Illinois Development Finance Authority (IP Project)
--Senior secured PCRBs to 'BBB+' from 'BBB'.

The following rating is withdrawn:

Central Illinois Light Company
--Commercial paper (CP) of 'B'.

The following ratings are unaffected:

Ameren Corp
--IDR 'BBB+';
--CP 'F2';
--Short-term IDR 'F2';
--Rating Outlook Stable.

Union Electric Company:
--IDR 'A-';
--Senior secured debt 'A+';
--Senior unsecured debt 'A';
--Subordinate debt 'A-';
--Preferred stock 'A-';
--CP 'F2';
--Short-term IDR 'F2';
--Rating Outlook Negative.

Ameren Energy Generating Company:
--IDR 'BBB+';
--Senior unsecured debt 'BBB+';
--Short-term IDR 'F2'.
--Rating Outlook Stable.

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Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

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RESEARCH

Research Update:

Ameren Corp.'s Illinois Subsidiaries Upgraded To Investment Grade

Publication date: 11-Sep-2008
Primary Credit Analyst: Barbara A Eiseman, New York (1) 212-438-7666; barbara_eiseman@standardandpoors.com

Rationale

On Sept. 11, 2008, Standard & Poor's Ratings Services raised its long-term corporate credit ratings on Ameren Corp.'s Illinois subsidiaries Illinois Power Co. (IP), Central Illinois Public Service Co. (CIPS), CILCORP Inc., and Central Illinois Light Co. (CILCO) to 'BBB-' from 'BB'.

At the same time, we affirmed the 'BBB-' ratings on Ameren, its Missouri utility subsidiary Union Electric Co. (UE), and unregulated generation subsidiary Ameren Energy Generating Co. The outlook is stable on all entities. St. Louis, Mo.-based Ameren had about $6.1 billion in consolidated outstanding long-term debt at June 30, 2008, excluding IP's securitized debt.

The upgrades on the Illinois subsidiaries reflect Standard & Poor's assessment that the regulatory and political environment in Illinois will be reasonably supportive of investment grade credit quality with regard to their pending rate cases. The Illinois Commerce Commission's (ICC) administrative law judges (ALJ) have endorsed electric and gas delivery service rate increase of $163.5 million, nearly 80% of the revised amount sought by Ameren's Illinois utilities, and significantly more than the $47 million rate hike recommended by the ICC staff. The ALJ decision is not binding on the ICC, whose final rate order is expected by Sept. 30, 2008. Unlike the significant rate increase requests in 2006-2007 that became so highly politicized, there has been virtually no resurgence of political interference or opposition to higher rates, other than the Citizens Utility Board, which characteristically opposes the utilities' position for higher rates. Moreover, the ICC's recently approved $270 million rate hike for Commonwealth Edison Co., a subsidiary of Exelon Corp., was supportive of credit quality and was materially larger that that of the ALJ's and staff's positions. In raising the ratings on the Illinois subsidiaries, we are assuming that higher rates, which would become effective in October, do not again become highly politicized.

Under the ALJ's proposed order, electric delivery rates for IPC and CIPS would climb $104.9 million (29.5%) and $23.9 million (11.2%), respectively, but decrease $379,000 (0.31%) for CILCO based upon ROE of 10.65%. The ALJ recommended gas rate increases for IPC and CIPS of $36.5 million (27.3%) and $7.3 million (11.25%), respectively, but a gas rate cut of $8.7 million (10.5%) for CILCO, predicated upon ROE's of 10.68%. Rate relief is needed to recover higher costs and for increased investment.

Standard & Poor's has also revised the business profiles on IP and CIPS to strong from satisfactory. The satisfactory business profile for the relatively low-risk transmission and distribution businesses of IP and CIPS was solely a function of the highly politicized environment in Illinois, which appears to have diminished. CILCORP and CILCO's business profiles remain satisfactory largely reflecting the riskier nature of CILCO's subsidiary AmerenEnergy Resources Generating Co.'s unregulated generation business and an industrialized service area that, while becoming more diverse, remains somewhat dependent on Caterpillar Inc. UE's business profile is regarded as strong and AEGC's is weak. Ameren's satisfactory consolidated business profile results from difficult regulatory environments in both Illinois and Missouri, the challenges of owning and operating a nuclear facility, and the riskier, unregulated generating fleet, offset somewhat by its position as one of the lowest-cost producers in the Midwest, strong transmission ties, and limited industrial exposure.

