Q4 2016 Earnings Call

Company Participants

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

Other Participants

- Brian J. Russo, Analyst, Ladenburg Thalmann & Co., Inc.
- Gregg Orrill, Analyst, Barclays Capital, Inc.
- Larry Liou, Analyst, JPMorgan Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator

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

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

Douglas Fischer {BIO 1498560 <GO>}

(00:31-00:59) broadcast live on the Internet and the webcast will be available for one year on the amereninvestors.com website. Further, this call contains time-sensitive data that is accurate only as of the date of today's live broadcast, and redistribution of this broadcast is prohibited.

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

Turning to page 2 of the presentation, please note that comments made during this conference call may contain statements that are commonly referred to as forward-looking statements. Such statements include those about future expectations, beliefs, plans, strategies, objectives, events, conditions and financial performance.

We caution you that various factors could cause actual results to differ materially from those anticipated. For additional information concerning these factors, please read the Forward-looking 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 2016 results, a business update and comments on our outlook for 2017 and beyond. Marty will follow with more detailed comments on our financial results and outlook. We'll then open the call for questions.

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

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

Warner L. Baxter {BIO 1858001 <GO>}

Thanks, Doug. Good morning, everyone, and thank you for joining us. Today, we announced 2016 earnings of $2.68 per share compared to core earnings of $2.56 per share for 2015. Once again, we delivered another year of solid earnings growth driven by the successful execution of our strategy. Marty will discuss the drivers of our 2016 earnings results in a few minutes.

But first, I want to highlight some of the key actions we took to successfully execute our strategy in 2016 for the benefit of our customers and shareholders. Starting with our strategy to prudently invest in and operate our utilities in a manner consistent with existing regulatory frameworks. We continue to allocate significant amounts of capital to those businesses that are supported by modern, constructive regulatory frameworks for the benefit of our customers. In fact, we invested $2.1 billion in utility infrastructure last year with two-thirds, or over $1.3 billion, going to projects in the FERC-regulated electric transmission in Illinois-regulated electric and natural gas distribution businesses.

A significant portion of the $1.3 billion was invested in the Illinois Rivers project, a new high-voltage transmission line which will span 385 miles across the State of Illinois. This project remains on schedule for completion in 2019 with four of its nine line segments energized, including two river crossings and 8 of 10 substations now in service. This strategic allocation of capital and effective project execution, combined with disciplined cost management, meaningfully contributed to the solid financial results I just discussed.

Turning to Missouri, in order to earn a fair return on our electric business, we filed a rate review request in July with the Missouri Public Service Commission. We're seeking to recover cost related to infrastructure investments made for the benefit of customers, and to remove the negative earnings effect of lower sales to the New Madrid smelter. There was a recent development in this rate review, now we'll provide an important update in a few minutes.

Moving down the page, last year, we also continued to work to enhance our regulatory frameworks and advocate for responsible energy and economic policies. I am pleased to report that we made very good progress on this strategic focus area as well. Notably, Ameren Illinois successfully advocated for the recently enacted Future Energy Jobs Act, which improved the already constructive regulatory framework for our electric distribution business in Illinois.

This law extends constructive formula ratemaking through 2022, enabling the continuation of our strong infrastructure investment plan to benefit our customers and the State of Illinois. It also meaningfully improved the regulatory framework for energy efficiency programs. The law allows us to capitalize and earn a fair return on our future energy efficiency expenditures, which will enable Ameren Illinois to expand its energy efficiency programs for the benefit of our customers.

Further, it provides revenue decoupling, eliminating potential sales margin erosion due to, among other things, energy efficiency. Finally, this law will help maintain and create new jobs in our service territory, and it contains strong consumer protections. Simply put, it was a win-win for all stakeholders in Illinois.

And in Missouri, we continued our extensive efforts to enhance the state's regulatory framework for electric service in order to support investment in the smarter energy grid and create jobs. A great deal of time and effort was spent working with key stakeholders after the 2016 legislative session to discuss this important matter for the State of Missouri. I'll update you on our ongoing efforts in this area a bit later.

