduced electric sales volumes resulting from energy efficiency programs. Excluding the effects of these programs, we estimate that sales to Missouri residential and commercial customers would have increased by about one-quarter of 1%.

For 2015, kilowatt hour sales to Illinois and Missouri's industrial customers decreased approximately 3% and 4% respectively, primarily reflecting lower sales to large low-margin Illinois customers in agriculture and steelmaking, as well as lower sales in Missouri to Noranda.

Moving back to the discussion of 2015 results, the year-over-year earnings comparison was unfavorably affected by lower capitalized Ameren Missouri financing cost of $0.06 per share due to a larger balance of infrastructure projects in process and ultimately placed in service during 2014.

The earnings comparison was also unfavorably affected by lower recognized allowed ROEs which reduced the contributions from electric transmission and delivery investments at ATXI and Ameren Illinois by a total of $0.05 per share.

Since 2014, our transmission earnings have been reduced by a reserve to reflect the potential for a lower allowed ROE as a result of the pending complaint cases at the FERC. In addition, 2015 Illinois electric delivery earnings incorporated an 8.64% allowed ROE compared to 9.14% in 2014. This decline was due to a decrease in the annual average 30-year treasury rate from 3.34% to 2.84%.

The 2015 earnings comparison was also unfavorably affected by increased depreciation and amortization expenses of $0.05 per share and, finally, by the absence of a 2014 benefit resulting from a regulatory decision authorizing Ameren Illinois to recover previously disallowed debt redemption cost.

Turning to page 14 of our presentation. Next, I would like to discuss details of our 2016 earnings guidance. As Warner stated, we expect 2016 diluted earnings per share to be in a range of $2.40 to $2.60 including an estimated $0.13 reduction related to significantly lower expected sales volumes to Noranda compared to 2015.

This estimated earnings impact is net of expected revenues from off-system sales that Ameren Missouri makes as a result of reduced sales to Noranda. Revenues from these off-system sales are allowed to be retained under a provision in the fuel adjustment clause. This estimate incorporates such off-system sales at an around-the-clock Indy Hub power price, net of an estimated basis differential reflecting the location of our energy centers.

Further, we assume that the two of Noranda's three smelter potlines, they were idled in early January remain out of service, that the third pot line is idled in March as Noranda has indicated. And that all three of these production lines remain idled for the balance of the year.

Finally, as of February 8 of this year, the date Noranda filed for Chapter 11 bankruptcy, Noranda had prepaid an amount to Ameren Missouri that exceeded its utility service usage. Ameren Missouri expects to be paid in full for utility services provided after February 8, 2016.

With this overview, I will now walk through key 2016 earnings drivers and assumptions for each of our businesses. Like 2015 results, expected 2016 earnings reflect increases in FERC-regulated transmission and Illinois electric delivery rate base which are noted on this page.

Our projected 2016 electric transmission earnings continue to include a reserve for a potential reduction in the current MISO base allowed ROE, but also incorporate the 50 basis point adder FERC has authorized because of our MISO membership. Further, expected Illinois Electric delivery earnings incorporate a formula-based ROE of 9% using a forecast of 3.2% for the 2016 average 30-year Treasury bond yield.

For Ameren Illinois gas delivery service, earnings will reflect new rates that incorporate the higher rate base levels and increased costs included in the 2016 future test year utilized to determined those rates, as well as the higher return on equity authorized in the December rate order.

Shifting to a comparatively unfavorable item, Ameren Illinois electric delivery earnings will reflect the absence in 2016 of $0.04 per share related to the ICC order approving the recovery of power usage costs that I mentioned earlier.

Before we move on, I do want to highlight that we recognize that investors are interested in-understanding the sensitivity of our outlook to changes in our allowed ROEs, given our formula rate making and pending MISO complaint case. Therefore, on this page, we have provided estimates of 2016 earnings per share sensitivities associated with hypothetical changes in allowed ROEs.

Turning now to page 15 and 2016 key drivers and assumptions related to Ameren Missouri earnings. The year-over-year earnings comparison is expected to be unfavorably affected by the already discussed estimated net earnings decline related to lower sales to Noranda.

