

Ameren CEO Looks Ahead

Conversation with Ameren CEO Marty Lyons,
Co-moderated by PUF's Steve Mitnick
and Guidehouse's Steve Waller



The Midwest represents the heartland of the energy renaissance as energy and utilities companies move toward clean energy goals. Meeting the challenges and opportunities of producing greater reliability and resiliency in the face of the effects of climate change is not easy and takes leadership.

One such leader is Ameren CEO Marty Lyons, who points out that it is only the start in terms of opportunities to replace aging infrastructure with modern technology and produce greater reliability and resiliency benefits to customers who demand more energy too. It takes a lot of hard work by everyone at the utility.

To find out more about how Ameren CEO Marty Lyons is rolling up his shirtsleeves and getting to work on the energy transformation, Public Utilities Fortnightly's Steve Mitnick and Guidehouse's Steve Waller engaged him in conversation. They explore many subjects affecting the utility's changes in the Midwest region.

PUF's Steve Mitnick: How do you view your company's next year as we're starting to go into 2025?

Marty Lyons: I'm super excited about next year, as well as the next five to ten years for our company. We're seeing for the first time in maybe two decades, terrific economic development opportunities, both in Missouri and Illinois, driven by manufacturing opportunities, as well as significant data center interest, representing thousands of megawatts of potential new electric demand.

What's exciting for our region is the promise of jobs, a higher tax base, and of course, the prospect of greater sales of our product. We've been investing heavily in our region in energy delivery and transmission, as well as cleaner energy resources, for the past ten years. Over the next decade, we have a robust pipeline of investment opportunities of more than fifty-five billion dollars to make our energy grid stronger, smarter, and cleaner.

These investments to bolster reliability, coupled with our efforts around continuous improvement and disciplined cost control, are going to reap dividends in helping to attract and retain businesses looking at opportunities to grow in our region.

As new business opportunities come to our region and bring more jobs and sales opportunities, it will require more investment in our distribution system and in transmission. Importantly, we also must build the portfolio of generation resources needed to serve these customers reliably.

And for Ameren, as a fully rate-regulated utility, infrastructure investment and rate-base growth are the building blocks of strong earnings growth. We're excited about what we're seeing. Next year is going to be a strong year.

We think this momentum is going to carry out over the next five and ten years. It's an exciting time for our industry. Our customers depend on us more than ever for reliability and resiliency as we're seeing greater impacts of climate change.

Greater dependence upon our critical services, plus a desire for cleaner energy to meet growing energy demands, provide opportunities for us to invest and provide greater satisfaction to our customers.

Looking ahead, our plan is expected to grow earnings per share at a rate of six to eight percent compounded annually, which is

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supported by greater than eight percent annual compound rate-base growth.

Over the past decade, we have delivered at or above our earnings guidance midpoint with earnings growth since 2013 rising at a 7.8 percent compound annual growth rate, while maintaining reliability and affordable rates that are at or well below the Midwest average.

Guidehouse's Steve Waller: Artificial intelligence and related data, economic growth opportunities of the energy transition, and the federal government leaning into the transition through vehicles like the Inflation Reduction Act: When you think about that mix, how do you view key areas of growth in the near and longer term?

Marty Lyons: We've organized our business into four segments. We see terrific opportunities for investment and growth across all four of those operating segments.

Our Missouri business is primarily a vertically integrated, rate-regulated electric delivery business, so we have generation as well as transmission and energy delivery.

In Illinois, we've got an electric distribution business, a gas distribution business, and a FERC-regulated transmission business.

One of the reasons we're positioned well to invest, to grow, and to satisfy the growing demands of our customers is because of the strategy we employ. We invest in rate-regulated infrastructure. We advocate for good energy policy. We work to continuously improve our operations, and through that, expect we can deliver superior customer satisfaction and total shareholder returns versus other utilities.

It's a dynamic time because of the load growth and evolving energy policies you mentioned. And these things are important



We're investing heavily in transmission. We are completing the Tranche 1 projects approved by MISO, of which we were awarded approximately 25% of the \$10 billion total portfolio. These projects will help to ensure a reliable, resilient, and cost-effective transmission system as the resource mix continues to change.

in the MISO region where we're operating. It's tight from the standpoint of supply and demand.

We'll leverage that strategy to identify the best investments in all of our businesses. It is going to require investments in energy delivery, transmission, and generation to satisfy the growing needs of our customers reliably and affordably, and facilitate the clean energy transition.

Because of that strategy, we'll make sure we're engaging stakeholders along the way. To grow each one of those segments, and to meet the demands of our customers and the communities who count on us, it's beneficial to all stakeholders and especially customers to have good energy policy and fair, constructive regulatory jurisdictions and outcomes.

