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AMEREN CORP
Form 10-Q
November 04, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period
Ended September 30, 2016
OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period
from to

Commission File Number	Exact name of registrant as specified in its charter; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-14756	Ameren Corporation (Missouri Corporation) 1901 Chouteau Avenue St. Louis, Missouri 63103 (314) 621-3222	43-1723446
1-2967	Union Electric Company (Missouri Corporation) 1901 Chouteau Avenue St. Louis, Missouri 63103 (314) 621-3222	43-0559760
1-3672	Ameren Illinois Company (Illinois Corporation) 6 Executive Drive Collinsville, Illinois 62234 (618) 343-8150	37-0211380

Indicate by check mark whether the registrants: (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Ameren Corporation Yes No
Union Electric Company Yes No
Ameren Illinois Company Yes No

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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Ameren Corporation Yes No

Union Electric Company Yes No

Ameren Illinois Company Yes No

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

	Large Accelerated Filer	Accelerated Filer	Non-Accelerated Filer	Smaller Reporting Company
Ameren Corporation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Union Electric Company	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Ameren Illinois Company	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Indicate by check mark whether each registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Ameren Corporation Yes No

Union Electric Company Yes No

Ameren Illinois Company Yes No

The number of shares outstanding of each registrant’s classes of common stock as of October 31, 2016, was as follows:

Ameren Corporation Common stock, \$0.01 par value per share – 242,634,798

Union Electric Company Common stock, \$5 par value per share, held by Ameren Corporation – 102,123,834

Ameren Illinois Company Common stock, no par value, held by Ameren Corporation – 25,452,373

This combined Form 10-Q is separately filed by Ameren Corporation, Union Electric Company, and Ameren Illinois Company. Each registrant hereto is filing on its own behalf all of the information contained in this quarterly report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

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This report contains “forward-looking” statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements should be read with the cautionary statements and important factors under the heading “Forward-looking Statements.” Forward-looking statements are all statements other than statements of historical fact, including those statements that are identified by the use of the words “anticipates,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” and similar expressions.

GLOSSARY OF TERMS AND ABBREVIATIONS

We use the words “our,” “we” or “us” with respect to certain information that relates to Ameren, Ameren Missouri, and Ameren Illinois, collectively. When appropriate, subsidiaries of Ameren Corporation are named specifically as their various business activities are discussed. Refer to the Form 10-K for a complete listing of glossary terms and abbreviations. Only new or significantly changed terms and abbreviations are included below.

Form 10-K – The combined Annual Report on Form 10-K for the year ended December 31, 2015, filed by the Ameren Companies with the SEC.

MEEIA 2013 – Ameren Missouri’s portfolio of customer energy efficiency programs, net shared benefits, and performance incentive for 2013 through 2015, as approved by the MoPSC in August 2012.

MEEIA 2016 – Ameren Missouri’s portfolio of customer energy efficiency programs, throughput disincentive, and performance incentive for March 2016 through February 2019, as approved by the MoPSC in February 2016.

MoOPC – Missouri Office of Public Counsel.

New Madrid Smelter – Aluminum smelter located in southeast Missouri that was formerly owned by Noranda. Noranda sold the New Madrid Smelter to ARG International AG in October 2016.

FORWARD-LOOKING STATEMENTS

Statements in this report 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 the Form 10-K, and elsewhere in this report and in our other filings with the SEC, could cause actual results to differ materially from management expectations suggested in such forward-looking statements:

- regulatory, judicial, or legislative actions, including changes in regulatory policies and ratemaking determinations, such as those that may result from the complaint case filed in February 2015 with the FERC seeking a reduction in the allowed base return on common equity under the MISO tariff, Ameren Missouri’s July 2016 electric rate case filing, Ameren Missouri’s appeal of a MoPSC order that clarified the method applied to determine an input used to calculate its performance incentive under MEEIA 2013, Ameren Illinois’ April 2016 annual electric distribution service formula

- rate update filing, and future regulatory, judicial, or legislative actions that change regulatory recovery mechanisms; the effect of Ameren Illinois participating in a performance-based formula ratemaking process under the IEIMA, including the direct relationship between Ameren Illinois’ return on common equity and 30-year United States Treasury bond yields, the related financial commitments required by the IEIMA;