Due to rising operating expenses and significant rate base investments, including accelerating construction expenditures, Ameren's utilities are

expected to file for rate relief more frequently in the future. In addition to securing adequate levels of rate relief, the company will need to effectively contain costs, improve plant performance, and finance conservatively to enhance credit quality. In the interim, consolidated financial metrics are expected to continue to slip. In this regard, Standard & Poor's expects adjusted funds from operations (FFO) to total debt to fall below 17% and total debt to capital to exceed 55%, while internal funds covers roughly 50% to 60% of capital outlays. Although adjusted FFO interest coverage is likely to decline somewhat, it should remain healthy at around 4.0x.

Short-term credit factors

Following execution of the comprehensive settlement in Illinois, the company's principal immediate focus is on significant expenditures for environmental compliance and energy infrastructure, operational improvements, rate cases, and the competitive market for its unregulated generation fleet. Standard & Poor's expects that consolidated FFO will hover around $1.1 billion to $1.4 billion in 2008. This level of cash would significantly fall short of covering rising capital expenditures (estimated at $2.2 billion in 2008) and dividends of about $550 million. The actual level of prospective cash flows will depend on the future amounts of rate relief ultimately granted in pending rate cases.

After paying down its remaining $250 million of debt in May 2007, Ameren has no outstanding long-term debt at the parent level. Following the May 2008 maturity of $152 million at UE, the next noticeably large maturity is $250 million at Illinois Power in 2009. As of June 30, 2008, Ameren had $205 million in cash and cash equivalents.

An amended $1.15 billion agreement will terminate on July 14, 2010, with respect to Ameren; however, UE and AEGC will have the option to seek an annual renewal on a 364-day basis after their current termination date of July 10, 2008. CIPS, CILCORP, CILCO, and Illinois Power do not have borrowing authority under this facility. At the end June 2008, $717 million was available under the $1.15 billion multiyear revolver, which is used primarily to support commercial paper programs. On June 25, 2008, Ameren entered into a $300 million term loan due June 24, 2009, which was fully drawn on June 26, 2008. Proceeds were used to reduce amounts borrowed under the $1.15 billion credit facility, which made additional amounts available for borrowing under that credit facility.

In 2006, CIPS, CILCORP, CILCO, Illinois Power, and AERG entered into a $500 million multiyear credit facility that terminates on Jan. 14, 2010. An additional $500 million revolver was entered into on Feb. 9, 2007, and also expires in January 2010. Each borrower's obligations are several, and Ameren doesn't guarantee them. As of June 30, 2008, $350 million had been borrowed under the 2006 facility and $400 million had been borrowed under the 2007 facility.

The credit facilities require Ameren and each subsidiary to maintain a maximum debt-to-capital ratio of 65%, with which they comfortably comply. The $1.15 billion credit agreement does not require a representation of no material adverse change to borrow; however, the Illinois facilities include this requirement, subject to certain exceptions.

Outlook

Ratings stability for Ameren and its subsidiaries incorporates expectations for sufficient future rate relief in both Illinois and Missouri and credit-supportive actions by management. Downside ratings momentum would result from a weakening of consolidated financial metrics and a resurgence of political interference in the ratemaking process. In light of accelerating capital outlays, rising operating costs, higher fuel and transportation costs, and expected slippage in the company's overall financial condition, any upward ratings action in the near-term is unlikely.