Further, as we noted on our earnings call in November, we expect Ameren Missouri's highly successful 2013-2015 Energy Efficiency Program to reduce sales levels in 2016, negatively impacting earnings compared to last year. A portion of this impact will be offset by a performance incentive subject to commission approval.

I want to note that Ameren Missouri's new plan, which Warner mentioned, and which becomes effective March 1, will not mitigate the unfavorable effects on 2016 earnings resulting from the prior energy efficiency plan.

There are certain key differences between the Missouri energy efficiency program that ended in 2015 and the new program that begins next month. The 2013 through 2015 program compensated Ameren Missouri in each of those years for the immediate and longer term financial impacts of energy efficiency programs initiated in each of those years, which is leading to 2016 financial headwinds.

The 2016 through 2019 program is again designed to fully compensate Ameren Missouri for the financial impacts of the energy efficiency programs. However, excluding the potential for a performance incentive payment in 2019, in any given year, the impacts are expected to be earnings neutral.

The earnings comparison is also expected to be unfavorably affected by Ameren Missouri regulatory lag reflecting depreciation, transmission and property tax expenses that are higher than the levels collected in rates.

Finally, a Callaway nuclear refueling and maintenance outage, scheduled for the spring of 2016, is expected to reduce earnings by $0.09 per share.

Shifting now to factors that are expected to favorably affect Ameren Missouri's earnings comparison. We estimate that other operations and maintenance expenses, not subject to riders or regulatory tracking mechanisms, will decline. This expectation is the result of our lean continuous improvement and disciplined cost management efforts.

Overall, our goal remains to earn at or close to our allowed ROEs in all of our jurisdictions, but this goal continues to be challenging to achieve in Missouri. For 2016, if you assuming a normalized annual level of Callaway refueling outage expenses, but exclude the net earnings impact of reduced sales to Noranda, we expect Ameren Missouri to earn within 50 basis points of its 9.53% allowed ROE.

Before I leave the discussion of 2016 expectations for our Illinois and Missouri utilities, I would like to discuss our sales outlook. As noted on pages 14 and 15, a return to normal temperatures in 2016 would benefit Ameren's earnings by a combined estimated $0.03 per share compared to 2015.

We expect combined Illinois and Missouri weather-normalized kilowatt-hour sales to residential and commercial customers to be roughly flat compared to last year, partially reflecting the previously mentioned effects of our Missouri energy efficiency programs that ended in 2015, the new 2016 energy efficiency programs, as well as energy efficiency programs in Illinois.

Turning to industrial customers, combined Illinois and Missouri kilowatt-hour sales to this group are expected to be flat to up slightly compared to last year, excluding the anticipated decline in sales to Noranda.

Moving now to parent and other costs; during the fourth quarter of last year, we issued long-term debt at the Ameren parent company to repay short-term borrowings. While this new long-term debt was issued at a low cost, it will have an unfavorable effect on the 2016 earnings comparison.

Further, on an Ameren consolidated basis, we forecast our 2016 effective income tax rate will be about 38%, comparable to the 2015 core effective tax rate. And finally, this earnings guidance reflects no change in average basic common shares outstanding from the prior-year level.

Moving then to page 16. For 2016, we anticipate negative free cash flow of approximately $790 million. On the right side of this page, we provide a breakdown of our approximately $2.2 billion of planned 2016 capital expenditures with about two-thirds in jurisdictions with constructive regulatory frameworks. We expect to fund this year's negative free cash flow and debt maturities with a mix of cash on hand and short- and long-term borrowings.

Turning to page 17 of the presentation, here we provide an overview of our $11.1 billion of planned capital expenditures for the 2016 through 2020 period. First, let me provide further details on the type of projects included in our strong five-year growth plan, paying particular focus to those jurisdictions with modern constructive regulatory frameworks. The increased Illinois electric delivery investments will address ageing infrastructure and support system capacity additions and reliability improvements.

