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Greetings, and welcome to the Ameren Corporation Third Quarter 2020 Earnings Call.

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

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

Mr. Kirk, you may begin.

Andrew Kirk

Thank you, and good morning.

On the call with me today are Warner Baxter, our Chairman, President, and Chief Executive Officer, and Michael Moehn, our Executive Vice President and Chief Financial Officer, as well as other members of the Ameren management team joining remotely.

Warner and Michael will discuss our earnings results and guidance, as well as provide a business update. Then we will open the call for questions.

Before we begin, let me cover a few administrative details. 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 a presentation on the amereninvestors.com home page that will be referenced by our speakers.

As noted on Page 2 of the presentation, 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 yesterday and the forward-looking statements and Risk factors sections in our filings with the SEC.

Lastly, 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.

Warner Baxter

Thanks, Andrew. Good morning, everyone, and thank you for joining us.
Before I jump into our discussion of third quarter results and other key business matters, I will start with a few comments on COVID-19. To begin, I hope you, your families, and colleagues are safe and healthy during this challenging time.

While COVID-19 has driven a great deal of change, I can assure you that one thing that remains constant at Ameren is our strong commitment to the safety of our co-workers, customers, and communities. So, too, is our strong focus on delivering safe, reliable, cleaner and affordable electric and natural gas service during this unprecedented time.

We recognize that millions of customers in Missouri and Illinois are depending on us. I can't express enough appreciation to my coworkers who have shown great agility, innovation, determination, and a keen focus on safety while delivering on our mission, To Power the Quality of Life.

We continue to carefully monitor the impact of COVID-19 on our electric sales, liquidity, and supply chain. To date, these impacts have been manageable and are largely in line with our expectations. In addition, our team continues to successfully execute our strategy across the entire business.

Looking ahead, we will remain focused on executing our strategy, including employing our strong safety practices, as well as continuing to exercise financial discipline to mitigate the impacts of COVID-19. At the same time, we will look to capitalize on key opportunities that we have identified during the last several months, including benefits we are realizing from our digital investments and other efficiencies in our operations.

Turning now to Page 4 for an update on third quarter results and 2020 earnings guidance. Yesterday, we announced third quarter 2020 earnings of $1.47 per share, compared to $1.47 per share earned in 2019, a summary of the key drivers is provided on this page, which Michael will discuss in more detail in a moment.

I am pleased to report we remain on track to deliver solid earnings growth in 2020 over 2019. Yesterday, we also announced that we narrowed our 2020 earnings guidance range to $3.40 to $3.55 per share that compares to our initial guidance range of $3.40 to $3.60 per share.

Moving to Page 5. Here, we reiterate our strategic plan, which we have been executing very well throughout the year. We expect our plan will continue delivering significant value for our customers and strong long-term earnings growth for our shareholders.

The first pillar of our strategy stresses investing in and operating our utilities in a manner consistent with existing regulatory frameworks. This has driven our multi-year focus on investing in energy infrastructure for the long-term benefit of customers in all four of our jurisdictions. As I have said many times in the past, our customers are at the center of our strategy.

Our customers have been clear; they want safe, reliable, and cleaner energy, all at an affordable price. Our goal is to meet our customers' energy needs and exceed their expectations. As you can see on the right side of this page, during the first nine months of this year, we invested significant capital in each of our business segments to achieve our goal for our customers, and we are delivering results.

Our energy grid is becoming more reliable, resilient, and secure. We are implementing and enabling cleaner energy through our renewable energy and transmission investments, and our customers' electric rates remain among the lowest in the country at approximately 20% below the national average. Of course, we are not done. We will continue to make critical investments across our businesses to modernize the energy grid.
In addition, we will continue to transition our generation portfolio to a cleaner and more diverse portfolio in a responsible fashion. That transition will include significant investments in renewable energy, which I will cover in more detail in a moment. We will continue to invest in innovative technologies, including digital technologies, to meet and exceed our customers’ rising expectations.

Consistent with Ameren Missouri’s Smart Energy Plan, we are putting meaningful dollars to work to modernize the energy grid and to serve our customers better. I am pleased to report that in July, Ameren Missouri began installing the first of 1.2 million electric smart meters for customers. The installation of these smart meters over the next several years will enhance reliability and provide more visibility and choices for our customers to control their energy usage. Our Ameren Illinois electric and gas distribution customers are already seeing these benefits as we completed the installation of over 1.2 million electric smart meters and over 830,000 gas modules in 2019.

We have also been working hard in the regulatory arena to earn fair returns on our investments. As we discussed on our first and second quarter earnings calls, new electric rates went into effect on April 1 of this year as a result of a constructive settlement in Ameren Missouri’s electric rate review.

In addition, as Michael will cover in more detail later, we will continue to progress through our electric and natural gas regulatory proceedings in Illinois. We expect a final decision in the electric proceeding by December of this year and a final decision in the gas proceeding by January of next year.

From an operational perspective, the Callaway Energy Center began its scheduled refueling and maintenance outage in early October. The outage is progressing safely and on schedule.

Finally, another important element of the first pillar of our strategy has been, and remains, our relentless focus on continuous improvement and disciplined cost management to keep rates affordable.