The final element of our strategy calls for creating and capitalizing on opportunities for investment for the benefit of our customers and shareholders. As I just mentioned, the Illinois energy legislation enacted in late 2016 enables expansion of energy efficiency programs and allows Ameren Illinois to capitalize and earn a fair return on those investments.

Also, the Missouri Public Service Commission approved two solar pilot programs that will provide clean energy choices for our customers and increased investment opportunities for Ameren Missouri should these pilots prove successful and the programs be expanded.

Finally, in September of last year, Ameren Missouri filed a plan with the Missouri PSC for potential incremental infrastructure investments of $1 billion over a five-year period ending in 2022 that would benefit customers, should these investments be enabled by an enhanced electric regulatory framework.

Ameren Missouri also identified additional potential incremental infrastructure investments over a 10-year period that would modernize its energy grid and facilitate the transition to a cleaner, more diverse generation portfolio for the long-term benefit of its customers and the State of Missouri.

Turning now to page five and earnings guidance. First, I am pleased to inform you that we expect our 2017 earnings per share to be in a range of $2.65 to $2.85 per share. The midpoint of this guidance reflects strong earnings per share growth of approximately 6.5% compared to weather-normalized 2016 results. Marty will provide you more details on this a bit later.

Second, we remain on track to deliver strong long-term earnings growth and continue to expect earnings per share to grow at a 5% to 8% compound annual rate from 2016 through 2020, based on the adjusted 2016 earnings per share guidance midpoint of $2.63 we provided a year ago. We plan to deliver these earnings results in the future through the continued execution of our strategy in 2017 and beyond.

Turning now to page six, a key element of our strategy is to continue to advance our plan for investing in our utilities in a manner consistent with existing regulatory frameworks. The strong earnings growth outlook I just discussed is driven by our rate base growth outlook. Today, we are rolling forward our five-year investment plan. And I am pleased to say that we expect to grow rate base at a strong 6% compound annual rate over the 2016 through 2021 period. As you can see on the right side of this page, we continue to allocate greater levels of capital to those jurisdictions with constructive regulatory frameworks that support investment.

Our transmission projects are projected to increase FERC-regulated rate base by 13% compounded annually over the 2016 through 2021 period. In addition, our investments in Illinois Electric Distribution and Illinois Natural Gas are expected to result in 9% compound annual rate base growth for each of these businesses for the same period. I would note that energy efficiency investments made under the Illinois Future Energy Jobs Act are incorporated into this outlook.

And finally, our Missouri rate base is expected to grow at a slower 2% compound annual rate. Of course, the expected Missouri rate base growth rate would increase from this level if legislation is enacted that sufficiently enhances the state's regulatory framework to support investment.

Moving now to page seven, another key element of our strategy is to achieve a fair and balanced resolution to our pending Missouri electric rate review. I'm pleased to report that as a result of extensive collaboration, all the major parties participating in this rate review: Ameren Missouri, the Staff of the Missouri Public Service Commission, the Office of Public Counsel, industrial consumer groups and others, recently reached an agreement in principle on all the issues in this case.

As a result, we expect a stipulation and agreement signed by these parties and possibly others to be filed with the Missouri Public Service Commission very soon, with a request that the agreement be approved by the Commission. At this point, the agreement in principle is considered confidential. However, I would note that the earnings guidance we have provided today is consistent with these terms.

Turning to page eights of the presentation, enhancing Missouri's electric regulatory framework remains a key strategic focus, because we strongly believe it would bring significant, long-term benefits to our customers in the entire State of Missouri. Consistent with the benefits we have seen in Illinois and around the country, modernized policies to support energy infrastructure investments would lead to a more reliable and smarter energy grid, facilitate the transition to a cleaner and more diverse generation portfolio, provide greater tools for customers to manage their future energy usage, position us to meet our customers' rising energy needs and expectations, and create significant quality jobs for Missouri. With these benefits in mind, in

December 2016, Senate Bill 190, the Missouri Economic Development and Infrastructure Investment Act was filed.