These include substation breaker and transformer replacements, underground residential distribution replacements, line rebuilds and reconductor projects, as well as capacity revisions (36:34) and line hardening. Planned investment increases in Illinois natural gas delivery target safety and reliability improvements and consist of gas transmission, coupled steel system and gas storage field compressor replacements, as well as regulator station rebuilds and upgrades and other system rebuilds where conditions warrant.

And added Ameren Illinois local transmission investments will enhance reliability and include age- and condition-based replacement of structures, shield wire, conductors, transformers, breakers, switches, and other equipment. Of course, in Missouri, we will continue to make prudent investments to provide safe and adequate service.

The expected funding sources for these infrastructure investments are listed on this page. In particular, we expect to benefit from approximately $2.5 billion to $2.6 billion of income tax deferrals and tax assets over the five years ending in 2020. The tax deferrals are driven primarily by our planned capital expenditures and the recent five-year extension of bonus tax depreciation, which added about $930 million to this expectation.

The tax assets totaled approximately $630 million at year-end 2015 with approximately $430 million of these at the parent company, which are not currently earning a return. And we expect these tax assets to be realized into 2021. Given our expected funding sources, we do not expect to issue additional equity through this planning period. We remain committed to funding our capital expenditures in a manner that maintains solid credit metrics, and this is reflected in our capitalization target of around 50% equity.

Now turning to page 18, I will summarize. We delivered strong 7% core earnings per share growth in 2015, and we are successfully executing our strategy. We also expect earnings per share to grow at a strong 5% to 8% compound annual rate from 2016 through 2020, excluding the expected temporary net effect of lower sales to Noranda this year.

This earnings growth is driven by approximately 6.5% compound annual rate base growth over the 2015 through 2020 period based on a mix of needed transmission, distribution, generation investments across multiple regulatory jurisdiction for the benefit of our customers.

When you combine our superior earnings growth outlook with Ameren's dividend, which now provides investors with an above peer group average yield of approximately 3.7%, we believe our common stock represents a very attractive total return potential for investors.

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

Q&A

Operator

Thank you. Ladies and gentlemen, we will now be conducting a question-and-answer session. Our first question comes from the line of Julien Dumoulin-Smith from UBS. Please go ahead.

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>}

Hello, Julien.

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

Hey. So, let's just walk first through here some of the assumptions baked into your new long-term CAGR, if you will. Can you clarify the sales growth embedded in that? And specifically here what I'm getting at is the latest energy efficiency program. Is that factored in and to what extent does that impact your assumptions in the program? And then separately, just to be very clear about this, no cash taxes through that new period as well, correct? And then perhaps a third point, if you will, what are the assumptions baked in in terms of treasuries in that 5% to 8% CAGR?

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

Sure, Julien. All good and reasonable questions. So, let's start with the growth rates. As we announced today, 5% to 8% expected compound annual EPS growth from 2016 through 2020. Obviously, the key there, the big driver is rate base growth. And as we announced today, we've got 6.5% compound annual rate base growth planned for the period 2015 to 2020, which obviously is smack in the middle of that earnings per share growth range as well. And that rate base growth is the foundation. And we'd say that – I'd say that that growth rate of 5% to 8% incorporates a range of outcomes in terms of treasury rate assumptions.

As you know that, over time, in our planning, we look at consensus estimates for growth in the 30-year treasury rates, which today, I think economists are expecting it to rise about 200 basis points between now and 2020. But when we look at that growth rate range, it accommodates a number of alternatives both that increase in treasury rates over time as well as even a low interest rate environment like the one we're in persisting over this period of time. So, it incorporates a range of outcomes in terms of treasury rate assumptions ROEs, regulatory decisions, changes in economic conditions, et cetera.

In terms of sales growth, our – embedded in our forecast over this time, it's about flattish sales growth through this period. But for the energy efficiency programs, we would expect to see modest growth. But as a result of the programs that we've got in place, we do expect it to be pretty flattish over this period of time.

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

Got it.

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

Did I miss some of your questions?