Moving to Page 6 and the second pillar of our strategy, which includes enhancing regulatory frameworks for the benefit of all stakeholders. In Illinois, we continue to support the proposed Downstate Clean Energy Affordability Act. This important legislation would allow Ameren Illinois to make significant investments in solar energy and battery storage to improve reliability, as well as to make investments in transportation electrification, in order to benefit customers and the economy across central and southern Illinois.

In addition, it would help address energy policy challenges facing the state, including the need for additional renewable sources and better electric vehicle charging infrastructure. This bill would help address these challenges and move the state of Illinois closer to reaching its goal of 100% clean energy by 2050.

This legislation would also continue to support important investments in the energy grid to meet our customers’ expectations for a more reliable and resilient energy grid. In addition, this legislation would modify the allowed return on equity formula and would also extend the electric performance-based ratemaking framework through 2032. We have been actively participating in energy policy discussions, including the Governor’s and Senate working group meetings.

As noted on this slide, a veto session is currently scheduled for certain days in November and December. Consistent with the views that we expressed during our second quarter call, we do not expect comprehensive energy legislation to be addressed during the veto session in 2020.

Looking ahead, we will continue to engage with key stakeholders in an open and transparent fashion to better understand their views and advocate for constructive energy policies that support investment in critical infrastructure.
Moving to Ameren Missouri regulatory matters. On October 16, we filed requests with the Missouri Public Service Commission to track and defer, in a regulatory asset, certain COVID-19 related costs incurred, net of any COVID-19 realized cost savings. Through September 30, 2020, we have accumulated approximately $9 million of net costs, and we have requested additional true-ups next year. If our requests are approved by the Missouri PSC, the recovery and timing of recovery of these costs would be determined as part of the next electric and gas rate reviews. The PSC is under no deadline to issue orders, and we cannot predict the ultimate outcome of this matter.

Speaking of future rate reviews, and as we discussed during our second quarter conference call, we continue to expect to file the next Ameren Missouri electric rate review in the first half of 2021. In addition, we also expect to file an Ameren Missouri natural gas rate review during the first half of 2021 as well.

Turning now to Page 7 and Missouri's Integrated Resource Plan. In late September, we announced a transformative preferred plan that will accelerate our transition to a cleaner and more diverse generation portfolio while carefully balancing two important needs for our customers; reliability and affordability. Our plan is clearly transformational, as it significantly accelerates our carbon emission reduction goals from those that we established in 2017.

In particular, the plan targets a 50% reduction in carbon emissions below 2005 levels by 2030 and an 85% reduction by 2040, and by 2050, our goal is to achieve net zero carbon emissions across all of Ameren. We plan to achieve these goals by making significant investments in renewable generation. Under our preferred plan, we would add 3,100 megawatts of wind and solar to our portfolio, representing approximately $4.5 billion of investment by 2030. By 2040, in total, 5,400 megawatts of wind and solar would be added for a total investment of approximately $8 billion. These renewable generation additions include our wind generation investment of $1.2 billion for 700 megawatts that we expect will be substantially complete this year.

The plan also advances the retirement of two of our coal-fired energy centers, with all of our coal-fired energy centers retired by 2042. It is important to note that our plan does not include the addition of any combined cycle natural gas plants.

Further, we expect to seek an extension of the operating license of our carbon-free Callaway Nuclear Energy Center beyond the current expiration date of 2044, and we will continue to implement robust energy efficiency and demand response programs.

Importantly, our plan represents a responsible transition of our portfolio that takes into consideration environmental stewardship, system reliability, and customer affordability. Our plan leverages the very low-cost generation that our customers enjoy today and uses it as a bridge to enable us to add greater levels of intermittent resources in the future while ensuring system reliability.

Our plan also intends to leverage important research and development investments by the public and private sectors and incorporate advances in clean energy technologies over time to achieve our net zero carbon emissions goal. We are very excited about this transformational plan and are already taking steps to implement it.

In September, we issued a request for proposal that will enable us to assess and take the appropriate next steps on solar and wind projects that will deliver the best value to our customers, consistent with our IRP. Responses to our request have been robust, and we are in the process of assessing those proposals as we speak. We will provide an update on our assessment, as well as our five-year capital plan for 2021 through 2025 during our year-end conference call in February.
Consistent with our approach in the past, we will consider a variety of factors before we include such major projects into our plan. Having said that, one thing is clear, our IRP includes significant incremental investment opportunities, including approximately $3 billion by 2030.

As I said before, we are very excited about our transformational plan, as well as how Ameren and our industry are leading the country and the world in executing responsible and achievable plans to significantly reduce carbon emissions, and in so doing, creating a cleaner and sustainable energy future.

Speaking of creating a cleaner and sustainable energy future, let's move now to Page 8 for an update on our $1.2 billion wind generation investment plan to achieve compliance with Missouri's Renewable Energy Standard through the acquisition of 700 megawatts of new wind generation at two sites in Missouri.

Good progress continues to be made at both facilities. All of the construction and related installation of key components for the 400 megawatt facility have been completed, and testing of the units will be completed over the next several weeks. As a result, we expect the 400 megawatt facility to be in service by the end of 2020. For the 300 megawatt facility, we are working closely with the developer to monitor the shipment and installation of the remaining facility components.

