



**Ameren Corporation**

**Fourth Quarter 2017 Earnings Conference Call**

**February 16, 2018**

## FORWARD-LOOKING STATEMENTS

Statements in this transcript not based on historical facts are considered “forward-looking” and, accordingly, involve risks and uncertainties that could cause actual results to differ materially from those discussed. Although such forward-looking statements have been made in good faith and are based on reasonable assumptions, there is no assurance that the expected results will be achieved. These statements include (without limitation) statements as to future expectations, beliefs, plans, strategies, objectives, events, conditions, and financial performance. In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, we are providing this cautionary statement to identify important factors that could cause actual results to differ materially from those anticipated. The following factors, in addition to those discussed under Risk Factors in Ameren’s Annual Report on Form 10-K for the year ended December 31, 2016, and elsewhere in this transcript and in our other filings with the Securities and Exchange Commission, could cause actual results to differ materially from management expectations suggested in such forward-looking statements:

- regulatory, judicial, or legislative actions, and changes in regulatory policies and ratemaking determinations, such as those that may result from the complaint case filed in February 2015 with the Federal Energy Regulatory Commission (FERC) seeking a reduction in the allowed base return on common equity under the Midcontinent Independent System Operator (MISO) tariff, Ameren Missouri’s proceeding with the Missouri Public Service Commission to pass through to customer rates the effect of the reduction in the federal corporate income tax rate enacted under the Tax Cuts and Jobs Act of 2017 (TCJA), Ameren Illinois’ natural gas rate case filed with the Illinois Commerce Commission (ICC) in January 2018, Ameren Illinois’ requests filed with the ICC to pass through to customer rates the effect of the reduction in the federal corporate income tax rate enacted under the TCJA, the request filed by MISO, which includes Ameren Illinois and Ameren Transmission Company of Illinois, with the FERC to allow revisions to 2018 revenue requirements to reflect the impacts of the reduction in the federal corporate income tax rate enacted under the TCJA, actions taken by regulators to address the TCJA, and future regulatory, judicial, or legislative actions that change regulatory recovery mechanisms;
- the effect of Ameren Illinois’ participation in performance-based formula ratemaking frameworks under the Illinois Energy Infrastructure Modernization and the Future Energy Jobs Acts (FEJA), including the direct relationship between Ameren Illinois’ return on common equity and 30-year United States Treasury bond yields, and the related financial commitments;
- the effects of changes in federal, state, or local laws and other governmental actions, including monetary, fiscal, and energy policies;
- the effects of changes in federal, state, or local tax laws or rates, including additional regulations, interpretations, amendments, or technical corrections to the TCJA, and any challenges to the tax positions we have taken;
- the effects on demand for our services resulting from technological advances, including advances in customer energy efficiency and private generation sources, which generate electricity at the site of consumption and are becoming more cost-competitive;
- the effectiveness of Ameren Missouri’s customer energy-efficiency programs and the related revenues and performance incentives earned under its Missouri Energy Efficiency Investment Act plans;
- Ameren Illinois’ ability to achieve FEJA electric energy-efficiency goals and the resulting impact on its allowed return on program investments;
- our ability to align overall spending, both operating and capital, with frameworks established by our regulators and to recover these costs in a timely manner in our attempt to earn our allowed returns on equity;
- the cost and availability of fuel, such as ultra-low-sulfur coal, natural gas, and enriched uranium used to produce electricity; the cost and availability of purchased power, zero-emission credits, renewable energy credits, and natural gas for distribution; and the level and volatility of future

market prices for such commodities, including our ability to recover the costs for such commodities and our customers' tolerance for any related price increases;

- disruptions in the delivery of fuel, failure of our fuel suppliers to provide adequate quantities or quality of fuel, or lack of adequate inventories of fuel, including nuclear fuel assemblies from Westinghouse Electric Company, LLC, the Callaway Energy Center's only Nuclear Regulatory Commission-licensed supplier of such assemblies, which is currently in bankruptcy proceedings;
- the effectiveness of our risk management strategies and our use of financial and derivative instruments;
- the ability to obtain sufficient insurance, including insurance for Ameren Missouri's Callaway Energy Center, or, in the absence of insurance, the ability to recover uninsured losses from our customers;
- business and economic conditions, including their impact on interest rates, collection of our receivable balances, and demand for our products;
- the effects of the TCJA on us and the resulting treatment by regulators will have on our results of operations, financial position, and liquidity;
- disruptions of the capital markets, deterioration in our credit metrics, including as a result of the implementation of the TCJA, or other events that may have an adverse effect on the cost or availability of capital, including short-term credit and liquidity;
- the actions of credit rating agencies and the effects of such actions;
- the impact of adopting new accounting guidance and the application of appropriate accounting rules and guidance;
- the impact of weather conditions and other natural phenomena on us and our customers, including the impact of system outages;
- the construction, installation, performance, and cost recovery of generation, transmission, and distribution assets;
- the effects of breakdowns or failures of equipment in the operation of natural gas transmission and distribution systems and storage facilities, such as leaks, explosions, and mechanical problems, and compliance with natural gas safety regulations;
- the effects of our increasing investment in electric transmission projects, as well as potential wind and solar generation projects, our ability to obtain all of the necessary approvals to complete the projects, and the uncertainty as to whether we will achieve our expected returns in a timely manner;
- operation of Ameren Missouri's Callaway Energy Center, including planned and unplanned outages, and decommissioning costs;
- the effects of strategic initiatives, including mergers, acquisitions, and divestitures;
- the impact of current environmental regulations and new, more stringent, or changing requirements, including those related to carbon dioxide, other emissions and discharges, cooling water intake structures, coal combustion residuals, and energy efficiency, that are enacted over time and that could limit or terminate the operation of certain of Ameren Missouri's energy centers, increase our costs or investment requirements, result in an impairment of our assets, cause us to sell our assets, reduce our customers' demand for electricity or natural gas, or otherwise have a negative financial effect;
- the impact of negative opinions of us or our utility services that our customers, legislators, or regulators may have or develop, which could result from a variety of factors, including failures in system reliability, failure to implement our investment plans or protect sensitive customer information, increases in rates, or negative media coverage;
- the impact of complying with renewable energy portfolio requirements in Missouri and Illinois;
- labor disputes, work force reductions, future wage and employee benefits costs, including changes in discount rates, mortality tables, and returns on benefit plan assets;
- the inability of our counterparties to meet their obligations with respect to contracts, credit agreements, and financial instruments;