This slide outlines the key provisions of the bill. In summary, Senate Bill 190 would implement important regulatory reforms, which would drive significant infrastructure investments and results in the benefits I just described.

In addition, this legislation contains robust consumer protections, including strong oversight by the Missouri Public Service Commission. And finally, Senate Bill 190 includes forward-thinking economic development provisions for our larger energy consumers, which in turn would help create good quality jobs.

I would note that enactment of this legislation in its current form would support Ameren Missouri's ability to execute on $1 billion of incremental infrastructure investment over five years, consistent with this filing with the Missouri Public Service Commission last fall. We, along with all the other Missouri investor-owned electric utilities, have continued to actively engage in discussions with customers, legislators, state officials and other stakeholders to build support for this important legislation.

I am pleased to report that Senate Bill 190 was approved by the Senate Commerce Committee last week by a bipartisan eight-to-one vote, is now headed to the full Senate for consideration. While good progress has been made on Senate Bill 190 to date, we are still very early in the legislative process. Keep in mind that the legislative session ends on May 12. As we move to the session, we will continue our extensive outreach and collaboration with key stakeholders to move Missouri forward on this important energy and economic policy initiative for the long-term benefit of our customers in the entire State of Missouri.

Turning now to page 9 of our presentation and a discussion of potential federal corporate income tax reform. I'll begin by saying that Ameren supports thoughtful, comprehensive tax reform, as we believe that lower corporate tax rates would drive economic growth and job creation, benefiting our customers, the communities we serve and other key stakeholders. Recognizing that we are still in the relatively early stages of a tax reform debate, we are focusing our advocacy efforts with some key principles in mind. We want to ensure that tax reform does not negatively impact our key stakeholders, notably our customers, as well as appropriately supports our industry's efforts to invest in our nation's critical energy infrastructure in an affordable manner.

With these principles in mind, this slide highlights key areas of focus for Ameren and our industry. As I noted, it is still early in this debate and there are many moving parts, but we also recognized that many of you are interested in what impact tax reform could have on Ameren. Based on our current assessment of preliminary tax reform proposals, aside from the expected one-time non-cash charge to write down certain of our deferred tax assets, we do not believe this plan would impact our strong earnings growth guidance through 2020. Marty will address some of the underlying assumptions associated with our assessment in a few moments.

Of course, I expect there will be several changes to the tax reform proposals between now and the end of the debate. That is why Ameren, and many of my colleagues in the industry, will remain actively engaged with policymakers and key stakeholders on this important economic policy matter in the months ahead.

Turning now to page 10. Here you can see that our strategic and disciplined allocation of capital is also being driven by our view that the energy grid will be increasingly more important and viable to our customers, the communities we serve and our shareholders. We plan to continue to invest to modernize our electric and gas transmission and distribution operations to make them safer, smarter and more resilient, as well as invest in smart meters and new technologies in order to meet our customers' future energy needs and expectations.

Right side of this page shows that our allocation of capital is expected to grow these energy delivery businesses to nearly three-quarters of our rate base by the end of 2021. As a result, our investment in coal and gas-fired generation is expected to decline to a combined 15% of rate base by year end 2021. We are also advancing our efforts on innovative technologies to increase operating efficiencies, strengthen the energy grid and create innovative energy solutions for our customers. Further, we remain focused on transitioning our generation to a cleaner and more diverse portfolio in a responsible fashion. And this transition will continue beyond 2021 with the scheduled retirement of Meramec's coal-fired energy center in 2022.

In addition, Ameren Missouri is developing its next 20-year Integrated Resource Plan, which is scheduled to be filed with the Missouri PSC in October 2017. In this plan, we will continue to appropriately balance our responsibilities to our customers and communities, the environment and, of course, our shareholders.