As we've discussed on our prior earnings calls this year, we have experienced some delays in the project due to several factors, including those related to challenges in the global supply chain due to COVID-19, as well as in the transportation of certain components. As a result, we expect a portion of the project, or approximately $200 million of investment, to be placed in service in the first quarter of 2021.

We do not expect this to have significant economic consequences or reduce the production tax credits for this project because of the recent rule changes made by the U.S. Department of the Treasury to extend the in service criteria by one year to December 31, 2021.

Moving to Page 9. Looking ahead through the end of this decade, we have a robust pipeline of investment opportunities of over $39 billion that will deliver significant value to all of our stakeholders by making our energy grid stronger, smarter, and cleaner. This robust pipeline now includes the new renewable generation proposed in the preferred plan of the Missouri Integrated Resource Plan, which added approximately $3 billion of incremental investment opportunities from 2020 to 2029.

Importantly, these investment opportunities exclude any new regionally beneficial transmission projects that would increase the reliability and resiliency of the energy grid, as well as enable additional renewable generation projects. Of course, our investment opportunities will not only create a stronger and cleaner energy grid to meet our customers' needs and exceed their expectations, but they will also create thousands of jobs for local economies. Maintaining constructive energy policies that support robust investment in energy infrastructure will be critical to meeting our country's future energy needs and delivering on our customers' expectations.

Moving to Page 10. A few moments ago, I mentioned that we are focused on delivering a sustainable energy future for our customers, communities, and our country. Consistent with that focus, we recently published a stakeholder presentation called Leading the Way to a Sustainable Energy Future, which is Ameren's Vision statement. This presentation demonstrates how we have been effectively integrating our focus on environmental, social, governance, and sustainability matters into our corporate strategy.
This slide summarizes our sustainability value proposition for environmental, social, and governance matters. We have a strong environmental focus, which is, in part, demonstrated by the Missouri Integrated Resource Plan I discussed earlier. Importantly, the preferred plan discussed earlier is consistent with the objectives of the Paris Agreement and limiting global temperature rise to 1.5 degrees Celsius. Emissions from our coal-fired energy centers are well below state and federal limits, and our natural gas pipeline system has no cast or wrought iron pipes.

We also have a strong, long-term commitment to our customers and communities to be socially responsible and economically impactful. There has never been a more important time than now to be a leader in this area.

In terms of COVID-19 relief, we have been tirelessly working to help our customers in need, including implementing disconnection moratoriums, providing special bill payment plans and providing over $15 million of critical funds for energy assistance and other basic needs, and we have stood up and spoken out against racial injustice and discrimination, and have taken actions to enable our Company and community to further embrace diversity, equity, and inclusion, and we were honored to again be recognized by DiversityInc as one of the top utilities in the country for diversity, equity, and inclusion. Finally, our strong corporate governance is led by a diverse board of directors focused on strong oversight that's aligned with ESG matters, and our executive compensation practices include performance metrics that are tied to sustainable long-term performance and progress towards a cleaner, sustainable energy future. I encourage you to take some time to read more about our sustainability value proposition. You can find this presentation at amereninvestors.com.

Moving to Page 11. To sum up our value proposition, the consistent execution of our strategy over many years and on many fronts has positioned us well for future success. We remain firmly convinced that the execution of this strategy in 2020 and beyond will deliver superior value to our customers, shareholders, and the environment.

In May, we affirmed our five-year growth plan, which included our expectation of 6% to 8% compound annual earnings per share growth for the 2020 through 2024 period. This earnings growth is primarily driven by our approximate 9% compound annual rate base growth from 2019 through 2024 and compares very favorably with our regulated utility peers. I am confident in our ability to execute our investment plans and strategies across all four of our business segments as we have an experienced and dedicated team to get it done. In addition, we will continue to advocate for constructive regulatory frameworks and energy policies to support these important investments for the future.

Further, our shares continue to offer investors a solid dividend. Last month, Ameren's Board of Directors expressed its confidence in our long-term growth plan by increasing the dividend by 4%, the seventh consecutive year with a dividend increase.

Given the midpoint of our 2020 earnings guidance range that I discussed earlier, our dividend payout ratio is approximately 59%, which is towards the lower end of our Company's targeted dividend payout ratio range of 55% to 70%. This factor, combined with our strong earnings growth expectations, positions us well for future dividend growth. Of course, future dividend decisions will be driven by earnings growth, in addition to cash flows and other business conditions. Together, we believe our strong earnings growth outlook, combined with our solid dividend, results in an attractive total return opportunity for shareholders.

Again, thank you all for joining us today, and I will now turn the call over to Michael.

**Michael Moehn**

Thanks, Warner, and good morning, everyone.
Turning now to Page 13 of our presentation. Yesterday, we reported third quarter 2020 earnings of $1.47 per share, compared to earnings of $1.47 per share for the year-ago quarter. The key factors by segment that drove the year-over-year results are highlighted on this page.

Ameren Transmission and Ameren Illinois Natural Gas earnings were up $0.03 and $0.02 per share, respectively, reflecting increased infrastructure investments. Ameren Illinois Electric Distribution's earnings increased $0.01 cent per share, reflecting increased infrastructure and energy efficiency investments, partially offset by a lower expected allowed return on equity under performance-based ratemaking.