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

Then in separate – oops, sorry, go for it.

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

I was going to say, did I miss any of your questions?

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

Cash taxes just to be clear.

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

Yeah. Just to be clear, with bonus depreciation, which, as I mentioned on the call, had an impact of more than $900 million. We now don't expect to be a Federal cash tax payer until 2021.

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

That's what I thought, excellent. And then a – just a brief follow-up if you will. What is the expected impact on the balance of your customers given what's going on with Noranda, how significant of customer inflation are we talking about here or potentially?

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

Yeah. I think it's premature really – and it's really premature I'd say get into that. We'll – and as we mentioned on the call, we're going to obviously watch the Noranda situation closely, pending conclusion of the legislative process, expect to file a rate case, and I think at that point we'll see what that impact might look like.

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

Great. Last detail, since you mentioned it, what's the test year on that rate case you're thinking?

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

Really premature to get into that too, Julien. Look, I think that what's happened with Noranda and their outages are very recent, certainly unfortunate. We're watching the situation closely and making plans for the potential of filling of that rate case, but it'd be premature get into what the test year would be at this time.

Clearly, as we do think about that case, we are thinking about the situation with Noranda and also thinking about capital expenditures, rate base that we have planned for later this year, as well as other cost drivers of our business. So all of those things are not going into our thoughts about the timing of that rate case, and as you mentioned things like test year considerations.

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

I apologize. One slight clarification. You said 200 bps over the period, that's 200 bps over the 3.2% one you embedded in your current year?

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

No. I'm saying that I think where economists are today, Julien, out in 2020 is around that 4.8%. So, it's about not 200 basis points above where the current 30-year Treasury really sits today.

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

Okay. Great. Thank you.

Operator

Thank you. Our next question comes from the line of Paul Patterson from Glenrock Associates. Please go ahead.

Q - Paul Patterson {BIO 1821718 <GO>}

Good morning, guys.

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

Good morning, Paul.

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

Good morning, Paul.

Q - Paul Patterson {BIO 1821718 <GO>}

On the long-term growth rate, if you could – how does the Missouri legislation – proposed legislation, fit into this? Are we talking – I mean, in the 2% rate-based growth, does that include – how does – I guess let me ask you this, what's included in terms of the potential legislative outcome in the growth rate? That's what I'm asking.

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

Yeah. Sure, let me – Paul, let me talk about that. Consistent with the guidance that we've provided in the past, and as you look at this new guidance, it is not dependent upon any change in the regulatory framework in Missouri. We've had – we had about 2% rate-based growth guidance in our prior guidance. We've got about 2% rate-based growth incorporated into this guidance.

And, as we mentioned on the call, have incorporated into the capital expenditures in Missouri some incremental cost of compliance with environmental regulations. But it doesn't – the growth rate that we've got here, both in terms of the rate base, as well as the earnings growth, isn't dependent upon some change in the Missouri regulatory framework.

Q - Paul Patterson {BIO 1821718 <GO>}

Before, you guys have indicated, and I think you sort of suggested this today, that your rate-based growth has been stronger in Illinois because of sort of the regulatory treatment, which it seems that the Missouri legislation might give you something similar to that. So, is there upside potentially within this growth rate or would it be within the growth rate if you got the Missouri thing, if you follow me?

In other words, how much rate-based growth in Missouri might have increased if you were to get the legislation you're proposing?

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

Yeah. Sure. It's a reasonable question. I think it's certainly premature to speculate whether legislation would – how much that might impact capital expenditure plans. I'd go back – we feel very good about 5% to 8% earnings per share growth rate and a 6.5% rate base growth, great.

I mean, we think those are our very solid growth rates compared to our peers and to your point to the extent that we do have a change in the Missouri regulatory framework, I think we have to step back and assess whether to the extent that we did have additional capital expenditures, would they be incremental to this growth rate or would we modify the capital expenditure plans we have and still deliver I'd say within this 5% to 8% earnings growth range.

So, look, if that does take place, if there is a change in the framework; we'll step back and we'll update as appropriate.