Moving to page 11, we anticipate that the execution of our strategy in 2017 and beyond will not only bring superior value to our customers, but also to our shareholders. To reiterate, we continue to expect earnings per share to grow at a 5% to 8% compound annual rate from 2016 through 2020, based on the adjusted 2016 guidance midpoint we provided a year ago. Further, as I also discussed, we project rate base growth of 6% compounded annually from 2016 through 2021.

We expect these growth rates to compare favorably with our regulated utility peers. Further, Ameren shares offer investors an attractive dividend. The annualized equivalent rate of $1.76 per share incorporates the October 2016 decision by the Board of Directors to increase the dividend for the third consecutive year, reflecting their continued confidence in the outlook for our businesses and our long-term strategy. And 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 believe our strong rate base and earnings growth profile, combined with our solid dividend, currently providing a yield of approximately 3.3%, results in an attractive total return opportunity for our shareholders compared to our regulated utility peers. We remain focused on executing our strategy and I remain firmly convinced that doing so would deliver superior value to our shareholders, customers and the communities we serve.

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

Martin J. Lyons {BIO 4938648 <GO>}

Thank you, Warner. And good morning, everyone. I'm turning now to page 13 of our presentation. As Warner mentioned, we reported 2016 earnings of $2.68 per share compared with core earnings of $2.56 per share for the prior year. And as you can see, there was no difference between GAAP and core results for 2016.

On page 14, we highlight factors that drove the $0.12 per share year-over-year increase in 2016 earnings compared to 2015 core results. As discussed in today's press release, we now consider Ameren to have four reportable segments. You can see the 2015 and 2016 comparative earnings per share contributions of these segments graphically at the right, where we show Ameren Missouri in green representing all of the operations of Ameren Missouri. Ameren Illinois Electric Distribution in dark blue, Ameren Illinois Natural Gas in light blue, and last but certainly not least, Ameren Transmission in orange, which is composed of the FERC-regulated electric transmission businesses of Ameren Illinois and ATXI.

We believe that analyzing and reporting results in this manner is appropriate, given the unique regulatory framework associated with each segment and the manner in which we allocate capital and wish to assess performance over time. We hope you find this new segment presentation useful.

So then diving into the comparative earnings results, let's start with Ameren Transmission, where the earnings per share contribution increased from $0.34 in 2015 to $0.48 in 2016. This 41% growth was driven by increased infrastructure investments at both ATXI and Ameren Illinois, which both operate under constructive FERC-formulaic ratemaking coupled with higher average earned returns on equity.

In 2016, our Transmission segment benefited from a temporarily higher FERC-allowed ROE as a result of the expiration in May of 2016 of the 15-month refund period for the second MISO ROE complaint case. The FERC's order in the first complaint case then lowered the allowed ROE in late September 2016 to 10.82%, including our 50 basis point adder for voluntary participation in MISO.

Moving to Ameren Illinois Natural Gas. In 2016, we saw the earnings contribution of this segment increase 60%, rising from $0.15 per share to $0.24 per share. This growth was again driven by infrastructure investment, as well as an updated allowed return on equity, both of which were reflected in rates that became effective in December of 2015, incorporating a 2016 forward test year.

Turning to our Illinois Electric Distribution business, 2016 results grew by just 2%, from $0.51 in 2015 to $0.52 in 2016. Here, the benefits of infrastructure investment in warmer summer weather were partially offset by the temporary impacts of a lower allowed ROE under formulaic ratemaking of 8.4% compared to 8.64% for the year prior. The 2016 allowed ROE was based on the 2016 average 30-year Treasury yield of 2.6%, down from the 2015 average of 2.84%. The year-over-year earnings comparison was also negatively impacted by the absence in 2016 of certain power usage cost recoveries reflected in 2015 results.