- our ability to align our overall spending, both operating and capital, with regulatory frameworks established by our regulators in an attempt to earn our allowed return on equity;

- the effects of changes in federal, state or local laws and other governmental actions, including monetary, fiscal, tax, and energy policies;

- the effects of changes in federal, state, or local tax laws, regulations, interpretations, or rates and any challenges to the tax positions taken by the Ameren Companies;

- 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 MEEIA plans;

-

the timing of increasing capital expenditure and operating expense requirements and our ability to recover these costs in a timely manner;

the cost and availability of fuel, such as coal, natural gas, and enriched uranium used to produce electricity; the cost and availability of purchased power 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 the related rate 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 ultra-low-sulfur coal used for Ameren Missouri's compliance with environmental regulations;

the effectiveness of our risk management strategies and our use of financial and derivative instruments;

the ability to obtain sufficient insurance, including insurance relating to 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 key customers, interest rates, collection of our receivable balances, and demand for our products;

suspended operations at the New Madrid Smelter, and the resulting impacts to Ameren Missouri's ability to recover its revenue requirement in its July 2016 electric rate case and future rate cases to accurately reflect the New Madrid Smelter's actual sales volumes;

disruptions of the capital markets, deterioration in credit metrics of the Ameren Companies, 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 distribution and transmission 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, 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, and any related tax implications;

the impact of current environmental regulations and new, more stringent, or changing requirements, including those related to CO₂, other emissions and discharges, cooling water intake structures, CCR, 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 complying with renewable energy portfolio requirements in Missouri;

- 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 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 data and account 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.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.

AMEREN CORPORATION
CONSOLIDATED STATEMENT OF INCOME
(Unaudited) (In millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating Revenues:				
Electric	\$1,725	\$1,700	\$4,101	\$4,093
Gas	134	133	619	697
Total operating revenues	1,859	1,833	4,720	4,790
Operating Expenses:				
Fuel	205	259	574	670
Purchased power	178	153	451	393
Gas purchased for resale	34	38	227	320
Other operations and maintenance	411	428	1,246	1,256
Provision for Callaway construction and operating license (Note 2)	—	—	—	69
Depreciation and amortization	211	201	628	594
Taxes other than income taxes	129	128	358	369
Total operating expenses	1,168	1,207	3,484	3,671
Operating Income	691	626	1,236	1,119
Other Income and Expense:				
Miscellaneous income	18	19	54	54
Miscellaneous expense	8	5	21	22
Total other income	10	14	33	32
Interest Charges	97	87	287	264
Income Before Income Taxes	604	553	982	887
Income Taxes	233	208	356	333
Income from Continuing Operations	371	345	626	554
Income from Discontinued Operations, Net of Taxes	—	—	—	52
Net Income	371	345	626	606
Less: Net Income from Continuing Operations Attributable to Noncontrolling Interests ²	2	2	5	5
Net Income Attributable to Ameren Common Shareholders:				
Continuing Operations	369	343	621	549
Discontinued Operations	—	—	—	52
Net Income Attributable to Ameren Common Shareholders	\$369	\$343	\$621	\$601
Earnings per Common Share – Basic:				
Continuing Operations	\$1.52	\$1.42	\$2.56	\$2.27
Discontinued Operations	—	—	—	0.21
Earnings per Common Share – Basic	\$1.52	\$1.42	\$2.56	\$2.48
Earnings per Common Share – Diluted:				
Continuing Operations	\$1.52	\$1.41	\$2.56	\$2.26
Discontinued Operations	—	—	—	0.21
Earnings per Common Share – Diluted	\$1.52	\$1.41	\$2.56	\$2.47

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Dividends per Common Share	\$0.425	\$0.41	\$1.275	\$1.23
Average Common Shares Outstanding – Basic	242.6	242.6	242.6	242.6
Average Common Shares Outstanding – Diluted	242.9	243.9	243.0	243.8

The accompanying notes are an integral part of these consolidated financial statements.