Ratings List

Ratings Affirmed

Ameren Corp.	
Corporate credit	BBB-/Stable/A-3
Senior Unsecured (1 issue)	BB+
Commercial Paper (1 issue)	A-3

AmerenEnergy Generating Co.		
Corporate credit rating	BBB-/Stable/--	
Senior Unsecured (3 issues)	BBB-	
Central Illinois Public Service Co.		
Senior Secured (1 issue)	AA/Negative	
Union Electric Co. d/b/a AmerenUE Corporate credit rating BBB-/Stable/A-3		
Senior Secured (14 issues)	BBB	
Preferred Stock (6 issues)	BB	
Commercial Paper (1 issue)	A-3	

Upgraded

	To	From
CILCORP Inc. Corporate credit rating	BBB-/Stable/--	BB/Positive/--
Senior Unsecured (2 issues)	BB+	BB
Central Illinois Light Co.		
Corporate credit rating	BBB-/Stable/--	BB/Positive/--
Senior Secured (1 issue)	BBB+	BBB
Senior Secured (1 issue)	BBB+	BBB-
Preferred Stock (1 issue)	BB	B
Central Illinois Public Service Co.		
Corporate credit rating	BBB-/Stable/--	BB/Positive/--
Senior Secured (6 issues)	BBB+	BBB
Preferred Stock (5 issues)	BB	B
Illinois Power Co.		
Corporate credit rating	BBB-/Stable/--	BB/Positive/--
Senior Secured (4 issues)	BBB	BBB-
Preferred Stock (6 issues)	BB	B

Ratings Affirmed

Union Electric Co. d/b/a AmerenUE	
Senior Secured	
US$450 mil 6.7% sr secd nts due 02/01/2019	BBB
Recovery Rating	1

Upgraded

	To	From
CILCORP Inc.		
Senior Unsecured		
US$250 mil nts due 10/15/2029	BB+	BB
Recovery Rating	NR	3
US$225 mil 8.7% sr nts due 10/15/2009	BB+	BB
Recovery Rating	NR	3
Central Illinois Public Service Co.		
Senior Secured		
Local Currency	BBB+	BBB
Recovery Rating	1+	1+
Illinois Power Co.		
Senior Secured		
US$250 mil 7.5% 1st mtg bnd due 06/15/2009	BBB	BBB-
Recovery Rating	1	1
US$250 mil 6.125% sr secd nts due 11/15/2017	BBB	BBB-
Recovery Rating	1	1
US$337 mil 6.25% sr secd nts due 04/01/2018	BBB	BBB-
Recovery Rating	1	1

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search.

Moody's Investors Service

Global Credit Research
Rating Action
13 AUG 2008

Rating Action: Ameren Corporation

Moody's Downgrades Ameren and AmerenGenco; Outlook Stable

Approximately $800 million of Debt Securities Downgraded

New York, August 13, 2008 -- Moody's Investors Service downgraded the ratings of Ameren Corporation (Ameren), including its Issuer Rating, to Baa3 from Baa2, and its short-term rating for commercial paper, to Prime-3 from Prime-2; and the senior unsecured debt rating of AmerenEnergy Generating Company (AmerenGenco) to Baa3 from Baa2. The rating outlooks of Ameren and AmerenGenco are stable. Moody's also downgraded Union Electric Company's (d/b/a AmerenUE) short-term rating for commercial paper to Prime-3 from Prime-2. These rating actions conclude the review for downgrade initiated on May 21, 2008. The long-term ratings and outlooks of Central Illinois Public Service Company (d/b/a AmerenCIPS, Ba1 Issuer Rating, positive outlook); CILCORP Inc. (Ba1 Corporate Family Rating, positive outlook); Central Illinois Light Company's (d/b/a AmerenCILCO, Ba1 Issuer Rating, positive outlook), Illinois Power Company (d/b/a AmerenIP, Ba1 Issuer Rating, positive outlook), and Union Electric Company (d/b/a AmerenUE, Baa2 Issuer Rating, stable outlook) are unchanged.

"The downgrade of Ameren reflects declining consolidated coverage ratios over the last several years and Moody's expectation that ongoing cost pressures and the lack of timely regulatory recovery of some costs will prevent ratios from returning to historical levels over the near term", said Michael G. Haggarty, Vice President and Senior Credit Officer. Ameren has experienced higher operating and maintenance costs and increased capital spending requirements at both its utility and nonutility businesses. Limited rate relief, low returns, and the lack of automatic rate adjustment clauses has led to regulatory lag in recovering costs in recent years, which is reflected in its lower consolidated coverage metrics. In addition, the combination of large capital expenditures and the company's high dividend payout ratio has resulted in substantial negative free cash flow in 2007 and 2008, which is likely to continue over the next several years.