The earnings contribution from Ameren Missouri, our largest segment, declined from $1.63 in 2015 to $1.47 in 2016. Here the earnings benefits of very warm summer temperatures and disciplined cost management were not enough to overcome the unfavorable impacts of lower sales to the New Madrid smelter and the unfavorable year-over-year comparative earnings impact of the 2013 to 2015 Missouri energy efficiency plan.

In 2016, Ameren Missouri recognized a performance incentive award associated with the energy efficiency results achieved over the three years ending in 2015, reflecting the tremendous success of this program for our customers. However, this was lower than energy efficiency program benefits recognized in 2015.

The earnings comparison was also unfavorably affected by nuclear refueling and maintenance outage expenses at the Callaway Energy Center in 2016, compared to no such outage in the prior year as well as higher depreciation expense.

Finally, the Ameren Parent and Other net cost comparison was positively impacted by the first quarter recognition of tax benefits associated with share-based compensation.

Before moving on, let me briefly cover 2016 electric sales growth compared to the prior year. Weather-normalized kilowatthour sales to residential and commercial customers were up slightly in both Illinois and Missouri, reflecting underlying growth and the leap day sales benefit, partially offset by energy efficiency impacts. Kilowatthour sales to Illinois industrial customers in 2016 decreased about 1%, primarily due to lower sales to several large low margin Illinois customers, including those in steelmaking, heavy equipment manufacturing, mining and energy. However, we did see year-over-year growth in sales to industrial customers in the second half of the year after a first half decline. Finally, kilowatthour sales to Missouri industrial customers declined about 0.5%, excluding lower sales to the New Madrid smelter.

Moving to page 15 of our presentation. I would now like to transition to a discussion of key drivers impacting our 2017 earnings guidance. As Warner stated, we expect 2017 diluted earnings to be in a range of $2.65 to $2.85 per share. On this page and the next, we have listed key earnings drivers of and assumptions behind our 2017 earnings guidance, broken down by segment and as compared to 2016 results.

Ameren Missouri's earnings are expected to rise in 2017, assuming increased electric service rates consistent with the agreement in principle to settle its pending rate review. The new rates would address the negative earnings impacts of reduced sales levels to the New Madrid smelter, adding an estimated $0.12 per share to the year-over-year earnings comparison. The new rates are also expected to reflect infrastructure investments made for the benefit of customers through December 31, 2016 and changes in various operating expense levels.

In 2017, we expect Missouri's results to reflect increased depreciation, transmission and property tax expenses. These increases in expense are expected to continue to be a drag on earned returns, particularly during the first half of 2017 prior to the date when rates are adjusted. In addition, a return to normal temperatures would reduce Ameren Missouri's earnings by $0.08 per share compared to last year. Further, Ameren Missouri's electric service earnings will be negatively affected by the absence in 2017 of the previously mentioned energy efficiency performance incentive award that was recognized in 2016.

Finally, expenses associated with the Callaway nuclear refueling and maintenance outage scheduled for the fall of this year are expected to be comparable to those experienced as a result of the spring outage last year.

Moving now to our Transmission business. Earnings are expected to rise in 2017, benefiting from additional infrastructure investments made in Ameren Illinois and ATXI under formula ratemaking. However, we expect this benefit to be partially offset by a lower projected weighted average allowed ROE in 2017 compared to last year.

As I discussed a few minutes ago, our FERC-allowed ROE was temporarily increased for part of 2016, resulting in an average allowed ROE of approximately 11.3% for the full year. Since late September of last year, our FERC-allowed ROE has been 10.82%. Our guidance reflects a FERC final order in the second MISO ROE complaint case in the second quarter of this year, with an ROE consistent with the ALJ's recommendation. Of course, the timing of this decision will depend on when new commissioners are confirmed and a quorum is created at the FERC.

Moving now to page 16, in our Illinois Electric Distribution business, we anticipate increased weather-normalized earnings in 2017 compared with 2016, reflecting additional infrastructure investments made under formula ratemaking. Further, Illinois Electric Distribution earnings incorporate a formula-based allowed ROE of 9.1%, using a forecasted 3.3% 2017 average yield for the 30-year Treasury bond compared to an allowed ROE of 8.4% in 2016.