- the cost and availability of transmission capacity for the energy generated by Ameren Missouri's energy centers or required to satisfy Ameren Missouri's energy sales;
- legal and administrative proceedings;
- the impact of cyber attacks, which could, among other things, result in the loss of operational control of energy centers and electric and natural gas transmission and distribution systems and/or the loss of data, such as customer, employee, financial, and operating system information; and
- acts of sabotage, war, terrorism, or other intentionally disruptive acts.

New factors emerge from time to time, and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained or implied in any forward-looking statement. Given these uncertainties, undue reliance should not be placed on these forward-looking statements. Except to the extent required by the federal securities laws, we undertake no obligation to update or revise publicly any forward-looking statements to reflect new information or future events.

## **C O R P O R A T E   P A R T I C I P A N T S**

**Doug Fischer**, *Senior Director, Investor Relations*

**Warner L. Baxter**, *Chairman, President and Chief Executive Officer*

**Martin J. Lyons**, *Executive Vice President and Chief Financial Officer*

**Michael L. Moehn**, *Missouri Chairman and President*

## **C O N F E R E N C E   C A L L   P A R T I C I P A N T S**

**Julien Doumoulin-Smith**, *Bank of America Merrill Lynch*

**Paul Patterson**, *Glenrock Associates*

**Steve Fleishman**, *Wolfe Research*

**Andrew Levi**, *Avon Capital Advisors*

**Ashar Kahn**, *Veriton Fund Management*

**Paul Ridzon**, *KeyBanc Capital Markets*

**Neil Kalton**, *Wells Fargo Securities*

## P R E S E N T A T I O N

### **Operator:**

Greetings and welcome to the Ameren Corporation's Fourth Quarter 2017 Earnings Call. At this time, all participants are in a listen-only mode. A 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, Doug Fischer, Senior Director of Investor Relations for Ameren Corporation. Thank you. Mr. Fischer, you may begin.

### **Doug Fischer:**

Thank you and good morning. On the call with me today are Warner Baxter, our Chairman, President and Chief Executive Officer, and Marty Lyons, our Executive Vice President and Chief Financial Officer, as well as other members of the Ameren Management Team. Warner and Marty 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](http://amereninvestors.com) website 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 today 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, who will start on page 4 of the presentation.

### **Warner L. Baxter:**

Thanks, Doug. Good morning, everyone, and thank you for joining us. Before I begin my business update, I first want to express my deep appreciation to our co-workers who volunteered to leave their families for weeks to support Puerto Rico and its hurricane restoration efforts, as well as offer best wishes to a second group of co-workers who are heading to the island to continue this important work. It's been a historic year for restoration efforts following Hurricanes Harvey, Irma and Maria, which impacted so many in Texas, Florida and Puerto Rico. I'm so proud of all of our co-workers who volunteered to support these important restoration efforts, as well as those stayed behind and handled extra duties while they were gone. These efforts displayed incredible team work and commitment to our mission to power the quality of life.

Now, moving to our financial results, earlier today we announced 2017 core earnings of \$2.83 per share, compared to \$2.68 per share earned in 2016. This marks another year of strong growth driven by the

successful execution of our strategy across our businesses. While Marty will discuss the driver of these results in a few minutes, I'd like to highlight some areas of our team's strong performance in 2017.

Last year, we continued to exercise discipline cost management and strategically allocated capital to our businesses that were supported by constructive regulatory frameworks. We also effectively managed capital projects across all of our businesses, which ultimately delivered value to our customers. ATXI's three major transmission projects proceeded very well, as noted on this page. We continue to make significant grid modernization investments in our Illinois Electric and Natural Gas Distribution businesses, including the continued deployment of smart electric meters and gas modules, which, combined, are now about two-thirds complete. In addition, Callaway safely concluded its major refueling and maintenance outage in December.

Another key 2017 accomplishment was the constructive outcome achieved by Ameren Missouri in its electric rate review. As a result, new electric rates went effect in April, favorably impacting our results and supporting Ameren Missouri's efforts to earn a fair return on the electric utility infrastructure investments made for the benefit of customers. Further, last fall, Ameren Missouri filed a new Integrated Resource Plan with the Missouri Public Service Commission, which meaningfully advances the transition of our power generation to a cleaner, more diverse energy portfolio.

Finally, working together with many of our nation's investor-owned utilities, we successfully advocated for key income tax provisions in the recently enacted federal income tax reform law that retains important tax benefits for both customers and shareholders.

As you can see, we successfully executed our strategy in 2017, which delivered significant value for our customers and shareholders.

Turning now to page 5 and earnings guidance, first, we expect our 2018 earnings per share to be in a range of \$2.95 to \$3.15 per share. Earnings within this range would deliver strong growth again in 2018, as the midpoint of this guidance represents nearly 8% earnings per share growth, compared to 2017 core results. Marty will provide you with more details on our 2018 guidance a bit later.

Building on our robust earnings growth over the past several years, I am also pleased to announce that we have rolled forward our long-term guidance and we expect strong 5% to 7% compound annual earnings growth for the 2017 through 2022 period, using 2017 core earnings as a base. This long-term earnings growth outlook is driven by continued execution of our strategy, including investing in infrastructure for the benefit of customers, and, as I will discuss further in a moment, this guidance does not reflect significant incremental infrastructure investment opportunities in Missouri.

Turning to page 6, we expect to grow our rate base at an approximately 7% compound annual rate for the 2017 through 2022 period. Our plan, again, includes strategically allocating capital to those businesses that operate in jurisdictions with constructive regulatory frameworks. This is reflected in the expected rate base growth for each of these businesses, as noted in the graph on the right side of this page.