Ameren's lower rating is also prompted the downgrade of two of its major subsidiaries, Union Electric (to Baa2 on May 21, 2008) and AmerenGenco (with this rating action), which will decrease the quality of expected cash flows upstreamed to the parent company. Although Moody's maintains positive outlooks on the ratings of Ameren's Illinois utility subsidiaries, any upward movement of these ratings is likely to be modest and not significant enough to offset the lower ratings of Union Electric and AmerenGenco, which represent the bulk of the cash flows upstreamed to the parent. The downgrade also considers longer-term challenges facing Ameren, including the potential passage of carbon control legislation next year and the possible construction of a new nuclear unit at Union Electric, which just submitted a combined Construction and Operating License Application (COLA) to the Nuclear Regulatory Commission.

The downgrade of AmerenGenco reflects higher capital expenditures at this predominantly coal fired generating subsidiary, some of which are likely to be financed with additional long-term debt; and the likelihood that the company will be negatively affected over the long-term by the implementation additional environmental compliance requirements or controls on carbon emissions. The downgrade also considers its higher business and operating risk profile, as Moody's views AmerenGenco as more of a merchant generating company selling into unregulated power markets rather than a completely contracted genco selling most of its power to Ameren affiliates. Although financial metrics have improved since the expiration of these below market affiliate contracts, this improvement is not sufficient enough to offset its increased business risk profile.

The downgrade of Union Electric's short-term rating for commercial paper to Prime-3 from Prime-2 is prompted by the downgrade of Ameren's short-term rating to Prime-3. Ameren and Union Electric share the same bank credit facility, with Union Electric able to borrow on a 364-day basis under the facility. The two entities also share a money pool arrangement and Union Electric is highly dependent on the parent for liquidity and financial support, as has been demonstrated by capital contributions from Ameren to Union Electric and a $50 million intercompany note payable from the utility to the parent outstanding as of June 30, 2008.

The maintenance of a positive rating outlook of Ameren's Illinois utilities reflects the potential for modest upward movement in their ratings in the event there is a supportive outcome of their pending distribution rate cases, resulting in an improvement in some of their relatively low cash flow coverage metrics; if there is a reduction in high short-term debt levels and an extension of their bank facilities, increasing financial flexibility; or if there is a successful implementation of new power procurement policies and procedures in Illinois.

Ratings downgraded include:

Ameren's Issuer Rating, to Baa3 (stable outlook) from Baa2; and short-term rating for commercial paper, to Prime-3 from Prime-2;

AmerenGenco's senior unsecured debt, to Baa3 (stable outlook) from Baa2;

Union Electric's short-term rating for commercial paper, to Prime-3 from Prime-2.

Ameren Corporation is a public utility holding company headquartered in St. Louis, Missouri. It is the parent company of Union Electric Company (d/b/a AmerenUE), Central Illinois Public Service Company (d/b/a AmerenCIPS), CILCORP Inc., Central Illinois Light Company (d/b/a AmerenCILCO), Illinois Power Company (d/b/a AmerenIP), and AmerenEnergy Generating Company.

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Fitch Upgrades Ameren's Illinois Utility Subsidiaries; Removed from Rating Watch Positive

Ratings
16 Oct 2008 11:13 AM (EDT)

Fitch Ratings-New York-16 October 2008: Fitch Ratings has upgraded the Issuer Default Ratings (IDR) of Ameren Corp.'s Illinois utility subsidiaries as follows: Central Illinois Light Company (CILCO) to 'BBB' from 'BB+' and Central Illinois Public Service Company (CIPS), Illinois Power Co. (IP) and CILCORP to 'BBB-' from 'BB+'. Fitch has also raised the instrument ratings for each entity as shown in the table below. Concurrent with this action, the ratings of each entity are removed from Rating Watch Positive. The Rating Outlook is Stable. The ratings of Ameren Corp. (IDR 'BBB+', Outlook Stable), Union Electric Co. (IDR 'A-', Outlook Negative) and Ameren Energy Generating Company (IDR 'BBB+', Outlook Stable) are unaffected by today's ratings actions.