Ameren Missouri, our largest segment, reported earnings that declined $0.02 cents per share compared to the prior year. The comparison was primarily driven by lower electric sales of $0.08 per share due to both milder-than-normal temperatures in the third quarter compared to warmer-than-normal temperatures in the previous year, as well as lower weather-normalized sales primarily due to the impacts of COVID-19.

Ameren Missouri's earnings also reflected lower MEEIA performance incentives of $0.03 cents per share compared to the year-ago period. These unfavorable factors were partially offset by new electric service rates effective April 1, which increased earnings by $0.08 cents per share compared to the year-ago period, as well as lower operations and maintenance expenses reflecting disciplined cost management, which increased earnings by $0.04 per share.

Finally, Ameren Parent and Other results decreased $0.04 per share, primarily due to the timing of income tax expense, which is not expected to impact full-year earnings, and increased interest expense resulting from higher long-term debt outstanding.

Moving now to Page 14 of our presentation. I would like to briefly touch on key drivers impacting our 2020 earnings guidance. As Warner stated, we narrowed our 2020 earnings guidance to a range of $3.40 to $3.55 per share from $3.40 to $3.60 per share. This guidance range assumes normal weather in the remaining three months of the year, as well as reflects sales updates since our second quarter earnings call in August, primarily related to COVID-19.

For the year, we expect total weather-normalized sales at Ameren Missouri to be down approximately 2%. Broken down by customer class, we now expect 2020 commercial sales to decline approximately 6.5%, industrial sales to decline approximately 3%, and residential sales to increase approximately 3.5%.

Overall, our update today is largely consistent with our expectations outlined on our call in May in terms of both total sales and EPS impacts for 2020 due to COVID-19.

Before moving on, let me briefly cover electric sales trends for Ameren Illinois Electric Distribution for the first nine months of this year, compared to the first nine months of last year. Weather-normalized kilowatt-hour sales to Illinois residential customers increased a little over 2.5%, and weather-normalized kilowatt-hour sales to Illinois commercial and industrial customers decreased 6.5% and nearly 8%, respectively. Recall that changes in electric sales in Illinois, no matter the cause, do not affect our earnings since we have full revenue decoupling.

Moving on to other guidance considerations. Select earnings considerations for the balance of the year are listed on this page. As Warner mentioned earlier, we remain very focused on maintaining disciplined cost management for the remainder of the year. Our focus in this area has enabled us to effectively address the headwinds we have faced from COVID-19 to date.
Moving now to Page 15 for an update on Ameren Illinois regulatory matters. In April, we made our required annual electric distribution rate update filing. Under Illinois performance-based ratemaking, we are required to file annual rate updates to systematically adjust cash flows over time for changes in cost of service and to true-up any prior-period over and under-recovery of such cost.

In late September, the ICC staff recommended a $49 million base rate decrease compared to our request of a $45 million base rate decrease. A decision is expected by December, with new rates expected to be effective in January 2021.

Earlier this year, we also filed with the ICC for an annual increase in Ameren Illinois natural gas distribution rates, using a 2021 future test year, and have since updated our request in our September surrebuttal testimony. We are requesting a rate increase of $97 million while the ICC staff is recommending an increase of $69 million. A decision is expected by January 2021, with new rates expected to be effective in February 2021.

Turning now to Page 16 for an update on financing activities. I would like to highlight an important milestone recently reached for our wind generation investments. On October 9, Ameren Missouri issued $550 million of 2.625% green first mortgage bonds due in 2051. This issuance marked the first green bond offering for the Company and is the lowest coupon that Ameren Missouri, or any Ameren issuer, has secured on 30-year debt. At the time of issuance, it was also the fifth lowest 30-year coupon ever in the Power and Utility Industry. Proceeds from the issuance will be used to fund a portion of the 700 megawatts of wind generation investment.

We also expect to settle a portion of the equity forward sale agreement before the end of this year, with proceeds also used to fund part of the wind generation investment. We expect to settle the remainder of the equity forward sale agreement when the 300 megawatt wind project is completed in the first quarter of 2021.

Finally, on October 15, Ameren Corporation redeemed $350 million of 2.7% senior unsecured debt at par that was to mature on November 15. A portion of the proceeds from the $800 million issuance by Ameren Corporation in early April were used to fund the repayment.

Before moving on, I would also like to mention that we expect Ameren Illinois to issue long-term debt this year to repay short-term debt.

Moving now to Page 17. We plan to provide 2021 earnings guidance when we release fourth quarter results in February next year. Using our 2020 year-to-date results and guidance as a reference point, we have listed on this page select items to consider as you think about the earnings outlook for next year. Beginning with Missouri, as previously noted, the 700 megawatts of wind generation are expected to be substantially in service by the end of 2020, with a portion of the 300 megawatt facility expected to be in service in the first quarter of 2021. As a result, we expect to see contributions to earnings from these investments beginning in 2021. The 2021 earnings comparison is also expected to be favorably impacted in the first quarter of next year by increased Missouri electric service rates that took effect April 1, 2020.

We also expect higher weather-normalized electric retail sales in 2021 compared to 2020 reflecting the continual improvement in economic activity since the COVID-19 lockdowns in the second quarter of this year.