I would also note that lower deferred tax balances related to federal tax reform is driving faster rate base growth in each of our jurisdictions. For example, Missouri's rate base growth would have been in the range of 2% to 2.5% if not for the positive impacts of federal tax reform on rate base. Marty will discuss tax reform impacts in greater detail later in the call.

Importantly, our five-year earnings and rate base growth projections do not include the incremental investment opportunity of approximately \$1 billion of wind generation by 2020 proposed in Ameren Missouri's Integrated Resource Plan that I discussed earlier. We expect to add these investments to our multi-year rate base outlook as we finalize pending negotiations with wind developers and move further



into the regulatory approval process in Missouri, which I will cover in a few moments. In addition, our five-year earnings and rate base growth plan does not include approximately \$1 billion of potential incremental capital expenditures through 2023, that we would expect to execute if legislation is enacted to support grid modernization infrastructure investment.

Speaking of this important legislation, I now direct you to Page 7 of the presentation. As you know, for several years, we, along with our investor-owned electric industry colleagues in Missouri, have been focused on enhancing the state's regulatory framework to support critical energy infrastructure investment. Consistent with the benefits we have seen in Illinois and around the country, modernized policies to support energy infrastructure investments will lead to a more reliable and smarter energy grid, provide greater tools for customers to manage their future energy usage, position us to meet our customers' energy needs and rising expectations, and creates significant quality jobs for Missouri.

With these benefits in mind, I am pleased to report that the Senate passed Senate Bill 564 yesterday by a strong bipartisan vote. The passage of this bill is the result of hard work, collaboration and compromise by many parties. The bill will now head to the House of Representatives. Key provisions of Senate Bill 564 for electric utility service are outlined on this page. If enacted as currently written, this legislation will support our ability to invest an incremental \$1 billion in infrastructure through 2023, that will drive significant long-term benefits to customers and create good paying jobs, as well as earn fair returns on those investments. The legislation would also benefit customers, by providing the Missouri Public Service Commission one-time authority to pass on savings stemming from the lower federal corporate income tax rate in a very timely fashion. The legislation would also provide economic development rates for certain incremental electric sales. Further, one of the most significant customer benefits is the rate, certainty this legislation would provide. Base rates would be frozen through March 31, 2020. The average overall rate increases would be capped at 2.85% compounded annually through 2023. The provisions of Senate Bill 564 can be extended through 2028, if requested by the electric utility and approved by the Missouri PSC. Finally, this bill would maintain continued strong Missouri PSC oversight. The legislative session ends on May 18.

Moving now to page 8 for an update on our wind generation plans that I referenced earlier, we are in advanced negotiations with multiple wind developers for the development, construction and purchase of at least 700 megawatts of generation to achieve compliance with the Missouri Renewable Energy Standard. Upon reaching agreements with wind developers, we will file requests for Certificates of Convenience and Necessity for each project with the Missouri PSC, which we expect will be made in the first half of 2018. We plan to include in our certificate filings requests for authorization to use Missouri's Renewable Energy Standard rate adjustment mechanism. This mechanism provides timely rate recovery of renewable energy costs related to compliance with the state's Renewable Energy Standard. Finally, Regional Transmission Organization interconnection studies are already underway for these projects. We look forward to executing this important component of our Integrated Resource Plan, as we believe it will deliver clear benefits to our customers, the environment and the communities we serve.

Turning now to page 9, as we look to the future, the successful execution of our five-year plan is not only focused on delivering strong results through 2022, but is also designed to position Ameren for success over the next decade and beyond. We believe that the energy grid will be increasingly important, as we expect Ameren and our industry to be critical enablers of advancing technologies that will bring even greater value to our customers, the communities we serve and our shareholders. With this long-term view in mind, we are already making investments that will position Ameren to meet our customers' future energy needs and rising expectations, as well as support increased electrification of the transportation sector and other industrial processes.

In addition to focusing on investment in the energy grid, we are also committed to transitioning Ameren Missouri's generation to a cleaner, more diverse portfolio in a responsible fashion. Ameren Missouri's IRP

issued last September included targets for reducing carbon emissions, including an 80% reduction by 2050 from 2005 levels. We are also actively engaged in, and continue to support, regulatory proceedings in both Illinois and Missouri that are looking at emerging industry issues, including grid modernization and increasing electrification. The bottom line is that we are taking steps today across the board to position Ameren for success in 2018, the next five years, the next decade, and beyond.

Moving to page 10, I am firmly convinced that the execution of our strategy in 2018, and beyond, will deliver superior value to our customers and our shareholders. We believe the earnings and rate base growth rates I just discussed compare favorably with those of our regulated utility peers, and, as I noted previously, these estimates do not include significant incremental investment opportunities in wind generation and energy grid modernization. Further, our shares continue to offer investors a solid dividend, and in the fourth quarter of last year, Ameren's Board of Directors expressed its confidence in our long-term growth plan by increasing the dividend 4%. Of course, future dividend decisions will be driven by earnings growth, cash flows, and other business conditions. Together, we believe our strong earnings outlook, combined with our solid dividend, which currently provides a yield of approximately 3.3%, results in a very attractive total return opportunity for shareholders, compared to our regulated utility peers.

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

**Martin J. Lyons:**

Thanks, Warner, and good morning, everyone. Turning now to page 12 of our presentation, today we reported 2017 GAAP earnings of \$2.14 per share, compared to GAAP earnings of \$2.68 per share for the prior year. As you can see in the table on this page, the 2017 GAAP earnings included two non-cash charges, primarily at the parent company, that decreased earnings by a combined \$168 million, or \$0.69 per diluted share, reflecting the revaluation of deferred taxes as a result of changes in Illinois and federal income tax rates. Excluding these charges, Ameren recorded 2017 core earnings of \$691 million, or \$2.83 per diluted share, which compared favorably to our last guidance range of \$2.73 to \$2.87 per share. There were no differences between GAAP and core earnings for 2016.