The rating upgrades and Stable Outlook reflect the expected positive financial impact of electric and gas rate case decisions recently issued by the Illinois Commerce Commission (ICC). Both CIPS and CILCO were granted electric and gas rate increases effective Oct. 1, 2008, that are expected to improve credit quality measures to a level supportive of the new ratings. CILCO was required to moderately lower its electric and gas rates. However, even with the rate reductions CILCO's credit quality measures are expected to be supportive of the new ratings. The ratings also recognize the reduction in business risk that resulted from the 2007 Illinois Settlement Agreement, which affirmed the Illinois utilities' right to recover power procurement costs from customers.

Rising capital expenditures to meet environmental compliance standards are among the primary credit concerns. CILCO subsidiary AmerenEnergy Resources Generating Co. owns approximately 1,074 megawatts (MW) of coal-fired electric generation in Illinois that will require significant investment over the next several years. Similarly, Ameren subsidiaries Union Electric Company (regulated) and Ameren Energy Generating Co. (unregulated) own 5,422 MW and 2,549 MW, respectively, of coal-fired electric generation.

The following ratings have been upgraded and assigned a Stable Ratings Outlook:

Central Illinois Public Service Company (AmerenCIPS)
--IDR to 'BBB-' from 'BB+';
--Senior secured debt to 'BBB+' from 'BBB';
--Senior unsecured debt to 'BBB' from 'BBB-';
--Preferred stock to 'BBB-' from 'BB+';
--Short-term IDR to 'F3' from 'B'.

Central Illinois Light Company
--IDR to 'BBB' from 'BB+';
--Senior secured debt to 'A-' from 'BBB';
--Senior unsecured debt to 'BBB+' from 'BBB-';
--Preferred stock to 'BBB' from 'BB+';
--Short-term IDR to 'F3' from 'B'.

CILCORP
--IDR to 'BBB-' from 'BB+';
--Senior unsecured debt to 'BBB-' from 'BB+';
--Short-term IDR to 'F3' from 'B'.

Illinois Power Company
--IDR to 'BBB-' from 'BB+';
--Senior secured debt to 'BBB+' from 'BBB';
--Senior unsecured debt to 'BBB' from 'BBB-';
--Preferred stock to 'BBB-' from 'BB+';
--Short-term IDR to 'F3' from 'B'.

Illinois Development Finance Authority (CIPS Project)
--Senior unsecured PCRBs to 'BBB' from 'BBB-';

Illinois Development Finance Authority (IP Project)
--Senior secured PCRBs to 'BBB+' from 'BBB'.

The following rating is withdrawn:

Central Illinois Light Company
--Commercial paper (CP) of 'B'.

The following ratings are unaffected:

Ameren Corp
--IDR 'BBB+';
--CP 'F2';
--Short-term IDR 'F2';
--Rating Outlook Stable.

Union Electric Company:
--IDR 'A-';
--Senior secured debt 'A+';
--Senior unsecured debt 'A';
--Subordinate debt 'A-';
--Preferred stock 'A-';
--CP 'F2';
--Short-term IDR 'F2';
--Rating Outlook Negative.

Ameren Energy Generating Company:
--IDR 'BBB+';
--Senior unsecured debt 'BBB+';
--Short-term IDR 'F2'.
--Rating Outlook Stable.

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RESEARCH

Research Update:

Ameren Corp.'s Illinois Subsidiaries Upgraded To Investment Grade

Publication date: 11-Sep-2008
Primary Credit Analyst: Barbara A Eiseman, New York (1) 212-438-7666; barbara_eiseman@standardandpoors.com

Rationale

On Sept. 11, 2008, Standard & Poor's Ratings Services raised its long-term corporate credit ratings on Ameren Corp.'s Illinois subsidiaries Illinois Power Co. (IP), Central Illinois Public Service Co. (CIPS), CILCORP Inc., and Central Illinois Light Co. (CILCO) to 'BBB-' from 'BB'.

