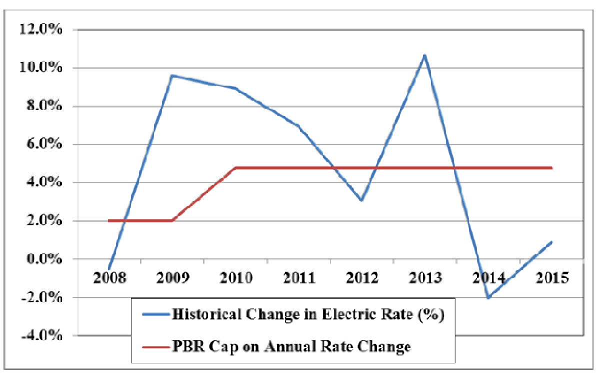
21st Century Grid Modernization & Security Act

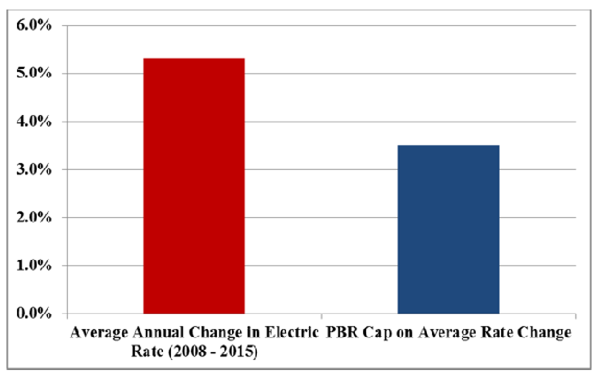
- Voluntary Performance Based Ratemaking (PBR) Plan for Electrical Corporations
  - If an electrical corporation exercises the 'opt in' provision, they are subject to Missouri Public Service Commission (PSC) ongoing annual review of their books and records, rate caps, performance metrics, infrastructure plan submittals and an earnings cap.

- PSC Authority to Establish a Cap on Profits w/Mechanism to Return $s to Customers
  - If a utility exceeds the authorized ROE band they will credit the difference back to customers.
  - If a utility earns below the authorized ROE band it will recover the shortfall.

- PSC Authority to Assess and Enforce Rate Caps
  - Electrical corporations that go under PBR shall be subject to the following rate caps to assure more stable and predictable rates for customers than what they have experienced since 2006:
    - Annual Rate Cap: 2% in years 1 & 2 and 4 ¾% in years 3 through 10
    - Average Annual Rate Cap: 3 ½% for 10 years
  - The rate cap shall be expressed as an average rate increase across all customers.
  - If a utility hits its rate cap in a given year the excess will carry over to the next year, and will be counted toward the cap in the next year.

Retail Electric Rates vs. Proposed Caps (Ameren Missouri #s – After Removing Impacts of Exempted Environmental Investments):





- Annual Infrastructure Plan Submittals to the PSC
  - Informational filing each year by Feb. 28th
  - Stakeholder meeting after filing to receive feedback and answer questions
  - 5 year budget of general categories of spending
  - 1 year detailed budget/plan

- PSC Authority to Assess & Enforce Performance Metrics w/Awards/Penalties:
  - Two distribution reliability metrics:
    - SAIDI (w/industry standard IEEE storm provision)
    - SAIFI (w/industry standard IEEE storm provision)
  - Two customer contact metrics:
    - Average Speed of Answer (ASA)
    - % of calls answered within 30 seconds
  - Each metric would have an award/penalty ROE opportunity of +/- 5 bps
  - Total impact of metrics on ROE cannot exceed +/- 20 bps

- Sunset
  - 10 year statutory sunset of all provisions in the bill
  - After 6 years the PSC shall provide a report to the Legislature outlining the effectiveness of the PBR regulatory approach

- PSC would set rates for the following calendar year based on a full review of audited books and records, subject to prudence reviews, through an evidence-based process:
  - Use FERC Form 1 expenses from the previous year with an annual 1% inflation adjustment applied to operating expenses (O&M and taxes other than income tax and excluding gross receipts taxes)
  - Use most recently known property taxes
  - Annualization of nuclear refuel costs
  - Rates reflect actual capital structure of the utility (not its parent) with safe harbor of 50% +/- 3% equity
  - Authorized ROE = 9.45% adjusted in the future for the difference between the 2015 annual average 30 year Treasury bond rate and the average Treasury bond rate for the most recent 12 month period.
    - Authorized ROE will then be shifted up or down based on performance metrics noted above.
    - An earnings 'dead band' of the authorized ROE +/- 20 bps will be established. Earnings within the deadband will be determined by changes in revenues from Missouri jurisdictional customers, excluding Noranda.
    - Excess earnings or earnings shortfalls outside the deadband will be reconciled.
  - The PBR rate cap calculation would include all Capex and Opex, Pension/OPEB, FAC and the Noranda rate impacts. The cap calculation would exclude impacts of force majeure events, MEEIA (both program costs and usage impacts), weather driven variations in usage vs. normal, fiscal impacts caused by new and existing federal and state environmental and renewable energy laws and regulations.
  - Memorialize rate design for electric production costs (4NCP Average/Excess) and 'Tail Block' provision
  - FAC eliminated for KCPL and Ameren Missouri (Empire would not include Fuel and Purchase Power in the PBR but would maintain the current FAC structure).
  - No rate design changes mandated other than transition to 4NCP Average/Excess for utilities with rates not already based on that methodology and 'Tail Block' provision; uniform percentage adjustment to all rate elements.

- After year 1, the PSC would audit the actual books of records of the previous year, including any prudence or other disallowances, and adjust rates to reconcile for differences:
    - Standard disallowances and income statement adjustments will be reflected in the cost of service
        - Earnings-based incentive compensation
        - Lobbying expenses
        - Charitable donations
        - Institutional advertising
        - Eliminate revenue pass through taxes from both revenues and expenses
        - Include interest on customer deposits
    - Significant one-time events causing material financial impact above 1% of RR threshold—storms, loss of a major customer, etc.—amortized over a period not to exceed 5 years.
    - Imprudence disallowances
    - Rate base adjusted to average balance for most recent year and capital structure shall be based on the FERC Form 1
    - Interest will be applied to the balance

- PSC Procedural Schedule
    - Defined process for full audit of costs and participation of intervening parties before the Commission
        - Initial filing by May
        - Report and Order on or before December 1
        - Rates take effect January 1

- Every 5 years:
    - Depreciation study
    - Rate design changes considered

- FAC statute amended to clarify that all RTO transmission costs and revenues are to be included in the FAC

- Noranda contract approval by PSC within parameters

- Amendments to natural gas ISRS to extend rate case requirement from 3-5 years

- Water revenue stabilization mechanism