Turning to page 13, we highlight by segment the key factors that drove the overall \$0.15 per share increase in 2017 core earnings, compared to 2016 results.

Starting with Ameren Transmission, here the earnings per share contribution increased \$0.10 per share, from \$0.48 in 2016 to \$0.58 in 2017. This 21% growth was primarily driven by earnings on increased infrastructure investments at ATXI and Ameren Illinois, partially offset by a lower allowed return on equity of 10.82% for 2017, compared to an average of approximately 11.3% for the prior year. In 2016, our Transmission segment benefited from a temporarily higher FERC-allowed ROE that extended from mid-May to late September 2016, when the FERC adjusted MISO-based ROE to its current level.

Turning to Ameren Illinois Electric Distribution, earnings for this segment grew from \$0.52 per share in 2016 to \$0.54 per share in 2017, reflecting increasing infrastructure investments, as well as a higher allowed return on equity under formulaic rate-making of 8.7%, compared to 8.4% for the prior year. The 2017 allowed ROE was based on a 2017 average 30-year treasury yield of 2.9%, up from the 2016 average of 2.6%. Ameren Illinois Natural Gas Distribution earnings were up slightly due to infrastructure investment.

Moving to Ameren Missouri, our largest segment, here earnings increased from \$1.47 per share in 2016 to \$1.48 per share in 2017. The earnings benefit from new electric service rates was largely offset by the unfavorable impacts of lower electric retail sales, primarily driven by milder summer temperatures, higher depreciation and transmission expenses, and the absence of the 2016 performance incentive award related to the 2013 through 2015 Energy Efficiency Plan.



Finally, the Ameren parent and other results comparison was positively impacted by a lower core effective income tax rate, which was largely offset by lower tax benefits associated with share-based compensation.

Before moving on, let me briefly cover electric sales trends for Ameren Missouri and Ameren Illinois Electric Distribution for 2017, compared to 2016.

Weather-normalized kilowatt hour sales to Missouri residential and commercial customers, on a combined basis, were flat, excluding the 2016 Leap Day sales benefit and the effects of our Missouri Energy Efficiency Plan under MEEIA. We exclude MEEIA effects because the plan provides rate recovery to ensure that earnings are not affected by reduced electric sales resulting from our energy efficiency efforts. Kilowatt hour sales to Missouri industrial customers increased 0.5%, excluding sales to the New Madrid smelter which shut down operations during the first quarter of 2016, and excluding Leap Day and MEEIA effects. Weather-normalized kilowatt hour sales to Illinois residential and commercial customers, on a combined basis, decreased 1%, primarily driven by energy efficiency, while kilowatt hour sales to Illinois industrial customers decreased 3%, primarily due to lower sales to a large low-margin processor of agricultural products.

Recall, the changes in electric sales in Illinois, no matter the cause, do not impact our earnings since the Future Energy Jobs Act provided full revenue decoupling beginning in 2017.

Turning now to page 14, before I discuss our new five-year capital investment plans and 2018 earnings and cash flow outlook, I would like to discuss the impacts of federal income tax reform. Working together with many of our nation's investor-owned utilities, we were able to retain important tax benefits for both customers and shareholders, as outlined on the top portion of this page. In terms of impacts for Ameren, as noted at the bottom of the page, we expect that the combination of the lower tax rate on new deferred taxes, the end of bonus depreciation, and the flow-back of excess deferred taxes will decrease cash flow from operations and increase rate base by approximately \$1 billion over the 2018 through 2022 period. In addition, we expect our parent company interest expense to be deductible, however, the lower federal rate reduced the tax benefits associated with parent company and other unrecoverable costs. Finally, the change in the federal tax rate resulted in a non-cash, non-core charge to 2017 earnings, that I discussed earlier. Overall, federal corporate income tax reform delivered significant benefits to customers and supports our strong earnings growth outlook, as Warner mentioned.

Moving to page 15 of the presentation, here we provide an overview of our approximately \$11 billion of planned capital expenditures for the 2018 through 2022 period, by business segment, that supports the rate base growth Warner discussed earlier. Note, the capital expenditures and rate base shown on this page exclude Ameren Missouri's proposed wind generation and incremental grid modernization investments related to pending Missouri legislation.

Turning to page 16, here we outline the expected funding sources, including significant income tax deferrals and substantial tax assets, for the infrastructure investments noted on the prior page. The tax deferrals are driven primarily by timing differences between financial statement depreciation and accelerated depreciation for tax purposes under MACRS, which was retained in the new federal tax law. The tax assets include approximately \$250 million at the parent company that are not currently earning a return. Given our expected cash flows from operations, including the cash flow impact of tax reform that I just discussed, as well as our capital expenditures and other cash requirements, we are now using newly issued, rather than market purchased, shares for our dividend reinvestment and employee benefit plan, and we expect to continue to do so over the five-year guidance period. We expect this to provide equity funding of approximately \$80 million annually. This action will enable us to maintain strong credit metrics and a capitalization target of approximately 50% equity.

Moving to page 17 of our presentation, I would now like to transition to a discussion of key drivers impacting our 2018 earnings guidance. As Warner stated, we expect 2018 diluted earnings to be in a range of \$2.95 to \$3.15 per share. On this page and the next, we have listed key earnings drivers of, and assumptions behind, our 2018 earnings guidance, broken down by segment, as compared to 2017 results. The difference between current EPS variances noted and comparable variances provided to you on our 2017 quarterly earnings calls, reflect the change in the federal income tax rate.

Beginning with Ameren Transmission, earnings are expected to benefit from additional investments in Ameren Illinois and ATXI projects made under FERC's formula rate-making. Our guidance assumes continuation of the current 10.82% allowed ROE, which includes a 50-basis-point adder for MISO membership. The second MISO ROE complaint case remains pending at the FERC and we don't know when the case will be decided.