Thanks. And Paul, this is Warner too. I would just simply – I agree of course with everything that Marty just said. But no doubt that the one thing that we've been very clear about that if we had the ability to enhance this framework to support investment in Missouri, we will do so. And how that fits into the context of the big picture plan? As Marty said, that's something we'll step back and assess.

But we would expect to put more money to work in Missouri and we think there are significant opportunities to do this to address aging infrastructure, to address things like greener forms of renewable energy, to address things like cyber and physical security, go down the line, including some of the advanced technologies that we're putting to work over in Illinois. These are things that Missouri needs and things that we will clearly be looking at.

Q - Paul Patterson {BIO 1821718 <GO>}

And just to circle back on Julien's question with respect to the interest rate, the Treasury. It looks like right now that we're talking about 30-year around 2.6. And I guess you guys have a higher number for this year. And it doesn't look like it's that big of a change in EPS. But just in general, how should we think about your projections versus what we're seeing right now? You said these economists are projecting this. But just to – could you just give us a little more of a flavor for that?

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

Yeah, sure, Paul. So in the slides to your point, we give a sensitivity around Illinois ROEs that a 50 basis point change in the ROEs is about 2.5% for our Illinois electric distribution business. So to your point, Treasury rates today are lower than what we have embedded in the guidance. But we've had that situation before as well. And certainly we had been able to deliver on our overall earning's guidance.

And so that $0.025, as I mentioned, for 50 basis points, $0.025 variance is not a large number. But we continue to monitor it and we'll continue to manage our business around it. In terms of the longer term, as I was saying, it's a 5% to 8% earnings growth target. But the foundation, Paul, is the 6.5% rate base growth. And that 6.5% rate base growth, as I said, is smack dab in the middle of that range and that really anchors that growth.

And as I said then, there's a range of Treasury rates around it. Certainly, not meaning to imply that we were dependent upon a 200 basis point rise in the Treasury to hit the midpoint of that guidance. The upper end of that range, the lower end of that range incorporates higher Treasury rates or perhaps a current or lower treasury rate. So there's a range of Treasury rate assumptions that go into that 5% to 8%. The midpoint again is anchored on that rate base growth, at 6.5%.

Q - Paul Patterson {BIO 1821718 <GO>}

Great. Thanks a lot, guys.

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

Sure, Paul.

Operator

Thank you. Our next question comes from the line of Stephen Byrd from Morgan Stanley. Please go ahead.

Q - Stephen Calder Byrd {BIO 15172739 <GO>}

Hi, good morning.

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

Good morning, Stephen.

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

Good morning, Stephen.

Q - Stephen Calder Byrd {BIO 15172739 <GO>}

Most of my questions have been asked and answered. I just had one on energy efficiency. Marty, I think you laid out, I believe, that effectively in the plan that it should be a relatively neutral impact. There's some negative in terms of impacts to demand, but you also have an incentive. How do you think about that, the mechanics of that going forward relative to historical experience with it? In other words, is it fairly balanced in terms of the upside versus the downside? Or, for example, is there a potential for upside given the $27 million potential incentive? How should we think about that, sort of, as you bake that into your plan?

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

Sure, Steve, I appreciate that. Yeah, I would say the $27 million is there to be an incentive for us. It's our goal, as we go into these energy efficiency programs, to really have these perform for our customers. And we are incentivized to achieve the goals. And we look forward to hitting the marks to be able to earn that $27 million performance incentive.

Between now and then, the way the new program is designed is to really be earnings neutral. That, as we get these programs underway here in 2016, that to the extent that there are negative impacts on our sales, that those will be offset by revenues provided under the program. We wanted to be clear on the call and hopefully we were that in 2016, 2017, 2018, those programs shouldn't produce either a net positive or a negative result. This should be earnings neutral over that period. But like I said, we're incentivized to provide good programs to our customers, valuable programs to our customers. And if we're successful in doing that, which we expect to be, we've put ourselves in a position to earn that performance incentive in 2019.