These positive factors are expected to be mitigated by the absence in 2017 of the benefit of a warmer than normal 2016 summer temperatures, as revenue decoupling becomes effective this year. I would also like to mention that we have provided the earnings sensitivity to changes in the allowed ROE for Illinois Electric Distribution on this page. Completing the discussion of our Illinois businesses, Natural Gas segment earnings are expected to benefit from qualified investments that are included in rates on a timely basis under the state's gas infrastructure rider.

I would also like to take a minute to discuss our 2017 Electric sales outlook. We expect weather normalized combined Illinois and Missouri kilowatthour sales to residential and commercial customers to be roughly flat, compared to last year as underlying growth is expected to be offset by the effects of our energy efficiency programs and the absence of a leap day. Turning to industrial customers, combined Illinois and Missouri kilowatthour sales to this group are expected to be up 1% to 2% compared to last year.

Moving finally to Ameren-wide drivers and assumptions, we expect an effective income tax rate of approximately 38% this year, an increase from last year's rate of 36.7%, reflecting substantially lower expected first quarter 2017 tax benefits associated with share-based compensation as compared to 2016. Of course, this effective tax rate, as well as other elements of our 2017 guidance, assumes no change in federal income tax policy during the year. I will add to the color Warner provided on potential tax legislation in a moment.

Turning to page 17. For 2017, we anticipate negative free cash flow of approximately $700 million. On the right side of this page, we provide a breakdown of our $2.2 billion of planned 2017 capital expenditures by business, with nearly two-thirds allocated to jurisdictions with modern, constructive regulatory frameworks. We expect to fund this year's negative free cash flow and debt maturities with short and long-term borrowings.

Moving to page 18 of the presentation, here we provide an overview of our $10.8 billion of planned capital expenditures for the 2017 through 2021 period. The expected funding sources, including substantial income tax deferrals and tax assets or these infrastructure investments, are listed on this page. The tax deferrals are driven primarily by our planned capital expenditures, including bonus tax depreciation provided in current law. The tax assets include $440 million at the parent company that are not currently earning a return. Given our expected funding sources, we do not expect to issue additional equity over this 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.

Moving now to page 19. Earlier, Warner discussed our support for thoughtful federal tax reform and some of the key areas of focus for Ameren and the utility industry as a whole. He also mentioned that we believe the debate on tax reform elements is in the early stages, and we are far from knowing final tax reform attributes and, consequently, the true financial consequences.

That said, we know that many of you are attempting to model the potential impacts of known reform considerations. Here we attempted to provide some key Ameren considerations relative to the pillars of widely discussed tax reform proposals. Overall, I would say we are well positioned to sustain our earnings per share growth rate expectations through 2020.

Today, our operations are fully rate regulated and we have relatively little parent company debt after considering that which supports our Transmission segment. Further, we have strong balance sheet, credit metrics relative to our current credit ratings, and we have a solid infrastructure investment pipeline filled with projects that would benefit customers. We do expect that lowering the federal corporate tax rate would cause us to revalue our Ameren parent tax asset balances as well as certain deferred tax balances of our rate-regulated subsidiaries, causing a one-time non-cash charge to earnings to be recognized upon such a tax rate reduction becoming law.

However, a lower corporate tax rate favorably impacts customer rates and their tax obligations prospectively. And while near-term negative cash flow impacts may occur relative to forecasted levels, between the time when tax rates are reflected in rates and corporate tax obligations are reduced as well as due to the expected gradual flowback of excess deferred taxes, we expect that cash flow reductions would be mitigated by increased earnings on additional rate base emanating from comparatively higher NOL balances and lower deferred tax obligations reflected in rate base.

Overall, we currently forecast those net cash flow reductions to be manageable in the context of our overall capitalization and long-term cash flow forecast. And to reiterate, we expect no change to our earnings per share growth outlook based on our modeling of current tax reform proposals. But then again, the debate is far from over and uncertainty clearly exists.