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AMEREN CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited) (In millions)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Income from Continuing Operations	\$371	\$345	\$626	\$554
Other Comprehensive Income from Continuing Operations, Net of Taxes				
Pension and other postretirement benefit plan activity, net of income taxes of \$-, \$-, \$4, and \$4, respectively	(1)) —	1	4
Comprehensive Income from Continuing Operations	370	345	627	558
Less: Comprehensive Income from Continuing Operations Attributable to Noncontrolling Interests	2	2	5	5
Comprehensive Income from Continuing Operations Attributable to Ameren Common Shareholders	368	343	622	553
Comprehensive Income from Discontinued Operations Attributable to Ameren Common Shareholders	—	—	—	52
Comprehensive Income Attributable to Ameren Common Shareholders	\$368	\$343	\$622	\$605

The accompanying notes are an integral part of these consolidated financial statements.

AMEREN CORPORATION
CONSOLIDATED BALANCE SHEET
(Unaudited) (In millions, except per share amounts)

	September 30, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 18	\$ 292
Accounts receivable – trade (less allowance for doubtful accounts of \$19 and \$19, respectively)	543	388
Unbilled revenue	240	239
Miscellaneous accounts receivable	49	98
Materials and supplies	551	538
Current regulatory assets	107	260
Other current assets	76	88
Assets of discontinued operations	15	14
Total current assets	1,599	1,917
Property and Plant, Net	19,647	18,799
Investments and Other Assets:		
Nuclear decommissioning trust fund	599	556
Goodwill	411	411
Regulatory assets	1,312	1,382
Other assets	566	575
Total investments and other assets	2,888	2,924
TOTAL ASSETS	\$ 24,134	\$ 23,640
LIABILITIES AND EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ 431	\$ 395
Short-term debt	608	301
Accounts and wages payable	513	777
Taxes accrued	159	43
Interest accrued	110	89
Customer deposits	104	100
Current regulatory liabilities	87	80
Other current liabilities	252	279
Liabilities of discontinued operations	27	29
Total current liabilities	2,291	2,093
Long-term Debt, Net	6,607	6,880
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes, net	4,255	3,885
Accumulated deferred investment tax credits	56	60
Regulatory liabilities	1,974	1,905
Asset retirement obligations	636	618
Pension and other postretirement benefits	499	580
Other deferred credits and liabilities	481	531
Total deferred credits and other liabilities	7,901	7,579
Commitments and Contingencies (Notes 2, 9, and 10)		
Ameren Corporation Shareholders' Equity:		
Common stock, \$.01 par value, 400.0 shares authorized – shares outstanding of 242.6	2	2
Other paid-in capital, principally premium on common stock	5,550	5,616

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Retained earnings	1,643	1,331
Accumulated other comprehensive loss	(2) (3
Total Ameren Corporation shareholders' equity	7,193	6,946
Noncontrolling Interests	142	142
Total equity	7,335	7,088
TOTAL LIABILITIES AND EQUITY	\$24,134	\$23,640

The accompanying notes are an integral part of these consolidated financial statements.

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AMEREN CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited) (In millions)

	Nine Months Ended September 30,	
	2016	2015
Cash Flows From		
Operating Activities:		
Net income	\$ 626	\$ 606
Income from discontinued operations, net of taxes	—	(52)
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for Callaway construction and operating license	—	69
Depreciation and amortization	625	582
Amortization of nuclear fuel	63	71
Amortization of debt issuance costs and premium/discounts	17	16
Deferred income taxes and investment tax credits, net	364	318
Allowance for equity funds used during construction	(20)	(19)
Share-based compensation costs	17	20
Other	(9)	(8)
Changes in assets and liabilities:		
Receivables	(134)	(71)
Materials and supplies	(13)	(23)
Accounts and wages payable	(196)	(172)
Taxes accrued	119	116
Regulatory assets and liabilities	146	74
Assets, other	9	17
Liabilities, other	(29)	(26)
Pension and other postretirement benefits	(26)	29
Net cash provided by operating activities – continuing operations	1,559	1,547
Net cash used in operating activities – discontinued	—	(5)

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operations				
Net cash provided by operating activities	1,559		1,542	
Cash Flows From Investing Activities:				
Capital expenditures	(1,496)	(1,332)
Nuclear fuel expenditures	(41)	(30)
Purchases of securities – nuclear decommissioning trust fund	(310)	(301)
Sales and maturities of securities – nuclear decommissioning trust fund	297		290	
Proceeds from note receivable – Marketing Company	—			