

## MEMORANDUM

**TO:** Missouri Public Service Commission Official Case File  
File No. EF-2025-0135, Union Electric Company, d/b/a Ameren Missouri

**FROM:** Johnny Garcia, Financial Analysis Department

/s/ Seoung Joun Won                      2/4/2025  
Regulatory Compliance Manager / 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 Additional Long-Term Indebtedness (“New Indebtedness”).

**DATE:** February 4, 2025

1. (a) **Type of Issue:** First Mortgage Bonds or other forms of Secured Indebtedness (including Senior Secured Debt Securities secured by a corresponding series of First Mortgage Bonds) issuing one or more new series of bonds or other form of secured indebtedness and/or by issuing additional bonds or other form of secured indebtedness of an existing series previously authorized by the Commission.<sup>1</sup>
- (b) **Amount:** Up to \$500,000,000.
- (c) **Rate:** The interest rate when issued will not exceed the greater of (i) 9.00%, 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.<sup>2</sup>
- (d) **Other Provisions:** The terms of maturity for the various series of the secured indebtedness will not exceed 40 years (or longer tenor if comparable to maturities of similar securities issued by other issuers). One or more series of the New Indebtedness may include terms providing that the series will not be redeemable at all for a certain period of time.<sup>3</sup>
2. **Proposed Date of Transaction:** The proposed transaction date(s) of the proposed new indebtedness will occur on or after March 9, 2025. The exact dates of the proposed new indebtedness are unknown at this time and will ultimately depend on a number of factors, including market conditions, closing dates of projects, and short-term debt balances.<sup>4</sup>

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<sup>1</sup> Paragraph 9, The Application.

<sup>2</sup> Paragraph 11, Part a, The Application.

<sup>3</sup> Ibid.

<sup>4</sup> Staff Data Request No. 0001.

(a) **Statement of Purpose of the Issue:** Company proposes to use the proceeds from the issuance and sale of the New Indebtedness to refinance short-term debt, which may consist of commercial paper borrowings, money pool borrowings, and/or credit facility borrowings, and/or to fund near-term capital expenditures. The proceeds will be used solely by Applicant.<sup>5</sup>

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

Yes, with conditions imposed by the Commission as indicated below on page 6.

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

Such instruments have not been executed.

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

No. A certified copy of the resolutions will be provided as soon as it is obtained.<sup>6</sup>

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

Yes.

7. **Capital expenditure schedule reviewed:**

Yes, a five-year capitalization expenditure schedule has been reviewed.<sup>7</sup>

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

Currently, no fee is required pursuant to §386.300, RSMo, because the proposed issuances of New Indebtedness will be used to discharge, refund or retire outstanding indebtedness. However, any proceeds from the issuance and sale of the New Indebtedness in an amount that exceeds the Applicant's short-term debt balance on the date prior to issuance will be used to fund near-term capital expenditures for which a fee will be required and paid to the Commission.<sup>8</sup>

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<sup>5</sup> Paragraph 10, The Application.

<sup>6</sup> Paragraph 13, The Application.

<sup>7</sup> Schedule 5, The Application.

<sup>8</sup> Paragraph 15, The Application.

9. **Recommendation of the Staff:**

Conditional Approval (see Comments and Recommended Conditions below).

**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 and is a subsidiary of Ameren Corporation. Ameren Missouri supplies electricity to a 24,000 square mile area in central and eastern Missouri and to approximately 1.2 million customers.<sup>9</sup> Ameren Missouri and Ameren Corporation are currently rated by both Moody's and S&P, with both receiving the same corresponding ratings of Baa1 and BBB+ by each agency, respectively.<sup>10</sup>

On January 10, 2025, Ameren Missouri filed a *Motion for Expedited Treatment and Application for Financing Authority* ("Application") with the Commission requesting approval for authority to issue and sell up to \$500,000,000 aggregate principal amount of secured indebtedness. Ameren Missouri states in its Application at page 5, Paragraph 11, item b.:

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 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 in its Application at page 7, Paragraph 11, item e. that:

Applicant 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. In October 2023, Applicant filed a Form S-3 registration statement with the SEC registering, among other things, the issuance of an unspecified amount of the New Indebtedness which such registration statement expires in October 2026.

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

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<sup>9</sup> SEC 10-K, Filed on 2/29/2024.

<sup>10</sup> S&P Capital IQ Pro.

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 at page 4, Paragraph 10 that the proceeds will be used:

After deduction of commissions or discounts paid to commercial or investment banking firms in connection with the New Indebtedness, to refinance short-term debt, which may consist of commercial paper borrowings, money pool borrowings and/or credit facility borrowings, and/or fund near-term capital expenditures.

Staff has verified that Ameren Missouri's projected capital expenditure plan supports the need for the additional \$500 million long-term debt. Ameren Missouri's 2025 total projected capital expenditures totaled just under \*\* [REDACTED] \*\*, equating to roughly \*\* [REDACTED] \*\* of expenditures per month.<sup>11</sup> Ameren Missouri currently projects that it needs approximately \*\* [REDACTED] \*\* over the period of 2025 to 2029.<sup>12</sup>

The pro forma impact of Ameren Missouri's proposed debt financing on Ameren Missouri's and Ameren Corporation's balance sheet as of September 30, 2024, is as follows:

**Ameren Missouri:**<sup>13</sup>

	<b><u>As of September 30, 2024</u></b>		<b><u>Pro Forma</u></b>	
Common Equity	**	[REDACTED]	**	[REDACTED]
Preferred Stock	**	[REDACTED]	**	[REDACTED]
Long-Term Debt	**	[REDACTED]	**	[REDACTED]
Short-Term Debt	**	[REDACTED]	**	[REDACTED]

**Ameren Corporation:**<sup>14</sup>

	<b><u>As of September 30, 2024</u></b>		<b><u>Pro Forma</u></b>	
Common Equity	**	[REDACTED]	**	[REDACTED]
Preferred Stock	**	[REDACTED]	**	[REDACTED]
Long-Term Debt	**	[REDACTED]	**	[REDACTED]
Short-Term Debt	**	[REDACTED]	**	[REDACTED]

<sup>11</sup> Schedule 5, The Application.