Q - Stephen Calder Byrd {BIO 15172739 <GO>}

Understood. And so, Marty, that performance incentive would be a one-time payment in 2019. Is that correct?

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

That's right.

Q - Stephen Calder Byrd {BIO 15172739 <GO>}

Got you. Okay, that's all I had. Thank you very much.

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

Thank you.

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

Thanks, Stephen.

Operator

Thank you. Our next question comes from the line of Paul Ridzon from KeyBanc Capital Markets. Please go ahead.

Q - Paul T. Ridzon {BIO 1984100 <GO>}

When would you file for an accounting order around Noranda and when could you possibly start to collect revenues or book revenues?

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

Yeah, Paul, this is Marty. I think the first part of your question may have gotten cut off. Can you repeat the full question?

Q - Paul T. Ridzon {BIO 1984100 <GO>}

Sure. When do you expect to file for an accounting order in Missouri related to Noranda and when do you think you could start offsetting the losses?

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

Yeah. Paul, this is Marty again. In the call, I think what we had clarified was that there are a couple of different things. One has to do with the temporary nature of this impact. And that ultimately, it's a temporary impact because as we file a rate case and we incorporate the reduction in sales to Noranda, then that impact would go away in terms of the overall revenue requirements and how our revenues would be formulated in the context for a rate case.

What an accounting authority order would potentially allow you to do would be able to defer the impact of these lost revenues between now and when rates are reset for potential recovery of those costs. And we could either do that as an accounting authority order, or also, as we pointed out in the call, you could make that request as part of a rate case.

So, there's a couple of alternatives there. I think one key is that it's not that – there's really no time limit on that, meaning if you were to file an AAO, it wouldn't just be for prospective impacts. You could also request, as part of that to recover the lost revenues from the date the incident first happened forward in time. So, there's not really a clock ticking on that.

So, we'll consider those options. As I've said before, certainly very unfortunate what's happened with Noranda here in January with the outage. They still have one pot line running. They have announced that they do expect to shut that down. But I think we'll let that play out and see ultimately what does happen, and then consider these regulatory options that I just laid out.

Q - Paul T. Ridzon {BIO 1984100 <GO>}

So, there is $0.13 of potential upside to guidance if you're able to get some sort of relief?

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

Theoretically, yes. I think the important thing to know when we think about this being temporary is that we do expect to – pending completion of this legislative process, we'd expect to file a rate case. And ultimately, that's what will stem these financial impacts.

But yes, theoretically, through the AAO or through the request as part of a rate case, these lost revenues could be recouped. However, you should know that, that may not occur – to the extent it does occur, it may not occur in 2016. But again to the extent you requested this as part of a rate case, it would be more likely that to the extent that those – the collection of those revenues was granted by the commission that, that earnings impact would be reflected in 2017.

Q - Paul T. Ridzon {BIO 1984100 <GO>}

Thank you very much.

Operator

Thank you. Our next question comes from the line of Michael Lapides from Goldman Sachs. Please go ahead.

Q - Michael Lapides {BIO 6317499 <GO>}

Hey, guys. Congrats on a good year. Just looking through the bill in Missouri, and I only looked at the Senate one. So if the House one is very different, my apologies. There's not a lot of detail to the bill. And so – and a lot of times, bills will – a placeholder will get published or put out and the bill will get fleshed out over time. Can you talk to us about, like, what some of the incremental detail you would be seeking to add to that bill would be?

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

Good morning, Michael. This is Warner, and I'll start and then Michael Moehn can certainly jump in. I think a couple things to think about. Number one, the sponsors of the bill, they thoughtfully considered whether to immediately file a comprehensive bill, or as you say, it's a – I would say an outline of key objectives. I think that the objective there is to follow the outline to give stakeholders the ability to provide input into certain approaches that may be utilized in the bill.