Further, we expect a return to normal weather in 2021 will increase Ameren Missouri earnings by approximately $0.04 cents, compared to 2020 results through the third quarter, assuming normal weather in the last quarter of this year.
As a result of the Missouri PSC approval of our requested change in the way we account for Callaway scheduled refueling and maintenance expenses, we expect the amortization expenses associated with the Fall 2020 outage to be approximately $0.07 per share higher in 2021 than the amortization expense expected to be realized in 2020. The Fall 2020 outage is expected to cost approximately 0.11 cents per share and will be amortized over approximately 18 months starting in December of this year.

Moving on, earnings from our FERC-regulated electric transmission activities are expected to benefit from additional investments in Ameren Illinois and ATXI projects made under forward-looking formula ratemaking.

For Ameren Illinois Electric Distribution, earnings are expected to benefit in 2021 compared to 2020 from additional infrastructure investments made under Illinois performance-based ratemaking. The allowed ROE under the formula will be the average 2021 30-year Treasury yield plus 5.8%, which is applied to year-end rate base. For Ameren Illinois Natural Gas, earnings are expected to benefit from higher delivery service rates based on a 2021 future test year and from infrastructure investments qualifying for rider treatment.

Finally, the issuance of common shares under the forward sale agreement to fund a portion of our wind generation investments, and under our dividend reinvestment and employee benefit plans, as well as additional equity of approximately $150 million in 2021 are expected to unfavorably impact earnings per share. Of course, in 2021 we will seek to manage all of our businesses to earn as close to our allowed returns as possible, while being mindful of operating and other business needs.

Finally, turning to Page 18, I will summarize. We have a strong team and are well-positioned to continue executing on our plan. We continue to expect to deliver solid earnings growth in 2020 as we successfully execute our strategy and navigate the impacts of COVID-19. As we look to the longer term, we continue to expect strong earnings per share growth driven by robust rate base growth and disciplined cost management.

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

This concludes my prepared remarks. With that, we now will invite your questions.

Operator

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. We ask that you please limit your time to one question and one follow-up, as necessary. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question comes from the line of Jeremy Tonet with JPMorgan. Please proceed with your question.

Warner Baxter

Good morning, Jeremy. How are you doing?

Jeremy Tonet
Great. Thank you. Just wanted to dig in on 2021 a little bit more if I could. Would you be able to provide any additional color on the sales outlook for us—different sectors, residential, commercial, industrial in your 2021 earnings considerations. What local trends are you seeing, and how do you expect these trends to change over 2021 with COVID recovery? Then lastly are there any additional considerations for your gas versus electric operations under continued COVID impacts?

**Warner Baxter**

Jeremy, a lot to unpack there. Clearly, Michael laid out some of the trends that we are seeing in 2020 and, obviously, we talked a little bit about 2021 in the past. Michael, why don’t you maybe touch on some of those trends, and then we can sort of look at the gas business and the second part of that question.

**Michael Moehn**

Good morning. Appreciate the question. We did lay out quite a bit of detail, obviously, on 2020, and we continue to—I think track pretty well with where we expected things to come out as we talked about the beginning of the year. I think for the most part it’s coming in about where we expected it. The mix is a little bit different.

As you think about 2021, I mean, we’re doing a lot of different scenarios, Jeremy, and we’re thinking about how this recovery is going to continue. We are obviously modeling a recovery to continue into 2021, and we’re looking hard within each of those sectors. Obviously, you’ve seen the strong piece on the residential side. Industrial, has come back for the most part. Commercial, here we’re spending a lot of time on just really trying to understand what that impact will be for retail etc.

We haven’t obviously provided what we’re going to exactly see for 2021. We want to really see where 2020 continues to finish out here. Being really thoughtful about it. To be honest, I’m not seeing a lot of scenarios where we would gain all of that back. I’ll be honest about that. We clearly do continue to see the recovery continue in place.

Now, all of that is premised on the fact that we wouldn’t go back in any sort of shelter-in-place orders, and for the most part, where we’re impacted by earnings here in Missouri, we’re pretty well opened up. You do have certain sectors operating in some limited capacity, restaurants, retail, those kind of things. We’re assuming that some of that continues to come back. Again, all that’s premised on the fact that we wouldn’t have any significant sort of shelter-in-place, at the moment.

**Warner Baxter**

Yes, Michael, I think that’s a great summary. I think Michael summed it up well. We continue to see pretty much what we expected at the outset. We expected a modest recovery over time. That’s what we’re seeing. We’ll get more guidance of course when we come out in our February conference call with regard to 2021 and beyond, so we’ll be able to give you perspectives.

You asked about the gas business. Keep in mind we have a small gas business in Missouri, but the big gas business is in Illinois, and that’s decoupled. Thinking in terms of COVID-19, the implications there are really non-existent in terms of the overall impacts on sales and margins and the like.

**Michael Moehn**
That's exactly right, Warner, we are decoupled for residential and small non-commercial customers in Illinois which is probably about 90% of the margin over there, Jeremy. So, that's probably really the way to think about that for 2021.

Jeremy Tonet

Got it. That's very helpful. Thank you. Maybe just pivoting a bit over to the Missouri rate cases. What are the primary drivers at the timing of Missouri rate cases here, and do you expect to incorporate any IRP element in your electric filing around the plant retirements, and are there any notable test year differences under a first half ’21 filing versus filing now?