We're going to be engaged in educating stakeholders and making sure local communities see the opportunities that go

along with economic development for the jobs and tax base. Also, helping them understand that it's going to take constructive energy and regulatory policy to facilitate the investments needed to produce great results for our customers and communities.

PUF: What are the benefits of this kind of path for the utility customer?

Marty Lyons: Well, for years we've seen residential, commercial, and industrial customers depending more heavily on our electric and natural gas service. First and foremost, the investments we're making are helping to drive higher levels of reliability.

We're continuing to invest across our service territory in stronger poles, composite poles, and thicker wood poles. We have built many new advanced substations, installed smart switches and smart meters, and have invested in fiber optics and other communications infrastructure.

All of this is producing greater reliability and resiliency in the face of the effects of climate change. It's giving us better situational awareness and our customers better information and control. We're seeing more severe weather in summer months as well as in the winter months, and despite more severe weather, we are producing better results from a reliability perspective.

We've got systems in the Midwest that we've built in varying stages over the past hundred years. While we've been at this now for five or ten years, we're scratching the surface in terms of the opportunities to replace aging infrastructure with modern technology and produce greater reliability and resiliency benefits for our customers. They're demanding that.

The generation footprint is also changing. We're seeing conversion away from coal-fired energy centers to gas-fired energy centers. We have a growing portfolio of renewable energy centers in wind and solar, and these new resources need to be connected to the grid in an efficient, effective way.

We're investing heavily in transmission. We are completing the Tranche 1 projects approved by MISO, of which we were awarded approximately twenty-five percent of the ten billion dollars total portfolio. These are baseline, no-regrets projects that will help to ensure a reliable, resilient, and cost-effective transmission system as the resource mix continues to change.

MISO is focused now on Tranche 2.1 and Tranche 2.2 investments, which will create high-voltage transmission highways within the MISO region to maximize value based on land use, line distances, transfer levels, and costs. In Tranche 2.1, MISO identified an estimated \$3.6 billion of investment within our service territory and a total portfolio of approximately \$21.8 billion across the North and Midwest regions.

These are a necessary portfolio of investments to make sure the grid of the future incorporates more renewable resources and is going to move energy in an efficient, effective manner for both customer reliability and affordability.

We're investing in renewable energy resources, as well as gas-fired dispatchable energy resources to make sure our portfolio can meet the needs of our Missouri energy customers, both in summer peak and a growing winter peak. It's making sure we've got the right mix of resources for our customers, again, focused on reliability, cleaner energy, and building out the most affordable portfolio of energy resources.

Steve Waller: When you think about all that opportunity, what are the challenges that you see? Also, how is Ameren looking to manage and navigate those challenges?

Marty Lyons: A strong focus is on picking the right portfolio of energy resources. We, like many of our peers, want to get as clean as we can, as fast as we can. We have a net-zero goal of 2045, but between now and 2045, need to satisfy growing demand for electricity.

Today, we're going to lean into more solar and wind, along

with gas-fired generation and short-duration battery storage. We believe over time we'll see development in carbon capture, green hydrogen, and long-duration energy storage. But we need to bridge between now and when those technologies are available and commercially viable.

We're proponents of nuclear energy. We operate a nuclear power plant today. It's licensed to go sixty years. My sense is at some point it'll be licensed to go to eighty years. We are optimistic that in the 2040 timeframe we could see the deployment of small modular reactors in our service territory.

One of the big challenges is making sure we're addressing the growing energy needs over the next five, ten, and fifteen years.

We operate a nuclear power plant today. It's licensed to go 60 years. My sense is at some point it'll be licensed to go to 80 years. We are optimistic that in the 2040 timeframe we could see the deployment of small modular reactors in our service territory.

That's while positioning ourselves to take advantage of some of the technological developments we expect to see that allow us to get to that net-zero goal in 2045.

The other challenge we're all facing today is that the demands for energy are building, and the energy grid is tight. So, long lead times with respect to constructing some of the generation and transmission needed to satisfy this load is also a challenge that is on many energy leaders' minds today, including my own.

One of the other challenges is around energy policy and constructive regulatory frameworks. We need to make sure everybody's aligned and understands the benefits that can come to our communities with economic development. They also need to understand the energy demands and critical investments needed to satisfy those obligations, to facilitate economic development while keeping rates affordable.

We'll need to have good conversations with energy policy folks in the states and at the federal government level, including at our state commissions, to make sure we're all in lockstep as we move forward.

With the federal government, an election is coming up. We'll see how that turns out. But energy policy and tax policy often merge. I expect that in 2025, we're going to be debating tax policies at the federal level, and that's going to be important to our success and making sure we've got reliable, cleaner energy at an affordable price for our customers. **PUF**