

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. EF-2020-0224, Union Electric Company, d/b/a Ameren Missouri

FROM: Jeffrey Smith, Financial and Business Analysis Division

/s/ Jeffrey Smith 02/21/2020 /s/ Kevin Thompson 02/21/2020
Financial Analysis Department / Date Staff Counsel's Office / Date

SUBJECT: Staff Recommendation concerning the Application of Union Electric Company, d/b/a Ameren Missouri ("Ameren Missouri," "Company," or "Applicant"), for Authority to issue and sell up to \$465,000,000 aggregate principal amount of additional long-term indebtedness ("New Indebtedness").

DATE: February 21, 2020

1. (a) **Type of Issue:** Senior secured indebtedness issued under indentures previously filed with the Missouri Public Service Commission ("Commission"). See pages 7 and 8, paragraph 12, items (c) and (d) of the Application.

(b) **Amount:** Up to \$465,000,000.

(c) **Rate:** Fixed or variable rate not to exceed the greater of (i) 6.00%, or (ii) a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers considering prevailing financial market conditions at the time.

(d) **Other Provisions:** The price to be paid to Applicant for the various series of the New Indebtedness (as defined in the Application) will not be less than 92% of the aggregate principal amount thereof; the terms of maturity for the various series of the New Indebtedness will not exceed 40 years (or longer tenor if comparable to maturities of similar securities issued by other issuers).
2. **Proposed Date of Transaction:** Anytime during the period after the effective date of the order resulting from the Company's Application through December 2020.
3. (a) **Statement of Purpose of the Issue** Company proposes to use the proceeds from the issuance and sale of the New Indebtedness, after deduction of commissions or discounts paid to the underwriters in connection with the New Indebtedness: (1) to pay after maturity, \$85,000,000 principal amount of Company's 5.00% Senior Secured Notes due February 1, 2020, and (2) to refinance other short-term debt consisting entirely of commercial paper borrowings and, potentially, money pool borrowings. The amount of Company's short-term debt as of January 31, 2020 was ** _____ **, consisting entirely of commercial paper borrowings.

** Denotes Confidential Information **

Appendix A

(b) From a financial perspective, does Staff deem this Statement of Purpose of the Issue reasonable?

Yes, with conditions imposed.

4. Copies of executed instruments defining terms of the proposed securities:

Such instruments have not been executed, but a statement of the general terms and conditions were included in the Application.

5. Certified copy of resolution of the directors of applicant, or other legal documents authorizing the issuance of the securities reviewed:

No. Pursuant to Paragraph 14, this is to be provided as soon as a possible after it is obtained.

6. Pro-forma Balance Sheet and Income Statement reviewed:

Yes

7. Capital expenditure schedule reviewed:

Yes

8. Journal entries required to be filed by Ameren Missouri to allow for the Fee Schedule to be applied:

No fee is required pursuant to Section 386.300, RSMo. Because the proposed issuance of New Indebtedness will be used to discharge, refund or retire outstanding indebtedness.

9. Recommendation of the Staff:

Conditional Approval granted pending receipt of a certified copy of the resolutions of Applicant's Board of Directors and definite terms of issuance (see Comments and Recommended Conditions).

COMMENTS:

Ameren Missouri is a public utility engaged in providing electric and gas utility services in portions of Missouri under the jurisdiction of this Commission.

On January 31, 2020, Ameren Missouri filed an Application with the Missouri Public Service Commission (“Commission”) requesting approval for authority to issue and sell up to \$465,000,000 aggregate principal amount of secured indebtedness under indentures previously filed with the Commission (see pages 7 and 8, Paragraph 12, items c. and d.). Ameren Missouri states in its Application:

The series of the New Indebtedness will be offered to the public or privately placed (or a combination of both) through commercial or investment banking firms or groups of firms selected through negotiation and/or competitive bidding. Sales of the series of the New Indebtedness could be through underwriters or dealers, directly to a limited number of purchasers or to a single purchaser, or through agents designated by Applicant. Compensation to be paid for underwriting or privately placing the New Indebtedness will be determined based on prevailing financial market conditions.

