Memo

Subject: Grounds for a Yes vote on Ameren (AEE) shareholder resolution requesting a report on coal combustion waste risk mitigation

Date: March 2011

Contact: Barbara Jennings
314-678-0471, midwest.coalition@yahoo.com
Lead Filer: School Sisters of Notre Dame (Midwest Coalition For Responsible Investment)

Ameren Shareholders are encouraged to vote FOR the following resolution:

RESOLVED: Shareholders request that the Board prepare a report on the company’s efforts, above and beyond current compliance, to identify and reduce environmental and health hazards associated with past and present handling of coal combustion waste, and how those efforts may reduce legal, reputational and other risks to the company’s finances and operations. This report should be available to shareholders within 6 months of the 2011 annual meeting, be prepared at reasonable cost, and omit confidential information such as proprietary data or legal strategy.

Ameren fails to sufficiently disclose efforts to reduce risks related to coal ash:

In recent years, environmental and health impacts of coal combustion waste (CCW or coal ash) have collectively cost Ameren’s peers billions of dollars.\(^1\) Anticipated regulatory changes by EPA on coal ash, described below, will likely affect shareholder value. Ameren has failed— in its SEC filings, on its website, or in other public documents—to provide investors with sufficient evidence that it is addressing or mitigating coal ash-related risks.\(^2\) Of the 35 active coal ash ponds that Ameren operates at its coal-fired power plants in Missouri and Illinois, 19 are unlined.

Rationale for a “FOR” vote:

Legal and Financial Risks Need to be Disclosed and Mitigated:

---


1. Leaching of coal ash from Ameren’s Venice, IL power plant has already resulted in significant contamination of offsite groundwater, and the costs of containment and cleanup are set to exceed $11.2 million.³

2. In 1992, Ameren admitted that its unlined coal ash pond in Labadie, MO had two leaks, one of which was leaking 51,000 gallons per day.⁴ No action has been taken to repair these leaks, monitor area groundwater, or clean up the contamination; the damage to fish and wildlife has never been monitored.

3. Ameren is currently seeking state and local approval to place a new coal ash landfill in the Missouri River floodplain at its Labadie plant, despite opposition from local residents and ratepayers.⁵ Ameren has never revealed its studies of alternative sites or its financial risks if flood-caused overflows leak into the drinking water of local persons, as well as population centers downstream. Fifty percent of Missourians drink from Missouri River water, and St. Louis lies only 30 miles downstream of the Labadie plant.⁶

4. Ameren’s response to a Spring 2009 EPA questionnaire offered limited disclosure of its coal ash disposal practices, insufficient for investors’ decision-making.⁷ The EPA survey was sent, at least in part, to provide data for EPA’s proposed rule-making on CCW.⁸

5. The EPA has recently sued Ameren, alleging the utility made major upgrades to its coal-fired power plant in Festus without installing modern pollution control equipment. The litigation may take years to solve. Ameren says the requirements of EPA do not apply to upgrades that constitute routine maintenance.

6. The EPA is proposing new federal rules regarding disposal of coal ash, including declaring it a hazardous waste. To meet these regulations, utilities may be required to spend significant sums upgrading their coal ash facilities.⁹

Reputational Risks:

As a rate-regulated utility and a merchant power generator selling power on the open market, Ameren needs to maintain a good reputation with regulators, rate payers and the public where it operates. If Ameren loses the trust of its customers and the public, it will be more difficult to undertake major new projects and recover costs.

---

³ http://docs.google.com/viewer?a=v&q=cache:7veCoA6LAHUj:www.epa.state.il.us/water/ash-impoundment/ameren-venice-station/pond-closure.pdf+Leaching+of+coal+ash+from:+Ameren%E2%80%99s+Venice,+IL+power+%2411.2+hil=en&gl=us&pid=bl&srcid=ADGEESgjil-_2LaR6jrm09e55UfgjYW8592jdGXpNNAoeJdrjKID - 4u7uTknT3UsMnlUTbJm3TwCfWCoFv4KnLCEJbqA_-_POqGWW9kaboA9LSYUNycQ1E5dGEbO33cKkAdzRPQFV&sig=AHIEtbTxqUj1Jq83p9jJPeGArg4KRpapQ
⁴ NPDES Permit No. MO-0004812 Attachment A, Description of Designated Outfalls., p. A-2
⁷ http://www.epa.gov/waste/nonhaz/industrial/special/fossil/surveys/index.htm
⁸ http://www.epa.gov/waste/nonhaz/industrial/special/fossil/ccr-rule/index.htm
⁹ http://www.epa.gov/waste/nonhaz/industrial/special/fossil/ccr-rule/index.htm
1. Local Missouri residents may have unique concerns about Ameren projects, given a history of severe flood damage. In December 2005, the Taum Sauk Reservoir breached its banks because of heavy rains. This led to the release of one and a half billion gallons of water which took a destructive path straight through Johnson Shut-Ins State Park and swept away the superintendent’s home, injuring his three children. Costs were above $300 million including fines paid to the Federal Energy Regulatory Commission, the State of Missouri, and lost profits. There is an added concern that climate change may augment the risks of flooding.

2. Given that various regions of the U.S. are experiencing more frequent and more severe droughts, residents of Missouri are wary about possible scarcity of clean water. Coal Combustion Waste contamination is an additional source of concern.

3. Local residents believe that Ameren is trying hard to pass local and state regulations for the new Labadie CCW facility before new EPA rules are decided. Ameren wants to grandfather in the old rules before complying with the new rules; it seems that the “disciplined expenditure reductions” the Company adheres to will preclude a careful, modern, proactive safety plan for Labadie CCW. Truly careful spending requires publicly reviewed assessment and deployment of best practices to reduce the risk of accidents -- without these elements, Ameren risks losing the confidence of the public and regulators, which in turn risks its ability to pursue growth plans by undertaking significant new projects.

Ameren Lags Competitors in Mitigation of Coal Ash Risk:

1. First Energy decided in 2010 to switch from wet to dry storage of all coal ash.\(^{11}\) Dry storage is safer than wet, and is considered an industry best practice.\(^{12}\)

2. Duke Energy will install synthetic caps and liners at existing and new coal ash landfills and convert from wet to dry storage.\(^{13}\)

3. MDU Resources\(^{14}\) and CMS Energy\(^{15}\) responded to a similar shareholder proposal with comprehensive reports.


5. Duke Energy and Progress Energy also provide relevant information via public documents and web sites.

6. Xcel will increase disclosure on coal ash management and disposal practices as well as risk mitigation efforts.

\(^{10}\) [http://www.network54.com/Forum/3897/thread/1134582557/Taum+Sauk+Pumped+Storage+Reservoir+Disaster](http://www.network54.com/Forum/3897/thread/1134582557/Taum+Sauk+Pumped+Storage+Reservoir+Disaster)


Conclusion:

An increasing number of studies and reports underscore that current practices for storing, managing, reusing, and disposing of CCW are: 1) insufficient to protect human and environmental health, and; 2) insufficient to protect utilities from financial and regulatory risk.\(^\text{16}\) The movement towards regulating CCW as a hazardous waste in the United States, public sentiment across the country, recent high-profile environmental and health incidences associated with CCW, and the increasing response by many large companies suggest that companies not addressing the issue in an aggressive and transparent way are exposing themselves to escalating risk.

Ameren is not doing enough to address the risk of CCW. The company is not disclosing to investors the significance of the risks—both regulatory and reputational—associated with their CCW storage practices, nor is Ameren providing sufficient information on how the risks will be managed.

\(^{16}\) http://www.sourcewatch.org/index.php?title=Coal_ash