Warner Baxter

Jeremy, this is Warner. Look, I think that we'll be able to provide a lot more detail when we ultimately file the rate case, but as we said before, when we think about filing this next rate review, we're going to be mindful of the fact that we have some big wind generation projects, right. Wind generation projects that we expect to be substantially in service by the end of the year. That's clearly a driver. Always an opportunity to true-up for costs and sales. Those are obviously the drivers as well, but to say there'd be any significant variations at this point in time, it would be premature.

Now, Marty and his team are diligently putting together that rate review. As we said we'll put together in the first half of next year, and so, I think the best thing to say is obviously the wind generation is a big portion of it as well as the smart energy plan. Don't lose focus in the fact that we're making significant investments in Missouri. Those will be some key drivers to be looking towards, and we'll be able to give you a better update when we file that plan sometime in the first half of next year.

Jeremy Tonet

Got it. That's helpful. I appreciate it. Thank you.

Warner Baxter

Thanks, Jeremy. Have a good day.

Operator

Our next question comes from the line of Durgesh Chopra with Evercore ISI. Please proceed with your question.

Durgesh Chopra

Good morning, guys. Thank you for taking my question. I'm sorry I didn't realize I was on mute. Maybe you guys talked about you're going to be cautious and disciplined, including some of the incremental capex on the Q4 call? Perhaps, between now and Q4, what goes into that consideration of including the capex? Is it something incremental in the IRP that you want to hear? Just any thoughts or color around that would be appreciated.

Warner Baxter

Sure, sure. This is Warner again. As we've said in the past, we'll be thoughtful in terms of when we include new renewable generation projects. Things from the integrated resource plan into our long-term capex. We'll get a variety of factors. Certainly, one important matter that we'll be mindful of is that Marty and his team, they've issued an RFP for the wind and solar projects. That's already out there, so not only
we filed the IRP, but you know, we’re taking steps to execute elements of that plan and of course in RFP and our ability to assess those projects in that RFP will be one important consideration that we’ll look at.

Of course, there are regulatory factors. We want to be thoughtful in terms of when we do these things. Looking at the nature of the projects, the regulatory approvals that will be required. All those things go into our determination and when we actually put it in there. As I said at the outset, one thing is clear is that the opportunities from our integrated resource plan are significant, and they are $3 billion to 2030. Michael, any other thing that you would add to that?

Michael Moehn

That’s a great summary I think of the IRP itself. I think of just the normal kind of budgeting and stuff, the updates that we’ll do in the February timeframe, we go through that process obviously throughout the year when we continually look at capital allocation issues. So, there’ll be the normal updates just in the course of the business that we run through. So, you certainly should expect to see that. That’s typically when we do that in that February call as well.

Warner Baxter

Absolutely. Absolutely.

Durgesh Chopra

That’s great. Maybe just a quick follow-up. Could you comment on sort of how much room do you have in the state with PISA caps. That’s sort of something that you’ve routinely talked with investors about, and how does the IRP plan fit into that?

Michael Moehn

Appreciate that question. What we’ve said in the past, I think you’re referring to the 2.85% cap that was built into Senate Bill 564. Really there’s only two things that have occurred, again, that’s a CAGR over that ‘17 through ‘23 time period. Two things have happened since that legislation was passed. We had obviously the Federal Tax reduction that occurred in ‘18, we were able to keep half of that for purposes of that calculation. Then we just obviously concluded this last rate review which was another 1% decrease.

We haven’t specifically said exactly how much headroom, but that gives you a sense that both of things have been rate decreases. You got a 2.85% CAGR, so it gives you hopefully an idea of what kind of headroom we have today.

Durgesh Chopra

Great. Thanks, guys. Appreciate the color.

Operator

Our next question comes from the line of Julien Dumoulin-Smith with Bank of America. Please proceed with your question.

Warner Baxter

Julien how are you doing?
Dariusz Lozny

Hey, good morning. It’s actually Dariusz Lozny on for Julien. How are you?

Warner Baxter

I’m doing terrific. How are you doing?

Dariusz Lozny

Doing well, thanks. Just wanted to quickly touch on your 2020 guidance. As I look at your drivers relative to the Q2 update, it looks like you’re expecting an incrementally higher ROE in Illinois. Looks like your Q4 COVID impact, once you back out the Q3, that looks like that’s gotten a little better by about a penny. Can you help us understand a little bit better what drove the reduction by a nickel at the high end?

Michael Moehn

Yes, really, if you think about the reduction of the nickel, through 9/30, we’re down about $0.04, obviously, on weather, you know, we’ve had a number of COVID impacts. There you can see about $0.17 or so along with that, and as we thought about it, we’ve offset a lot of those COVID impacts, obviously, with some discipline cost management on the O&M side, and really, it’s about adjusting that down by a couple of cents on the weather piece of that, really is what drove that decision.

Dariusz Lozny

Okay, great. Thank you. If I could just touch on the dividend briefly. You mentioned in your remarks earlier, it sounds like you have a little bit of latitude relative to your 55% to 70% range. I know future decisions are obviously subject to Board approval, but how should we think about future increases in the payout relative to the payout range, and also to your 6% to 8% EPS CAGR?