For Ameren Illinois Electric Distribution, we anticipate increased earnings in 2018, compared to 2017, from additional infrastructure investments made under Illinois' formula rate-making. Our guidance incorporates a formula-based allowed ROE of 8.9%, using a forecasted 3.1% 2018 average yield for the 30-year treasury bond, compared to an allowed ROE of 8.7% in 2017.

Completing the discussion of our Illinois' businesses, Ameren Illinois Natural Gas Distribution 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 mention that we have provided the earnings sensitivity to changes in the allowed ROEs for the Ameren Transmission and Ameren Illinois Electric Distribution segments on this page.

Turning to page 18, our Ameren Missouri earnings are expected to rise in 2018. Earnings are expected to be favorably affected in the first quarter by increased Missouri electric service rates that took effect April 1, 2017. In addition, there is no scheduled nuclear refueling and maintenance outage for our Callaway Energy Center this year, since these outages are on an 18-month cycle. The absence of these expenses is expected to benefit 2018 earnings by approximately \$0.11 per share, compared to 2017. The next Callaway refueling and maintenance outage is scheduled for the spring of 2019. Further, a return to normal weather in 2018 would increase Ameren Missouri earnings by approximately \$0.06 per share, compared to 2017, and we expect lower interest expense, driven by the refinancing of debt in 2017 in 2018, to favorably impact 2018 results. Partially offsetting these positive earnings drivers, we expect higher other operations and maintenance expenses, primarily the result of higher than normal scheduled non-nuclear plant outages. In addition, we expect Ameren Missouri's 2018 results-to-reflect regulatory lag associated with increased depreciation expenses.

Moving now to Ameren-wide drivers and assumptions, we expect an effective income tax rate of approximately 22% this year, a decrease from last year's core tax rate of 37%, reflecting the substantially lower federal corporate rate and flow-back of excess deferred taxes. I would note that our 2018 guidance excludes any possible temporary retention of cash flow or earnings benefit from this lower federal tax rate. The benefits of lower tax rates will be reflected in Ameren Transmission and Ameren Illinois Electric Distribution service rate reviews as of the beginning of the year, as a result of formula rate-making. While the timing of reflecting these benefits in our Ameren Illinois Natural Gas and Ameren Missouri customer rate reviews has not been determined, we do expect customer rates to be adjusted in 2018 for the lower federal tax rate. Further, we expect the comparison of earnings to last year to be unfavorably impacted by \$0.03 per share for the reduced tax benefit associated with parent company and other unrecoverable expenses. Finally, we expect the use of newly issued shares for our dividend reinvestment and employee benefit plan to unfavorably impact earnings by \$0.01 per share.

I would also like to take a minute to discuss our 2018 electric sales outlook. We expect weather-normalized Missouri kilowatt hour sales to residential and commercial customers, as well as to our industrial customers, to be flat to up slightly, compared to last year, excluding the effects of our MEEIA energy efficiency programs. Turning to Illinois, we expect our weather-normalized kilowatt hour sales to residential and commercial customers in that state to be roughly flat and sales to industrial customers to decline about 2% this year, compared to last. Again, I would remind you the changes in electric sales in Illinois do not impact our earnings due to revenue decoupling.

Turning, then, to page 19, for 2018, we anticipate negative free cash flow of approximately \$900 million. On the right side of this page, we provide a breakdown of our \$2.2 billion of planned 2018 capital expenditures by business. We expect to fund this year's negative free cash flow and debt maturities primarily through a combination of short- and long-term debt issuances and borrowings, as well as the previously mentioned issuance of common shares for our dividend reinvestment and employee benefit plans.

Moving now to page 20 for a discussion of select regulatory matters, for Ameren Transmission, the second complaint case that seeks to reduce the base-allowed ROE for MISO transmission owners remains pending at the FERC, as previously mentioned. We expect that the FERC Commissioners will take time to consider the court ruling in the New England ROE case, as well as the MISO transmission owners' recent motion to dismiss the second MISO ROE complaint case, as both may influence the FERC.

Moving to Ameren Illinois Electric Distribution, in December, the ICC approved a rate change, consistent with our filing in the annual rate update proceeding, with new rates effective at the beginning of this year. This outcome is a sign that Illinois' formula electric distribution rate-making continues to work as intended.

Moving to page 21, and Ameren's Natural Gas regulatory matters, last month we filed a request for a \$49 million annual increase in gas distribution rates, using a 2019 future test year with the ICC. This \$49 million included an estimated \$42 million of annual revenues that would otherwise be recovered in 2019 under Ameren Illinois' qualifying infrastructure plant or QIP rider. The particulars of this gas rate case filing are noted on this page. An ICC decision is required by December of 2018, with new rates expected to be effective in January 2019.

Turning to Missouri regulatory matters, earlier this week the Commission staff issued its report recommending the Missouri PSC open a proceeding for each utility to pursue rate reductions to pass savings from the lower federal income tax rate on to customers. Of course, if Senate Bill 564 is enacted as currently written, Ameren Missouri would pass savings from the lower federal income tax rate on to electric customers in a timely fashion, pursuant to its provisions.

Finally, turning to page 22, I will summarize. We delivered strong core earnings growth in 2017, and expect to again deliver strong earnings growth in 2018, as we continue to successfully execute our strategy. As we look ahead, we continue to expect strong earnings per share growth, driven by 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 favorably to our peers.

This concludes our prepared remarks. We now 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. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key.

Our first question is from Julien Dumoulin-Smith with Bank of America Merrill Lynch. Please proceed with your question.

**Julien Dumoulin-Smith:**

Hey, good morning. Congratulations.

**Warner L. Baxter:**

Good morning, Julien. How are you doing?

**Julien Dumoulin-Smith:**

Great, thank you. So, I wanted to first ask real quickly, on the legislation and the previously contemplated \$1 billion program, how much inflation (inaudible) does that \$1 billion contemplate? How much latitude does that give you when you kind of hash that out against the tax reform, etc., against the new rate that they're putting in there?