Finally, turning to page 20, I will summarize. In 2016, we again delivered solid earnings growth and continued to successfully execute our strategy. As Warner stated, as we look ahead, we continue to expect strong earnings per share growth, driven by strong rate base growth and disciplined financial management.

Further, we expect this growth to compare favorably with the growth of our regulated utility peers. And Ameren shares continue to offer investors an attractive dividend. In total, we have an attractive total shareholder return story that we believe compares very favorably to peers.

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

Q&A

Operator

Thank you. We will now be conducting a question-and-answer session. Our first question comes from the line of Brian Russo with Ladenburg Thalmann. Please proceed with your question.

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

Hi, good morning.

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

Good morning, Brian.

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

The $1 billion of incremental investment opportunities in Missouri, would that require external equity needs?

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

Brian, I think as we think about that extra $1 billion, obviously, we are pursuing changes in the Missouri framework that would allow us to actually move forward with those. To the extent that we have the opportunity to make those investments for the benefit of customers, what we'll do, Brian, at that point, is step back and look at our overall capital plan, assess and reassess what we've got in that plan, and also step back and reassess our financing. So I think it's premature that we would need to issue any additional equity or that we would issue additional equity. We'll take a step back and look at our overall capital expenditure and financing plans. Of course, we do have a very strong balance sheet today. We have very strong credit metrics relative to our ratings, so we'll assess all of those things as we move forward to the extent we have that opportunity.

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

Okay. And at the Missouri legislature, it's my understanding that there are three bills being proposed, yet your comments and the presentation slides focused on Senate Bill 190. And I'm just curious to know why is that? Does Senate Bill 190 have a higher likelihood of success versus the other two?

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

Hi, Brian. This is Warner. Yeah, a couple of comments. Yes, in December, three bills were filed. Senate Bill 190, which we spent most of our time on, but then, there are two other bills, Senate Bill 214 and Senate Bill 215. Senate Bill 214 really is very similar to the performance-based ratemaking bill that was filed last year, and Senate Bill 215 is similar to, I would say, enabling language.

Our focus right now and those in the industry is on Senate Bill 190. We believe when you take all the stakeholder input that we have had since last session and even in this session, it reflects many of the input that we've received from stakeholders. So that's our focal point now. Those other two bills are still out there, but we're focused on Senate Bill 190.

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

Okay. Thank you.

Operator

Thank you. Our next question comes from Larry Liou with JPMorgan. Please proceed with your question.

Q - Larry Liou {BIO 20692426 <GO>}

Thanks for taking my question. Just want to talk a little bit about the Commission, Missouri. They did a review of the ratemaking framework last December, I believe. Are they still involved in the process or has your focal point kind of shifted to the legislator at this point?

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

And so, look, I'm going to turn it over to Michael Moehn who oversees our Missouri operations. Michael, you can comment a little bit about the process the Commission has gone through in the past and then sort of where we're at from a Missouri (40:14) perspective.

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

Sure. Absolutely. Yeah, I mean, look, the workshop that occurred over the summer was a productive process. Obviously, we participated a great deal in that. We were appreciative of all the hard work that was put into it. I think there were some constructive recommendations that came out of that from the Missouri Public Service Commission. And look, yeah, we obviously stay close to them and are engaged with them about this legislative process and continue to get feedback from them.

Q - Larry Liou {BIO 20692426 <GO>}

Thanks. And just want to quickly jump to just financing needs. I know you talked about your cash flow plan for 2017, but with tax reform, is there strong consideration for financing at the Transmission level or at the holding company level, I think historically, you've always used holding company leverage for your Transmission investments?

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

Yeah, sure. It's something that's actively under consideration. Appreciate your question about our plans to fund our capital expenditures and our maturities this year. As we noted on the slides, we have about $675 million of maturities this year in June at Ameren Missouri, we've got $425 million maturity. And then in November, we've got $250 million maturity at Ameren Illinois.