At the same time, we affirmed the 'BBB-' ratings on Ameren, its Missouri utility subsidiary Union Electric Co. (UE), and unregulated generation subsidiary Ameren Energy Generating Co. The outlook is stable on all entities. St. Louis, Mo.-based Ameren had about $6.1 billion in consolidated outstanding long-term debt at June 30, 2008, excluding IP's securitized debt.

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Following execution of the comprehensive settlement in Illinois, the company's principal immediate focus is on significant expenditures for environmental compliance and energy infrastructure, operational improvements, rate cases, and the competitive market for its unregulated generation fleet. Standard & Poor's expects that consolidated FFO will hover around $1.1 billion to $1.4 billion in 2008. This level of cash would significantly fall short of covering rising capital expenditures (estimated at $2.2 billion in 2008) and dividends of about $550 million. The actual level of prospective cash flows will depend on the future amounts of rate relief ultimately granted in pending rate cases.

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Outlook

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Ratings List

Ratings Affirmed

Ameren Corp.	
Corporate credit	BBB-/Stable/A-3
Senior Unsecured (1 issue)	BB+
Commercial Paper (1 issue)	A-3

```
AmerenEnergy Generating Co.
 Corporate credit rating                 BBB-/Stable/--
 Senior Unsecured (3 issues)             BBB-

Central Illinois Public Service Co.
 Senior Secured (1 issue)                AA/Negative

Union Electric Co. d/b/a AmerenUE Corporate credit rating
BBB-/Stable/A-3
 Senior Secured (14 issues)              BBB
 Preferred Stock (6 issues)              BB
 Commercial Paper (1 issue)              A-3

Upgraded
                                         To                   From
CILCORP Inc. Corporate credit rating                   BBB-/Stable/--
BB/Positive/--
 Senior Unsecured (2 issues)             BB+                  BB

Central Illinois Light Co.
 Corporate credit rating                 BBB-/Stable/--       BB/Positive/--
 Senior Secured (1 issue)                BBB+                 BBB
 Senior Secured (1 issue)                BBB+                 BBB-
 Preferred Stock (1 issue)               BB                   B

Central Illinois Public Service Co.
 Corporate credit rating                 BBB-/Stable/--       BB/Positive/--
 Senior Secured (6 issues)               BBB+                 BBB
 Preferred Stock (5 issues)              BB                   B

Illinois Power Co.
 Corporate credit rating                 BBB-/Stable/--       BB/Positive/--
 Senior Secured (4 issues)               BBB                  BBB-
 Preferred Stock (6 issues)              BB                   B

Ratings Affirmed

Union Electric Co. d/b/a AmerenUE
 Senior Secured

  US$450 mil 6.7%  sr secd nts due       BBB
  02/01/2019
   Recovery Rating                       1

Upgraded
                                         To                   From
CILCORP Inc.
 Senior Unsecured
  US$250 mil  nts due 10/15/2029         BB+                  BB
   Recovery Rating                       NR                   3
  US$225 mil 8.7%  sr nts due            BB+                  BB
  10/15/2009
   Recovery Rating                       NR                   3

Central Illinois Public Service Co.
 Senior Secured
  Local Currency                         BBB+                 BBB
  Recovery Rating                        1+                   1+

Illinois Power Co.
 Senior Secured
  US$250 mil 7.5%  1st mtg bnd due       BBB                  BBB-
  06/15/2009
   Recovery Rating                       1                    1
  US$250 mil 6.125%  sr secd nts due     BBB                  BBB-
  11/15/2017
   Recovery Rating                       1                    1
  US$337 mil 6.25%  sr secd nts due      BBB                  BBB-
  04/01/2018
   Recovery Rating                       1                    1
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Moody's Investors Service

Global Credit Research
Rating Action
13 AUG 2008

Rating Action: Ameren Corporation

Moody's Downgrades Ameren and AmerenGenco; Outlook Stable

Approximately $800 million of Debt Securities Downgraded