And so, that's really where things stand today. I think the outline is pretty clear in some of the areas that will be covered. But the specifics are still being worked out. And so, I think as you saw, we talked about we're clearly going to be focused on issues around addressing regulatory lag especially those associated with investment. That's outlined in the bill. Certainly, important consumer benefits, whether it be in the forms of earnings caps, rate caps or even performance standards similar to types of things we've seen successfully employed in Illinois. And I think importantly what's embedded in all of that is strong oversight will continue by the Missouri Public Service Commission.

So, it would be premature to go into details. I think those kind of specifics that are reflected in the bill as it stands today, I would expect to see in the bill when it's filed in its entirety. And so, when that is out there we'll have a greater ability to kind of go in more detail with you and certainly the rest of the investors.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. And one other thing, when you're thinking about the potential and, Warner, you mentioned there are lots of opportunities for investment, when you think about the potential, is it kind of on the margin or incremental or is it significant and structural? I mean, when I say significant and structural, I think what you've done in Illinois since the 2011 law passed has been a structural change in the investment opportunity in a single state given a change in regulation. Do you view Missouri as being a potential another Illinois or just having an opportunity for a marginal uptick in investment?

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

Michael, this is Warner again. Look, I think at the end of the day and we've had these conversations. I think there are several alternatives that are being considered out there. And we've been clear in our conversations that we've seen the Illinois framework and how well it's working and how it's delivering for customers in the State of Illinois. That's part of the conversation.

And of course there are other pieces of the conversation that are being discussed among stakeholders as well. But, no doubt, we see the significant structural changes happening in Illinois and we see the significant benefits that's been delivered. Those kind of conversations are clearly being had.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. Thanks, Warner. Much appreciated.

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

Sure. You're welcome, Michael.

Operator

Thank you. Our next question comes from the line of Glen Pruitt from Wells Fargo. Please go ahead.

Q - Glen F. Pruitt {BIO 18912620 <GO>}

Hey, guys. My question is regarding your transmission investment. So of the $3 billion that you have planned through 2020, I see that there's about $690 million planned for 2016. How back-loaded do you expect the remaining investment to be?

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

Glen, it's a reasonable question. I don't really have the full layout of the transmission. I mean, I'll tell you that overall though, on our capital expenditure plan that it's pretty evened out over this period of time. I mean, obviously, one of the things that we're looking to do over time is to be able to achieve steady rate base growth.

And so, when you look at that $11 billion of overall capital expenditures that are planned for the five-year period and you look at our CapEx today, which is about $2.155 billion, it's a little below the average of $11 billion of five-year spend.

So over this period of time, we're looking to spend, in any given year, I'd say anywhere between that $2.155 billion up to about $2.350 billion over this period of time. And obviously, again, trying to achieve as best we can steady rate base growth through time. Obviously, in Missouri where you've got periodic rate cases it can be a little bit lumpier, but again, over time, the goal is to have that steady rate base growth through the deployment of capital.

Q - Glen F. Pruitt {BIO 18912620 <GO>}

Okay. Great. Thanks.

Operator

Thank you. Our next question comes from the line of Brian Russo from Ladenburg Thalmann. Please go ahead.

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

Hi. Good morning.

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

Good morning, Brian.

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

Hi, Brian.

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

In the event that you don't get the accounting order to cover Noranda's lost sales, how should we look at kind of the general rate case strategy? I believe you said the legislature ends in May. So that would probably – with or without legislation, that would kind of trigger the rate case and then assuming what, like, a 12-month rate case process, that puts you somewhere towards later first quarter of 2017 or early second quarter for new rates?

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

Sure. Let me – the rate case processes in Missouri take 11 months. So you're right about when sort of the legislative session ends. So we'll be thinking about those things as I mentioned, thinking about, again, like I said rate base additions, the timing of cost increase and things like that.

One other thing to think about with respect to Noranda, and we mentioned this on the call, is just how their rates are structured. Their rate is lower during the period of October through May at around $31 per megawatt hour. And then from June to September, it's around $46 per megawatt hour. So that margin differential and the impact on us is something we would be mindful of too as we look out to the conclusion of a rate case and when new rates would go into effect in the 2016 timeframe. So those are all things that we'd be mindful of.