**Michael L. Moehn:**

Julien, this is Michael Moehn. We haven't really said. What we have been clear about is that we think, as this legislation is written, 564, it certainly would support that \$1 billion incremental investment, and we think that we could do it underneath that prescribed cap.

**Julien Dumoulin-Smith:**

Got it, excellent. Then, clearly, there's a multitude of factors that would drive your financing needs higher here, tax reform and incremental spend, if successful on either front. How are you thinking about your FFO to debt commitment? Clearly, I hear you saying you're committed to your existing strong credit metrics, but how committed? Perhaps, can you elaborate a little bit on the equity financing needs if you get either of the two incremental projects?

**Martin J. Lyons:**

Hi, Julien, this is Marty. Good morning. Yes, you know, when you look at the credit metrics and the credit ratings that we have today, we are very happy with the credit ratings that we have today. Our issuer ratings today for Ameren, at S&P are BBB+, as shown in the materials, and with Moody's, Baa1. To give you a sense, our FFO to debt metric, the threshold that S&P has for us out there, that BBB+ is 13%, and at Moody's, the threshold for the Baa1 for FFO to debt is 20%. So, look, you know, as we go through time—and you can see this in the materials we provided today—we've always looked to maintain a strong balance sheet, strong credit metrics. We've worked hard over the past several years to improve, I'd say, the business risk profile of the Company, and we're going to continue to work on both of those fronts as we move forward.

As we looked at the capital investment plan that we laid out today, the rate base growth plans, and we looked at our cash flows, including the impacts of the tax reform, we ended up thinking it was certainly

prudent that we go ahead and issue some equity under the dividend reinvestment and employee benefit programs, again, with the goal of keeping the balance sheet strong and keeping strong credit metrics.

As we look ahead and as we update the capital expenditure plans, looking ahead, the rate base growth plans, we'll step back and assess the overall capital plan and the funding needs, but, again, with that backdrop of wanting to keep a strong balance sheet, strong credit metrics and, importantly, make sure we're positioning those investments for success in the regulatory environment as we seek to earn fair equity returns on those investments.

**Julien Dumoulin-Smith:**

Just further nuance on this, if you can. What's the timing of the commencement of spend? Specifically, under the legislation that's contemplated, when could you actually start spending and over what period of time, at present, do you intend to spend that \$1 billion under your earlier program?

**Warner L. Baxter:**

Hi, Julien, this is Warner. I think what we said is we would spend these expenditures through 2023, that's what it would be, and a lot of this would be predicated on when the legislation is ultimately passed, but we've been clear, we had a plan out there, that's a five-year plan for \$1 billion. So, through 2023 is what we've been talking about.

**Julien Dumoulin-Smith:**

Got it, and so fairly ratable?

**Warner L. Baxter:**

I'm sorry?

**Julien Dumoulin-Smith:**

Fairly ratable?

**Warner L. Baxter:**

Yes, relatively speaking, I think fairly ratable is a good way to think about it.

**Julien Dumoulin-Smith:**

Excellent. Thank you.

**Warner L. Baxter:**

Sure. Thank you, Julien.

**Operator:**

Our next question is from Paul Patterson with Glenrock Associates. Please proceed with your question.

**Paul Patterson:**

Good morning, and congratulations on everything.

**Warner L. Baxter:**

Good morning, Paul. How are you doing?

**Martin J. Lyons:**

Hi, Paul.

**Paul Patterson:**

I'm doing great. The idea of not having to listen to another filibuster makes me feel even better. But, congratulations, guys. Just, with respect to the 3.5% rate base growth in your slides for Missouri, does that include pretty much what you see happening in—this is the long-term rate base growth. Does that include the legislative impact?

**Martin J. Lyons:**

Paul, this is Marty. No, it does not. When you look at that slide, it includes the \$4.3 billion of expenditures that are shown in the table to the left, and then, as Warner pointed out on the conference call, it includes the impacts of tax reform and the impacts on rate base we see from, I'd say, the changes in deferred taxes, versus what we otherwise would have expected.

**Paul Patterson:**

Okay. So, to Julien's point, I guess, there's additional upside that we could see in this? Is that a good way to put it?

**Martin J. Lyons:**

Yes.

**Paul Patterson:**

Okay. Then, when we look at the 7% growth rate and we look at your previous growth rate in rate base, and what have you, and I know that you guys have a higher base and what have you, but the lower sales growth—I'm sorry, the lower earnings, long-term earnings growth on the top end of the range, you've lowered it a little bit. Is that just simply a function of the change, and could you just walk through that a little bit, compared to—now that you've got a higher growth in rate base—do you follow what I'm saying?—it's not completely intuitive, maybe, why the top end of the earnings growth rate has gone down?

**Martin J. Lyons:**

I think we have a very strong rate base growth plan at 7%, and I think our EPS growth that goes along with it at 5% to 7% compound annual is also very strong, especially coming off of the strong 2017 earnings base that we have of \$2.83, so that is the base for that. I would say that, Paul, as you think about it, it includes also all of our assumptions about funding that I just laid out, including the use of equity for the dividend reinvestment and employee benefit plans. Again, that should produce about \$80 million of equity annually. I think the 5% to 7%, which is, again, we think very strong, incorporates a variety of assumptions, in terms of treasury rate assumptions, spending levels, rate case outcomes, economic



conditions, and the like, but it's what we believe is certainly the right growth given the rate base and funding plans that we've laid out.

**Paul Patterson:**

Okay, fine. There was some discussion yesterday at the Missouri PSC among the Commissioners regarding another utility, and it looks like a majority of them don't—basically, are not necessarily supportive of a consolidated cap structure, and I'm just wondering—you guys made comments about your commitment to, obviously, the credit ratings, and what have you, but just in general, I'm just wondering is there any perhaps—have you guys been thinking, perhaps, that there could be additional sort of opportunity on double leverage, or anything like that?

