Memo

Subject: Grounds for a Yes vote on Ameren (AEE) shareholder resolution requesting a report on plans to reduce air emissions and provide comprehensive energy efficiency/renewable programs.

Date: March 11, 2012

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Ameren Shareholders are encouraged to vote FOR the following resolution:

> ***RESOLVED****: Shareholders request that a committee of independent directors of the Board assess actions the company is taking or could take to build shareholder value and reduce greenhouse gas and other air emissions by providing comprehensive energy efficiency and renewable energy programs to its customers; and that the Company report to shareholders by September 1, 2012 on its plans to achieve this goal. Such a report may omit proprietary information and be prepared at reasonable cost.*

Ameren fails to sufficiently disclose efforts to reduce emissions-related risks:

Anticipated regulatory changes (federal and regional) on SO_2, NOx and mercury emissions will likely impact shareholder value. In addition to these regulations, Ameren will be subject to new state Renewable Portfolio Standards. Ameren has not provided, in its quarterly and annual reports, or in other public documents, sufficient evidence that it is addressing or mitigating the financial risks associated with these regulatory changes. In 2010, Ameren was the 6th largest utility emitter of SO_2 (sulfur dioxide) and the 4th largest emitter of mercury in the U.S., with about 85% of its electric generation coming from fossil fuels.[1]

Rationale for a "FOR" vote:

Financial Risks Need to be Disclosed and Mitigated:

1. Ameren's Meredosia, IL power station was ranked 70 on the list of 100 Top-polluting U.S. electric utility facilities in 2009.[2] In its 2011 SEC filings, Ameren acknowledges some of the financial risk associated with the company's high

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[1] http://www.ceres.org/resources/reports/benchmarking-air-emissions-2010
[2] http://www.southernstudies.org/assets_c/2009/01/tri_top_100_surf_imp_rels_p11.html

emitting plants but did not disclose the likelihood of retiring the Meredosia and Hutsonville plants (both now slated for closure by the end of 2012).[3] These 2 plant closings alone represent a 3.2% loss in Ameren's total generating capacity.

2. Ameren plants will need to comply with new EPA emissions standards and Illinois Multi-Pollutant Standards (MPS), the latter being more stringent.
    a. Ameren does make reference to the costs associated with EPA's new Cross-State Air Pollution Rule (CSAPR) and Mercury and Air Toxics (MATS) emissions rules in its annual financial report, but is waiting for the rule to be finalized before any action is taken.[4]
    b. Ameren faces even tighter emissions standards from Illinois Multi-Pollution Standards (MPS). These standards require additional reductions in both SO_2 and NOx, beyond reductions required by power producers in other regions.[5]
3. Ameren subsidiary, Union Electric, has committed to purchasing 102MW of wind power from phase II of Horizon Wind Energy's Pioneer Prairie Wind Farm in Iowa. As one of their larger renewable energy projects, this effort is negligible compared to Ameren's total 16,400MW generating capacity.
4. Ameren, among the larger electric utilities in the mid-west, is subject to Illinois State Renewable Standards. This requires 9% of total retail sales to come from certain renewable technologies by 2015 (16% by 2020)[6], a goal which Ameren Illinois is far from reaching at this point in time and has not indicated how it plans to achieve this goal.
5. Missouri State Renewable Standards require 8% of total retail sales come from renewable technologies by 2015 (11% by 2020)[7]. Ameren Missouri is far from reaching these commitments as well.

Reputational Risk:

It is important for Ameren to maintain solid standing with regulators, ratepayers and the public in their operating region. Without the trust of their customers, it will be difficult to undertake major new projects and recover costs.