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

Thank you. And I think earlier you mentioned that embedded in your guidance is about 50 basis points of lag in the Missouri jurisdiction. Is that like the historical norm for you guys? Or is that due to kind of the temporary or the O&M containment efforts that you're pursuing?

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

Sure. What we said in the call and is on the slide is that we expect to earn within 50 basis points of the allowed, and it really is a factor of some of the lag that we are experiencing in 2016. I mentioned the effects of some of the energy efficiency programs and some of the headwind we've got there.

Some of the other things we identified obviously on the call, just ongoing depreciation. Transmission cost, you recall that formerly we had transmission cost in the FAC, but they came out in the last rate case. So as those costs have increased, that is creating lag, and then property taxes. And so all of those things are creating headwinds as we roll into 2016.

I mentioned we have worked very hard and we have plans in place to offset a good part of that with reductions in year-over-year operations and maintenance cost. And obviously, we don't give all of those details on the pluses and minuses on the call, but did want to provide you some frame of reference that net of all of these things – and again, if you exclude the Noranda impact, but you do it, go ahead and include a normalized level of Callaway refueling cost, then we would expect to earn within 50 basis of that allowed. Our goal going forward, as it has been in the past, is try to earn as close to our allowed as we can. That remains our goal.

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

Okay. Great. Thank you.

Operator

Thank you. Our next question comes from the line of Feliks Kerman from Visium. Please go ahead.

Q - Feliks Kerman {BIO 20606244 <GO>}

Hi, guys. How are you doing?

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

Good morning, Feliks.

Q - Feliks Kerman {BIO 20606244 <GO>}

Just two quick questions on the Noranda thing. I know it's a temporary thing in nature. But can you just walk us through the high-level math on how are you getting to the $0.13?

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

Yes. Sure. This is Marty again. In terms of the $0.13, we do have the opportunity as a result of the fuel adjustment cost to be able to retain margins on off-system interchange sales that we make as a result of the reduced sales volumes to Noranda. So when we look at it, we look at the differential between the rates of that Noranda would have been paying and the price that we can get for those kilowatt hours in the wholesale markets.

When we look at that, an around-the-clock price today at Indy Hub is probably around $27 per megawatt hour. But there's also a negative basis differential to our plants. And frankly, over the past couple of years, that's been running 15% to 18% kind of a basis differential. So those are the factors that we take into consideration and the calculation of that expected a 13% drag on 2016 earnings.

Q - Feliks Kerman {BIO 20606244 <GO>}

So, it does assume some offset from the wholesale sales?

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

Yes, it does. Okay.

Q - Feliks Kerman {BIO 20606244 <GO>}

And then can you just provide us a little bit of guidance on how that falls through the quarters in 2016?

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

I guess the best I can tell you when you – through the quarters is just again to go back to Noranda's rate and then you can go ahead and look at power prices. But the Noranda rate again between October and May is about $31 per megawatt hour and then during June to September it's about $46 per megawatt hour. So that's how their rates break down and then you've got to compare it to what you think the off-system sales price might be for each of those periods.

Q - Feliks Kerman {BIO 20606244 <GO>}

Okay. So, there is some lumpiness, that should be the assumption, right?

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

Yeah. There is some lumpiness and if you just looked at the Noranda revenues, you'd say that the bigger impact would be in those summer months.

Q - Feliks Kerman {BIO 20606244 <GO>}

Okay. Great. Appreciate it. Thank you.

Operator

Thank you. Ladies and gentlemen, we have no further questions in queue at this time. I would like to turn the floor back over to management for closing remarks.

A - Douglas Fischer {BIO 1498560 <GO>}

This is Doug Fischer. 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 today's release. Financial analyst enquiries should be directed to me, Doug Fischer, or my associate, Andrew Kirk. Media should call Joe Muehlenkamp. Our contact numbers are on today's news release. Again, thank you for your interest in Ameren, and have a great day.

Operator

Thank you, ladies and gentlemen. This does conclude our teleconference for today. You may now disconnect your lines at this time. Thank you for your participation, and have a wonderful day.

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