**Martin J. Lyons:**

Paul, I think, as you look through time, I mean, we've always worked to maintain strong balance sheets and credit metrics at all of our legal entities, both the parent company, as well as our subsidiaries. We laid out on the slides that our target capitalization over time is around 50/50. I would say, as it relates to Ameren Missouri, through time, we have had rate-making in Missouri for our Ameren Missouri utility that was based on the utility's capital structure, and we would expect that to be the case through time.

**Paul Patterson:**

Okay, great. Thanks so much.

**Operator:**

Our next question is from Steve Fleishman with Wolfe Research. Please proceed with your question.

**Steve Fleishman:**

Yes, hey, good morning.

**Warner L. Baxter:**

Good morning, Steve. How are you?

**Steve Fleishman:**

Hi, Warner. When you first talked about doing the wind projects, you suggested then we could see some modification of the base plan as part of it. At this point now, should we assume this is the base plan, and then if you do the wind and if you do the—if the legislation passes, those are just additive, there's not likely to be any meaningful adjustment to this base?

**Warner L. Baxter:**

Steve, this is Warner. I think, clearly, we've pointed out opportunities for additions, both for the wind, as well as for grid modernization. We presented our base plan and we have two meaningful opportunities that we'll continue to work very hard to execute on. So, it would be premature to say exactly what we'll do with the overall plan, but the bottom line, we're not saying we're going to make any changes to the plan as we sit here today.

**Steve Fleishman:**

Okay. Then, just on the wind projects, could you just be a little more explicit on how the CCN process works? Once we have winners, you'll file CCN. The renewable rider is kind part of that filing. So, kind of both the project and the rate treatment would all be approved in one proceeding?

**Michael L. Moehn:**

Steve, this is Michael Moehn. Yes, you've got it right. What we have been telling folks, as we wrap up the conclusion of these contracts, that we'll be filing for the CCN in the first half of 2018, and you're correct, as part of that filing, we would make the request to use what's called the RESRAM, the regulatory recovery mechanism for these renewable projects. That process, I think we've been saying could take anywhere from six to ten months to complete.

**Steve Fleishman:**

Okay. Good, I think that's it for me. Thank you.

**Warner L. Baxter:**

Thanks, Steve.

**Operator:**

Our next question is from Joe Zou with Avon Capital Advisor. Please proceed with your question.

**Andrew Levi:**

Hey, guys, it's Andy Levi. How are you doing?

**Warner L. Baxter:**

Good morning, Andy. How are you?

**Andrew Levi:**

I'm doing all right. Just one—well, maybe two questions. On the \$0.14 of Missouri incremental O&M relating to plants, can you just kind of go more into that, exactly what's going on there, because that was not part of your EEI disclosures, and where that came from, and whether that goes away in '19?

**Martin J. Lyons:**

Andy, this is Marty. When you look at it overall, especially in a non-Callaway outage year, we thought it was certainly prudent this particular year to have a little bit of a higher than normal schedule for our non-nuclear outage costs, and that's the primary driver of that number, as-well-as some—I'd just say some other O&M that we have in Missouri this year. I would not, necessarily, expect that to be a recurring number year-over-year. Look, I think when you step back overall, as you know, we've been improving earned return as a company in each of our jurisdictions through time, on a consolidated basis, and in Missouri, it's our goal to continue to earn very close to our allowed returns.

**Andrew Levi:**

Okay. So, out of the \$0.14, how much is kind of—I don't want to say one-time nature, but was put there because of Callaway, lack of the Callaway outage?

**Martin J. Lyons:**

I don't have a breakdown on exactly that number for you, Andy, other than to say I wouldn't call them, necessarily, one-time, these kinds of outages do occur through time, just a higher concentration of them this year than in some other years.

**Andrew Levi:**

Okay, got that. Then, on the 2.85% increase that's capped in Missouri, does that include fuel or not?

**Martin J. Lyons:**

That is in all-in cap, Andy.

**Andrew Levi:**

So, that does include fuel. So, if fuel would go up, that would be part of the 2.85% cap?

**Martin J. Lyons:**

That's correct.

**Andrew Levi:**

Okay. On the wind project, is that subject to the cap, as well?

**Martin J. Lyons:**

It is. Yes, it is.

**Andrew Levi:**

Okay, got it. Thank you very much.

**Martin J. Lyons:**

Thanks, Andy.

**Warner L. Baxter:**

Sure, Andy. Thank you.

**Operator:**

Our next question is from Ashar Khan with Veriton Fund Management. Please proceed with your question.

**Ashar Khan:**

Good morning. Congratulations.

**Warner L. Baxter:**

Good morning, Ashar. How are you?

**Ashar Khan:**

Could you just describe the timing of the wind RFP? You said you're looking for approvals the first half of this year. Could you just tell us how we should look at the timing of some kind of an announcement as we look in the next two quarters?

**Warner L. Baxter:**

Michael, do you want to address that, please?

**Michael L. Moehn:**

Yes. Again, as we've talked a couple of times, we have been going through this RFP process and now are in the middle of serious contract negotiations, which we hope to be wrapping up soon, and we're committed to filing the CCN in the first half of 2018.

**Ashar Khan:**

Okay. Then, once you've got it, what approval timeframe should we look at?

**Michael L. Moehn:**

The CCN process, we've been saying that it typically follows about a six- to ten-month kind of approval process.

**Ashar Khan:**

Okay. Thank you so much.

**Operator:**

Our next question is from Paul Ridzon with KeyBanc Capital Markets. Please proceed with your question.

**Paul Ridzon:**

Good morning, Warner. Good morning, Marty.

**Warner L. Baxter:**

Good morning, Paul. How are you?

**Martin J. Lyons:**

Good morning, Paul.

**Paul Ridzon:**

Well, thanks. Just because there's been so much focus on the Senate, and clearly you've cleared that hurdle, but can you give a sense of the tone in the House?

**Warner L. Baxter:**

Yes, Paul, this is Warner and I'll ask Michael to comment. I think that the bottom line, as we've said, is the passage of this bill in the Senate is a positive step forward, but now we're going to turn our attention to the House Representatives, and what we do, is we're going to look forward to discussing the real significant benefits of Senate Bill 564 with all the members of the House. You have to keep in mind the Senate just passed this bill, so it's now moved on over to the House, and so we're looking forward to having those conversations.