1. Ameren subsidiary, GenCo, has scaled back the scrubber project at its Newtown Plant. This 57% reduction (-$282Million) in capital expenditure is likely an attempt to reduce capital expenditures and maintain options. Though a default at GenCo would not necessarily result in cross-default at other Ameren subsidiaries, management may consider Chapter 11 restructuring.[8]

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[3] http://www.huffingtonpost.com/2011/10/04/ameren-cites-epa-rules-closure-illinois-plants_n_994334.html
[4] Ameren Corp. 10-Q (2011)
[5] http://www.epa.state.il.us/air/drafts/regional-haze/tsd-bart.pdf
[6]http://www.dsireusa.org/library/includes/incentive2.cfm?Incentive_Code=IL04R&state=IL&CurrentPageID=1&RE=1&EE=1
[7]http://www.senate.mo.gov/07info/BTS_Web/Bill.aspx?SessionType=R&BillID=128
[8] UBS Analyst Report: *Ameren Corp, Capex Cuts Conserve Cash,* 28 February, 2012

2. In October 2009, consumer advocate groups Citizens Utility Board (CUB) and AARP, along with two Illinois state representatives, spoke out against a proposed $226 million rate increase requested by Ameren Illinois Utilities, an Ameren subsidiary. Residents were encouraged to sign petitions and contact the Illinois Commerce Commission regarding the proposed rate increase, which follows a successfully granted $162 million increase from 2008. A CUB study released earlier in the month reviewed 115 utility companies and concluded that Ameren was one of the most wasteful, with respect to administrative, distribution, and customer care spending.[9]
3. In March 2010, the non-profit group Environmental Integrity Project (EIP) listed Ameren in a report, as among the U.S.'s worst emitters of mercury, a highly toxic metal of which trace amounts are present in fossil fuels such as coal and oil. The report suggested that while overall mercury emissions had seen a decline between 2007 and 2008, Ameren, along with a number of other major U.S. power suppliers, had actually increased its mercury emissions during that period. In January 2011, the U.S. Environmental Protection Agency (EPA) filed a lawsuit claiming that Ameren performed modifications at a Missouri plant almost a decade ago without obtaining required permits or installing "state of the art" pollution controls to reduce harmful sulfur dioxide emissions. The suit alleges that the company released emissions from its Rush Island power plant that violated the Clean Air Act.[10]

Ameren lags competitors in emissions reductions and energy efficiency planning:

1. American Electric Power set a target of reducing GHG emissions 10% by 2020 (compared to Ameren's 3-5% commitment).[11]
2. Ameren subsidiaries, Union Electric for example, perform poorly compared to other similar utilities in Energy Efficiency (EE) efforts[12]
    a. Relative EE Spending – energy efficiency expenditures per megawatt-hour of retail sales
        i. **Union Electric (Ameren): $0.38/MWh**
        ii. MidAmerican Energy (MidAmerican): $1.41/MWh
        iii. Northern States Power (Xcel): $1.34/MWh
        iv. Consumers Energy (CMS Energy): $0.63/MWh
    b. Relative EE Savings – incremental energy savings as a percentage of megawatt-hours delivered
        i. **Union Electric (Ameren): 0.1%**
        ii. MidAmerican Energy (MidAmerican): 1.1%
        iii. Northern States Power (Xcel): 0.9%
        iv. Consumers Energy (CMS Energy): 0.4%

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[9] Sustainalytics Report: Ameren; Peoria Journal Star, 2 October 2009

[10] Sustainalytics Report: Ameren; http://www.stltoday.com/business/local/u-s-sues-ameren-over-rush-island-utility-emissions/article_67ba9a72-3fbd-5b54-822e-1dcd6ba04ce6.html

[11] www.cdproject.net

[12] http://www.ceres.org/resources/reports/benchmarking-electric-utilities-2011/view

Conclusion:

The overwhelming national and international consensus is that the transition into an efficient and largely renewable energy sector must happen quickly to avoid the substantial costs associated with pollution from power plants. Like many coal-fired power companies, Ameren Corporation faces a number of short and long term regulatory risks associated with tis transition. These risks will very likely increase production costs and reduce profits from its existing fleet of coal plants.

Ameren is not disclosing sufficient information on how these risks will impact shareholder value, and how the company plans to effectively expand it's energy efficiency and renewable energy offerings.