So as we look ahead this year, a few things. We expect that midyear, following that maturity at Missouri, we'd likely do a financing there. And late in the year in November, December, after that maturity at Ameren Illinois, we'd also plan to do a financing there, I think not only to refinance the maturity, but also some of the capital expenditures that we've had through the year in Ameren Illinois.

And then of course, as you mentioned, we've been financing the Transmission business and the growth there really through the use of parent company debt, long-term and short-term debt. As we move through the year, financing additional infrastructure investment, our short-term debt balances would grow. And so it's likely around midyear that we'd execute some sort of a long-term financing. And we'll provide you greater details on our thoughts there as we move through the year.

But you identified, say, the relevant considerations, whether to do that long-term financing at the parent or at the Transmission entity down at ATXI. So those are things that we are assessing. We do, like I say, expect that we will do – execute on long-term financing around midyear, but those details are still being thought through, and we'll share more with you later in the year.

Q - Larry Liou {BIO 20692426 <GO>}

All right. Thank you.

Operator

Our next question comes from the line of Gregg Orrill with Barclays. Please proceed with your question.

Q - Gregg Orrill {BIO 1532939 <GO>}

Yes, thank you. Just around the fourth quarter results, were there any drivers that you could provide around that impact of weather or otherwise? And then just to confirm around the Missouri stipulation, was that unanimous or not?

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

Sure, Gregg. This is Marty. Let me start with the Q4 results. So with regard to the Q4 results compared to the prior year, weather was a positive. In fact, it was about a $0.06 positive versus prior year; but versus our expectations, which revolve around normal weather, weather was a negative about $0.01. We had sort of a warm year last year, including a warm fourth quarter. So it was a bit of a negative compared to expectations for the quarter.

Of course, we benefited from continued infrastructure investments. Obviously, that was a benefit in the fourth quarter versus the prior year. We did have a lower effective tax rate in the fourth quarter versus last year. So I'll tell you that versus our expectations, it was a little higher than expected. So tax issues or items were a bit of a negative versus our expectations coming into the fourth quarter.

And then again, going back compared to prior years, we had lower benefits from the energy efficiency programs in Missouri. You'll recall that in 2015, as we were coming to the end of that first energy efficiency program, we had high take rates, if you will, on the incentives we were providing to the customers, and that translated into some benefits being recognized by the company in late 2015 that didn't recur then in 2016. And so those were some of the big things. Then, of course, don't forget about the year-over-year impact of the New Madrid smelter load loss, which was obviously a negative in 2016 versus 2015.

So, again compared to prior years, prior year, plus on weather, plus on investment returns, plus on the effective tax rate, minus on the energy efficiency impacts, and minus in terms of the New Madrid smelter, that's kind of how it all shakes up compared to the prior year. But again, compared to expectations, I would say a little bit lower than our expectations coming into the quarter due to some tax items and weather. So, that's how we shake all that up.

And then I think your second question, we'll turn it over back to Michael Moehn.

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

Yeah, with respect to the agreement in principle, it is with all the major parties, I would say, at this point: the Staff, the Office of Public Counsel, several industrial groups, Division of Energy, so clearly the major parties in the case. Once we file the stipulation and agreement with the Commission, I hope it to be unanimous at the end of the day, but it's just a bit premature to say that.

Q - Gregg Orrill {BIO 1532939 <GO>}

Okay. Thank you.

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

Thanks, Gregg.

Operator

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

A - Douglas Fischer {BIO 1498560 <GO>}

Thank you for participating in this call. Let me remind you again that a replay of the call will be available for one year on our website. If you have questions, you may call the contacts listed on our earnings release. Financial analysts inquiries should be directed to me, Doug Fischer, or my associate, Andrew Kirk. Media should call Joe Muehlenkamp. Our contact numbers are on the release. Again, thank you for your interest in Ameren and have a great day.

Operator

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