Warner Baxter

This is Warner, again. Clearly, the dividends are the point and area of focus for our Board of Directors. We’ve been clear all along that we target our dividend payout ratio at 55% to 70%. As you know, over the last several years, that we’ve allocated a great deal of our capital to rate base growth, which has obviously driven strong earnings per share growth, which, that coupled with our solid dividend, has really delivered really strong total shareholder returns.

At the same time, I think as you pointed out, we’ve seen that dividend payout ratio now come lower than our overall range, so that factor, coupled with our strong earnings per share growth expectations of 6% to 8%, it really positions us well for future dividend growth. I can’t ultimately predict that, but the point is that we tried to execute our strategy and position ourselves for solid dividend growth, and perhaps even greater dividend growth in the future.

You saw our Board of Directors has increased at 4% just recently. I think that’s evidence of their belief in our overall strategic plan and their confidence in it, so we’ll continue to visit that going forward, but that does just give us an opportunity, certainly when you look at those metrics, to continue to grow that dividend.

Dariusz Lozny

Thank you very much.
Warner Baxter

Sure.

Operator

Thank you. Our next question comes from the line of Paul Patterson with Glenrock Associates. Please proceed with your question.

Warner Baxter

Hello, Paul. How are you?

Paul Patterson

In terms of Illinois, legislatively speaking, do you expect anything to happen in this abbreviated session here, with respect to clean energy or the formula rate stuff that you put forward and what have you. Do you see anything legislatively significantly happening, with respect to you guys?

Warner Baxter

Paul, this is Warner. Yes, and as I said in the talking points, we do not expect comprehensive energy legislation to be addressed in the veto session, which is coming up. They obviously have two sessions scheduled in November and December for certain days. We do not see that at this point. Of course, we can’t certainly predict that, but as we sit here now, we do not see comprehensive legislation on really any of those fronts being addressed in the veto session at this time.

Paul Patterson

Okay, and then just to clarify, it looks to me that although you’re lowering the top end of the guidance for this year, your growth rate is still off of the mid-point of your original guidance of 2020, correct?

Michael Moehn

Yes, that’s the way to think about it. Absolutely. This is Michael.

Paul Patterson

Awesome. Thanks, guys.

Warner Baxter

Sure, Paul. Thank you.

Operator

Thank you. Our next question comes from the line of Sophie Karp with KeyBanc Capital Markets. Please proceed with your question.

Sangita Jain
Good morning. This is Sangita for Sophie. Thanks for taking my question.

Warner Baxter

Absolutely.

Sangita Jain

Just a follow-up on the Illinois legislation question. Can you tell us when they do come back full time, and if you have a sense of when they may decide to pick up this piece of legislation?

Warner Baxter

We laid out on the talking points the specific dates for the veto session, and there’s a thing called a lame-duck session. There has been no specific dates for them to set that. That would be some time in January, so whether they have that remains to be seen. That’s ultimately up to the speaker and the president of the Senate. So, no specific dates, but one of the things, getting to the second part of your question is when might they take it up. I’ve learned long ago not to handicap, not just legislative proposals or when legislation ultimately will be taken up.

I will just say this. Stakeholders are absolutely engaged on energy legislation in a lot of various forms, including the Downstate Clean Energy Affordability Act. That is continuing to be a topic of conversation as well as a comprehensive energy legislation to address items and issues that are being addressed up in the northern part of the state, and obviously, we’re very focused on things that are needed in the southern part of the state.

So, because of that, I do expect energy legislation to be a topic of discussion in the next session, but I certainly can’t predict when and what form it will take at this time. All I can say is that Richard, Mark, and his team are advocating for the Downstate Clean Energy Affordability Act for all the right reasons because we believe it will deliver a significant value for our customers, certainly for the state of Illinois, and we believe, too, it will continue to deliver long-term value for not just customers, but also shareholders. So, stay tuned.

Sangita Jain

Thanks for that, and if I can follow up with just one more. Can you tell us what the timeline looks like for the Missouri IRP approval, since that will give us some kind of indication on Capex inclusion?

Warner Baxter

Sure. A couple things around that. I know Marty Lyons is on the line. He can jump in too with some of the specifics, but there is no set time period with regard to the integrated resource plan. History has shown that it’s usually all addressed within sort of one year of the filing, and I think last time it was around nine months, when it was all said and done.

Remember, too, the Commission, when they go through this, they really approve the overall process and what we go through in terms of putting together the integrated resource plan. They don’t necessarily go through and approve specific elements or projects contained within that plan, and so, the process has been started, filings have been made. Marty, I’ll let you come on in if there’s any other specific details around that, but again, the Commission doesn’t have a set time period, but history has shown it’s usually been within 9 months to 12 months.
Marty, do you have anything to add from that?

**Martin Lyons Jr.**

Warner, that’s all accurate. I would say that once you file the IRP, there’s opportunities for other stakeholders to comment on their perspectives and any deficiencies they see. The Commission, it’s option can have a hearing to discuss those matters that others bring up, and ultimately, will provide some perspective on the IRP. Typically, what the Commission does is just identifies whether there were any deficiencies or not. It’s not necessarily an approval of the IRP itself or an endorsement of the IRP.

