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Shareholders Challenge Ameren to Disclose Plan to Reduce Costs and Risks of Coal

Upcoming Votes on Similar Shareholder Resolutions at Ameren, Duke, and FirstEnergy

On Tuesday, April 24th at Ameren's annual meeting in St. Louis, Missouri, investors will vote on a resolution, filed by the shareholder advocacy group As You Sow, that asks Ameren to prepare a plan to reduce exposure to the costs and risks associated with continued reliance on coal, and to report to shareholders on progress in meeting the risk-reduction goals set in the plan.

"In the past several years, a combination of environmental compliance costs, commodity, and construction risks have rendered older coal units uneconomical, and the prospects for the remaining coal plants are exceedingly uncertain and risky," says Corinne Bendersky, As You Sow's Energy Program Manager. "We want Ameren to disclose a coherent plan to mitigate these risks in order to protect shareholder value and shield customers from rising rates." The As You Sow proxy memo that discusses in detail the coal-related risks Ameren faces is available at: http://www.asyousow.org/health_safety/coal.shtml.

Ameren's current disclosures indicate that the company will continue to rely heavily on coal and has no plans to diversify its fleet. All three major credit rating agencies have downgraded Ameren's merchant business segment, and analysts have warned that it might be forced to go bankrupt due to: 1) the low cost of natural gas-fired power; 2) higher coal prices; and 3) increasing capital expenses for environmental compliance.

Ameren, which relies on coal for 98% of the power for its merchant fleet and 85% for its regulated fleet, was ranked by Fitch Ratings as second among the top 10 U.S. utilities with coal plants lacking environmental controls that are at risk of retirement.

"At a time when coal's share of the U.S. electric power market is shrinking and coal assets are losing value, investors must exercise enhanced diligence regarding investments in coal-dependent utilities," continued Bendersky. "Customers should also keep a close eye on their utilities to ensure that they won't be left responsible for paying for the company's poor investment decisions."

Similar resolutions requesting coal risk mitigation plans will be voted on at the annual meetings of Duke Energy on May 3rd and FirstEnergy on May 15th.

“These upcoming shareholder resolutions and As You Sow’s work with coal-fired utilities reflects investors’ concern with the economic viability of coal as an electricity-generating source,” says As You Sow CEO Andrew Behar. “The economics of coal no longer make sense and shareholders need to press companies for answers about the future of their investments.”

Given the 2014 deadline for compliance with the new mercury emissions standards, utilities are faced with immediate decisions regarding investing in environmental controls or retiring their aging coal-fired generating assets. Ameren’s current environmental compliance strategy hinges on a single six year contract for ultra-low-sulfur coal from the Powder River Basin (PRB). Prices for PRB coal have been increasing and volatile. Industry analysts foresee even greater volatility and upward long-term price pressure as more PRB is exported to meet international demand. Ameren has not disclosed its plans to manage this risk after its PRB contract expires in 2017.

In addition, with pending regulations of greenhouse gases and other air emissions, water intake, and coal combustion waste on the EPA’s agenda, Ameren is only postponing further investments that will be required to bring its coal plants into compliance. For Missouri residents, served by Ameren’s regulated utility, this means that customers will likely be stuck footing the bill to keep an aging, inefficient coal fleet operating.

The deteriorating economics of coal have also placed Ameren’s competitive power arm under significant financial pressure. Ameren abruptly halted construction of an environmental upgrade on its Newton coal plant and cancelled a project for its E.D. Edwards plant. The company, however, in its opposition statement to the As You Sow resolution makes the misleading claim that “construction has already begun” on the Newton scrubbers when, in fact, it has been postponed because “market conditions” make “incremental investment” in environmental controls at the plant uneconomic. As You Sow has asked the company to take steps to correct this misrepresentation at the annual shareholder meeting next week.

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As You Sow is a nonprofit organization that promotes corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies. For more information visit www.asyousow.org.