The Applicant further states that it:

...proposes to issue the New Indebtedness under its existing authority from the Securities and Exchange Commission (“SEC”), for such securities issued in public transactions or pursuant to private placement with or without registration rights.

Staff applies the “not detrimental to the public interest” standard to financing applications. In reviewing requests for long-term financing authority, Staff analyzes the requested amount as it relates to the stated uses to ensure that the amount requested is reasonable and generally supports long-term capital investment. Staff also analyzes the pro forma impact the requested financing may have on the company’s credit metrics, which may include the estimated impact on the parent company’s credit metrics if the subject company’s rating is influenced by the parent company’s financial risk.

Ameren Missouri states in its Application that the proceeds will be used to:

(1) to pay after maturity, \$85,000,000 principal amount of Company’s 5.00% Senior Secured Notes due February 1, 2020, and (2) to refinance other short-term debt consisting of commercial paper borrowings and, potentially, money pool borrowings.

Staff has verified that Ameren Missouri’s past and future capital expenditure plans support the need to refinance short-term debt with long-term debt.

The pro forma impact of Ameren Missouri's proposed debt financing on Ameren Missouri's and Ameren's balance sheet as of December 31, 2019 is as follows:

Ameren Missouri:

	<u>As of December 31, 2019</u>		<u>Pro Forma</u>	
Common Equity	**	_____	**	_____
Preferred Stock	**	_____	**	_____
Long-Term Debt	**	_____	**	_____
Short-Term Debt	**	_____	**	_____

Ameren:

	<u>As of December 31, 2019</u>		<u>Pro Forma</u>	
Common Equity	**	_____	**	_____
Preferred Stock	**	_____	**	_____
Long-Term Debt	**	_____	**	_____
Short-Term Debt	**	_____	**	_____

The impact of the issuance of the long-term debt on Ameren Missouri's balance sheet should be limited to a shift from short-term debt to long-term debt. Consequently, the impact of the proposed long-term financing on Ameren Missouri's financial risk is insignificant.

RECOMMENDED CONDITIONS:

Staff recommends that the Commission approve the Application submitted by Ameren Missouri in this case subject to the following conditions:

1. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, and that the Commission reserve the right to consider the rate making treatment to be afforded the financing transaction and its impact on cost of capital, in a later rate proceeding;
2. That the Company shall file with the Commission within 10 days of issuance of any financing authorized pursuant to a Commission order in this proceeding, a report including the amount of secured indebtedness issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, use of proceeds, estimated expenses, and loan or indenture agreement concerning each issuance. In addition, the Company shall also provide the analysis, to include but not be limited to indicative pricing information provided by

investment banks, it performed to determine that the terms for the debt it decided to issue were the most reasonable at the time;

3. That the Company shall file with the Commission any information concerning communication with credit rating agencies concerning any such issuance;
4. That the Company shall file with the Commission as a non-case related submission in EFIS under “Resources” - “Non-Case Related Query” - “Ordered Submission” any credit rating agency reports published on Ameren Missouri’s or Ameren’s corporate credit quality or the credit quality of its securities;
5. That the Commission’s grant of authority shall expire one year from the effective date of the order in this proceeding.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI


In the Matter of the Application of Union)
Electric Company d/b/a Ameren Missouri For) Case No. EF-2020-0224
an Order Authorizing the Issue and Sale of Up)
to \$465,000,000 Aggregate Principal Amount)
of Additional Long-Term Indebtedness)

AFFIDAVIT OF JEFFREY SMITH

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

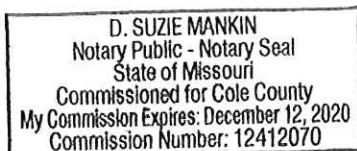
COMES NOW JEFFREY SMITH and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation* in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.


JEFFREY SMITH

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 20th day of February 2020.



Deuzellankin
Notary Public