So, with all of that said, the other thing I would simply mention is in our prepared remarks, we mentioned that we already issued a request for proposal relating to projects that we would plan to do in accordance with our preferred plan, and we’re not precluded from moving forward with negotiating or announcing or filing for Certificate of Convenience and need with the Commission. There’s nothing that precludes us from taking any of those steps before the Commission actually rules on the Integrated Resource Plan in the way that I mentioned.

**Sangita Jain**

Thank you so much, and that was very helpful.

**Warner Baxter**

Great. Thank you.

**Operator**

Thank you. Ladies and gentlemen, as a reminder, if you’d like to join the question queue, please press star, one on your telephone keypad.

Our next question comes from the line of Andrew Levi with HITE Hedge. Please proceed with your question.

**Andrew Levi**

Hey, guys. How are you doing?

**Michael Moehn**

Good, how are you?

**Warner Baxter**

Terrific, how are you doing?

**Andrew Levi**

I’m doing well. I think I’m all set. I think Paul really asked my questions, but just to clarify, the 5% delta from your guidance, we shouldn’t carry that into 2021. There’s really no effect from that as far as the midpoint or what was going to be your base or anything like that. It’s all kind of weather related and kind of—I don’t want to say one-time stuff, but you understand, stuff that will come back in 2021.
Michael Moehn
You got it, Andy. I think you said 5%, but $0.05 is it, and yes…

Andrew Levi
I said $0.05, yes.

Michael Moehn
Yes, so anyway, so…

Warner Baxter
Andy, you made my knees buckle when you said 5%.

Andrew Levi
Did I say that? I apologize.

Michael Moehn
No worries. You’re thinking about it the right way in terms of the jump off point.

Andrew Levi
Okay, great. Thank you very much.

Warner Baxter
Sure. Thanks, Andy.

Operator
Thank you. Our next question comes from the line of Insoo Kim with Goldman Sachs. Please proceed with your question.

Warner Baxter
Good morning, Insoo. How are you?

Insoo Kim
Good. Good morning. Just one question from me. Can you just give us the latest update on the appeals process for the, I think, the judge’s ruling last year on the Labadie and Rush Island plants, and whether we expect any updates before the end of the year.

Warner Baxter
Sure. This is Warner, again. We have filed our briefs with the Appellate Courts, obviously, putting forth what we believe are very strong arguments. So, really where things are at today is that we’re waiting for the Court to schedule, or arguments, and we’re still hopeful to have those scheduled by the end of the year. It’s going through the normal process. Of course, there are no specific timeframes that the Court has to act or to take specific action, so we’ll wait to hear the schedule, and it’s still possible to have them by the end of the year.

Insoo Kim

Got it, and if the appeal process goes against you, then what are, procedurally, the next steps that you’re considering, and given these plants in your IRP, at least, you’d outlined some of the retirement dates and this could potentially require you to take other actions. What are some of the thought processes there?

Warner Baxter

I think, Insoo, just making sure—it’s a little bit garbled here. Is your specific question is a result of the Court’s decision on Rush Island, might that change, is that what your question was in terms of our IRP?

Insoo Kim

Not necessarily IRP, but if the appeals process doesn’t go your way, what are the next steps, and just thought process around, given the remaining rate base of the plants, what your thought processes are around the plant.

Warner Baxter

Sure. As I said, we strongly believe we have a great case, but having said that, if things go against what we think is the appropriate answer, then we’ll do what we always do. We’ll step back, we’ll take a look at what we believe our next steps are. Depends on the specific actions and things that the Court says, of course. Then we’ll take a look and determine what we think is in the best long-term interest of our customers, and certainly our shareholders. It’d be premature to speculate just exactly where that might head.

Insoo Kim

Understood. Thank you very much.

Warner Baxter

Thanks, Insoo.

Michael Moehn

Take care.

Operator

Our next question comes from the line of David Paz with Wolfe Research. Please proceed with your questions.

Warner Baxter
Good morning, David. How are you?

David Paz

Good morning, Warner. How are you doing?

Warner Baxter

I’m terrific. Thank you.

David Paz

Great. Just one follow-up question maybe. Assuming you were to own the 1.2 gigawatts of renewables under your preferred option in the IRP, and I think those are projected to be online by year-end ’25, do you anticipate that to have an upward bias on your EPS growth target, or will that Capex, renewables Capex, push out or displace other non-renewables Capex in that ’24, ’25 period? Thanks.

Michael Moehn

Hey, David. This is Michael. This probably won’t be a terribly satisfactory answer, but we’re probably a bit premature to speculate on that. It’s something that we will be very thoughtful about, and we’ll take a number of things under consideration, when you look at it, just in terms of what the overall rate impact is, the timing of it. Hopefully we’ll be able to give some additional color on that in February, as Warner talked about. We don’t want to get ahead of just the regulatory process there, but we’ll be very thoughtful about it, but it's probably a bit premature to answer that.

David Paz

Okay. Understand, thanks.

Warner Baxter

Thanks, David.

Operator

Thank you. Ladies and gentlemen, that concludes our time allowed for questions. I’ll turn the floor back to Mr. Kirk for any final comments.

Andrew Kirk

Thank you for participating in this call. A replay of this 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 inquiries should be directed to me, Andrew Kirk. Media should call Brad Brown.

Again, thank you for your interest in Ameren. We look forward to visiting with you at our EEI meetings next week. Until then, have a great day.

Operator

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