**Michael L. Moehn:**

Yes, I would just add this Bill is the result of a lot of hard work and compromise. I think it's an excellent bill. I think that, as Warner said, we're going to demonstrate the benefits to our customers, obviously, the benefits to us and benefits to the State of Missouri. So, we look forward to engaging with the House.

**Warner L. Baxter:**

Michael, just to add a little bit to that, and it gets a little bit maybe to what Steve's question was before, when we look at this bill—and we've been clear that if Senate Bill 564 is passed, we will spend significantly more investment, or make significantly more investment in the state of Missouri, \$1 billion, this is what we're talking about, and so that is absolutely our plan. So, with that comes significant benefits to our customers, in terms of not just modernizing the grid, but also giving them the tools that they want to manage their energy usage. Michael talked about this compromise. This compromise took what was already a bill that had robust consumer protections and made them even more robust. So, these are the types of things that we're going to talk about with the House of Representatives, including the significant number of jobs that will be driven by this bill.

**Paul Ridzon:**

Thank you. That's good color.

**Operator:**

Our next question is from Neil Kalton with Wells Fargo Securities. Please proceed with your question.

**Neil Kalton:**

Hi, guys. How are you?

**Warner L. Baxter:**

Good morning, Neil. How are you?

**Neil Kalton:**

Good, thanks. Just a question on the wind in Missouri. I think Empire's sequence may be a little bit before you guys. Is that proposal a good proxy for your project, or would you advise us not to sort of look too closely to that, that the proposals between you and Empire are unique?

**Michael L. Moehn:**

Which assets, Neil, are you referring to? I mean, in terms of their—

**Neil Kalton:**

What I'm getting to is simply, depending on how that process goes, if there's something that's negative that kind of comes out, would that be a good read-through to your proposal, or would you advise us that your proposal is unique versus the Empire proposal?

**Michael L. Moehn:**

Look, I think our proposal—yes, again, if you just step back and you think about why we're doing this, I mean, you have the Renewable Standard that's out there, that requires us to have the renewables in place by 2021, and that's really the driver behind this. We went through a robust RFP process, which we're in the process of bringing to a conclusion, we're working through all the transmission issues that come along with that, and then we're going to file the CCN, and that's the process, that I think you typically file with the Commission here in the state of Missouri. So, I think we feel very good about our overall process. I can't really comment about Empire's, but feel strong about ours.

**Neil Kalton:**

Okay, fair enough, and then just a follow-up on the capital plan, and I know there's a lot of moving pieces here, but if the some of the incremental spend comes through in Missouri, should we think of the base plan as being the base plan and then everything else as the additive, or could the base plan be somewhat fluid and there might be some capital there that would be sequenced out later?

**Martin J. Lyons:**

Neil, this is Marty again. As we've said before, to the extent we have additional capital expenditures—and in this case, whether they be related to the wind, whether they be related to Senate Bill 564—we've always we'll step back and we'll reassess the overall capital plan and funding plan. But, as Warner said, it's premature to discuss whether we would make any changes to the base plan that we have today. We have said repeatedly that we are certain, that if we get Senate Bill 564 across the finish line, that we will put significantly more capital to work in the state of Missouri. So, I'd say those are sort of our thoughts as we look ahead and think about the possibility of those incremental expenditures.

**Warner L. Baxter:**

Well said, Marty, and I would just add, similarly with wind, right? I mean, that's the bottom line. We have a very constructive regulatory mechanism that is contained—and the Renewable Energy Standard. Both of those things will drive important investments in the state of Missouri.

**Neil Kalton:**

That makes sense. Thank you very much.

**Operator:**

As a reminder, if you would like to ask a question, it is star, one on your telephone keypad; star, two if you would like to remove your question from the queue.



We have a follow-up question from Avon Capital Advisors. Please proceed with your question.

**Andrew Levi:**

Hey, it's me again.

**Warner L. Baxter:**

Hey, Andy.

**Andrew Levi:**

I'm not sure—I mean, this is just me, because I'm reading slide 7, where you describe the legislation, and also having read parts of the legislation, why would the wind be subject to the cap? It's not part of the infrastructure spending?

**Warner L. Baxter:**

Andy, I'm sorry. If you don't mind, could you maybe repeat your question and say it a little bit louder. It's hard to hear you.

**Andrew Levi:**

I'm sorry, I'm going to take the headset off, the batteries are going down. Okay. So, if you look on page 7 of your slide deck, and also—obviously, you know the legislation better than I do—but my understanding was, based on your slide and reading parts of the legislation, that your wind investment would not be subject to the cap. Am I wrong on that?

**Michael L. Moehn:**

The wind does fall underneath the cap. I think what the slide is, potentially, trying to explain is if these riders cause you to exceed the cap, either around the FAC, the RESRAM etc., that you're able to defer that for a future rate case, as long as you're, again, underneath the 2.85%, and get that recovered.

**Andrew Levi:**

Okay. So, it's like an FRP, like it is in Arkansas, where it's capped to a certain amount, but then you defer it and you recover it in the next rate case—rate case or true-up. So, let's just say, I don't know, like in '19 you max out at 2.85, but there's—I don't know, let's just throw out, say, another \$50 million left over, but in '20, you're at 1%. That \$50 million would be added to the '20 number, so the 1% plus that \$50 million. Is that kind of what you're saying?

**Michael L. Moehn:**

Yes, that's correct.

**Andrew Levi:**

That's how Arkansas works. Okay, that's great, that clarifies it much better. Thank you.

**Operator:**

Ladies and gentlemen, we have reached the end of our question and answer session. I would like to turn the call back to Doug Fischer for closing remarks.

**Doug Fischer:**

Thank you for participating on 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 contacts listed on our earnings release. Financial analyst enquiries should be directed to me, Doug Fischer, or my associate, Andrew Kirk. The 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:**

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