<sup>12</sup> Ibid.

<sup>13</sup> Schedule 3 – Cap Ratios, The Application.

<sup>14</sup> Schedule 4 – Cap Ratios, The Application.

The above capital structure ratios imply a total net increase of (0.01%) in total debt for Ameren Missouri and a total net increase of (.004%) for Ameren Corporation. The changes to financial ratios, such as Funds From Operations (“FFO”) to Total Debt; Total Debt to Total Capital; and FFO to Interest Coverage, indicates that all ratios for Ameren Missouri and Ameren Corporation’s financial risk profile are not significantly changed by the approval of the Application.<sup>15</sup> The FFO to Total Debt ratio does not change from \*\* [REDACTED] \*\* “Aggressive”<sup>16</sup> for Ameren Corporation however, the ratio changes from \*\* [REDACTED] \*\* “Significant” for Ameren Missouri. Additionally, the Total Debt to Capital changes from \*\* [REDACTED] \*\* “Aggressive/Highly Leveraged”<sup>17</sup> for Ameren Corporation and from \*\* [REDACTED] \*\* “Significant” for Ameren Missouri. In addition, the FFO to Interest Coverage ratio changes from \*\* [REDACTED] \*\* for Ameren Corporation and \*\* [REDACTED] \*\* for Ameren Missouri.<sup>18</sup> Due to no significant changes to these ratios as a result of this transaction, the impact of the proposed long-term financing on Ameren Missouri’s and Ameren Corporation’s financial risk is insignificant.

In addition, Staff has investigated the pro forma embedded cost of long-term debt for Ameren Missouri, which increased to \*\* [REDACTED] \*\*, compared to the embedded cost of long-term debt as of December 31, 2024, which was \*\* [REDACTED] \*\*. <sup>19</sup> Considering that the 30-Year Treasury Bond Yield has experienced a net increase of more than 3.0% since the COVID-19 pandemic in 2020, a less than \*\* [REDACTED] \*\* increase in Ameren Missouri’s expected cost of long-term debt is not unreasonable.<sup>20</sup> Additionally, the bond market yield curve is returning to normal following a previous inversion, where short-term debt rates were higher than long-term debt rates.<sup>21</sup> Therefore, with long-term interest rates anticipated to rise compared to short-term rates, Ameren Missouri’s plan to replace existing short-term debt with long-term debt is expected to be nondetrimental to ratepayers.

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<sup>15</sup> Schedule 3 – CF Ratios and Schedule 4 – CF Ratios, The Application.

<sup>16</sup> The S&P classifies the various financial ratios from “Minimal” to “Highly Leveraged” based on a company’s resulting financial risk. Table 2 – Financial Risk Indicative Ratios of *Methodology: Business Risk/Financial Risk Matrix Expanded* breaks down these ratios and risk levels.  
<https://disclosure.spglobal.com/ratings/pt/regulatory/article/-/view/sourceId/7549527>.

<sup>17</sup> A Debt to Capital Ratio of 50% -60% is considered “Aggressive”, while a ratio of greater than 60% is considered “Highly Leveraged”.

<sup>18</sup> Schedule 3 – CF Ratios and Schedule 4 – CF Ratios, The Application.

<sup>19</sup> Staff Data Request No. 0006.

<sup>20</sup> FRED Economic Data, <https://fred.stlouisfed.org/series/DGS30>.

<sup>21</sup> The Wall Street Journal, [https://www.wsj.com/finance/investing/jgbs-consolidate-supported-by-u-s-treasurys-gains-7edccc7d?mod=md\\_bond\\_news](https://www.wsj.com/finance/investing/jgbs-consolidate-supported-by-u-s-treasurys-gains-7edccc7d?mod=md_bond_news).

**RECOMMENDED CONDITIONS:**

Staff recommends that the Commission approve the Application submitted by Ameren Missouri in this case as not detrimental to the public interest as Ameren Missouri states in its Application at page 8, Paragraph 18, first sentence, 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 any later rate proceeding;
2. That the Company shall file with the Commission within thirty (30) 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 be required to file a five-year capitalization expenditure schedule in future finance cases;
5. That the Company be required to file in future finance cases, whereby the use of proceeds includes the repayment of short-term debt which cannot be linked to the repayment of long-term debt, a schedule that reconciles short-term debt incurred for purposes of long-term capital projects specifically and individually disclosed in quarterly and annual filings with the Securities and Exchange Commission. For those capital expenditures not categorized in Securities and Exchange Commission filings, Ameren Missouri shall provide an aggregate sum of the miscellaneous expenditures;
6. Should any proceeds from the issuance and sale of the New Indebtedness exceed the Applicant's short-term debt balance on the date prior to issuance and be used to fund near-term capital expenditures, the Company will pay appropriate fees to the Commission; and,
7. 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 an Order                        )  
Authorizing the Issue and Sale of Additional                        )  
Long-Term Indebtedness    )  
**File No. EF-2025-0135**

**AFFIDAVIT OF JOHNNY GARCIA**

STATE OF MISSOURI            )  
  ) ss  
COUNTY OF COLE            )

**COMES NOW JOHNNY GARCIA**, and on his oath states 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.

  
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**JOHNNY GARCIA**

**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 4<sup>th</sup> day of February 2025.

**D. SUZIE MANKIN**  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: April 04, 2025  
Commission Number: 12412070

  
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Notary Public