New York, August 13, 2008 -- Moody's Investors Service downgraded the ratings of Ameren Corporation (Ameren), including its Issuer Rating, to Baa3 from Baa2, and its short-term rating for commercial paper, to Prime-3 from Prime-2; and the senior unsecured debt rating of AmerenEnergy Generating Company (AmerenGenco) to Baa3 from Baa2. The rating outlooks of Ameren and AmerenGenco are stable. Moody's also downgraded Union Electric Company's (d/b/a AmerenUE) short-term rating for commercial paper to Prime-3 from Prime-2. These rating actions conclude the review for downgrade initiated on May 21, 2008. The long-term ratings and outlooks of Central Illinois Public Service Company (d/b/a AmerenCIPS, Ba1 Issuer Rating, positive outlook); CILCORP Inc. (Ba1 Corporate Family Rating, positive outlook); Central Illinois Light Company's (d/b/a AmerenCILCO, Ba1 Issuer Rating, positive outlook), Illinois Power Company (d/b/a AmerenIP, Ba1 Issuer Rating, positive outlook), and Union Electric Company (d/b/a AmerenUE, Baa2 Issuer Rating, stable outlook) are unchanged.

"The downgrade of Ameren reflects declining consolidated coverage ratios over the last several years and Moody's expectation that ongoing cost pressures and the lack of timely regulatory recovery of some costs will prevent ratios from returning to historical levels over the near term", said Michael G. Haggarty, Vice President and Senior Credit Officer. Ameren has experienced higher operating and maintenance costs and increased capital spending requirements at both its utility and nonutility businesses. Limited rate relief, low returns, and the lack of automatic rate adjustment clauses has led to regulatory lag in recovering costs in recent years, which is reflected in its lower consolidated coverage metrics. In addition, the combination of large capital expenditures and the company's high dividend payout ratio has resulted in substantial negative free cash flow in 2007 and 2008, which is likely to continue over the next several years.

Ameren's lower rating is also prompted the downgrade of two of its major subsidiaries, Union Electric (to Baa2 on May 21, 2008) and AmerenGenco (with this rating action), which will decrease the quality of expected cash flows upstreamed to the parent company. Although Moody's maintains positive outlooks on the ratings of Ameren's Illinois utility subsidiaries, any upward movement of these ratings is likely to be modest and not significant enough to offset the lower ratings of Union Electric and AmerenGenco, which represent the bulk of the cash flows upstreamed to the parent. The downgrade also considers longer-term challenges facing Ameren, including the potential passage of carbon control legislation next year and the possible construction of a new nuclear unit at Union Electric, which just submitted a combined Construction and Operating License Application (COLA) to the Nuclear Regulatory Commission.

The downgrade of AmerenGenco reflects higher capital expenditures at this predominantly coal fired generating subsidiary, some of which are likely to be financed with additional long-term debt; and the likelihood that the company will be negatively affected over the long-term by the implementation additional environmental compliance requirements or controls on carbon emissions. The downgrade also considers its higher business and operating risk profile, as Moody's views AmerenGenco as more of a merchant generating company selling into unregulated power markets rather than a completely contracted genco selling most of its power to Ameren affiliates. Although financial metrics have improved since the expiration of these below market affiliate contracts, this improvement is not sufficient enough to offset its increased business risk profile.

The downgrade of Union Electric's short-term rating for commercial paper to Prime-3 from Prime-2 is prompted by the downgrade of Ameren's short-term rating to Prime-3. Ameren and Union Electric share the same bank credit facility, with Union Electric able to borrow on a 364-day basis under the facility. The two entities also share a money pool arrangement and Union Electric is highly dependent on the parent for liquidity and financial support, as has been demonstrated by capital contributions from Ameren to Union Electric and a $50 million intercompany note payable from the utility to the parent outstanding as of June 30, 2008.

The maintenance of a positive rating outlook of Ameren's Illinois utilities reflects the potential for modest upward movement in their ratings in the event there is a supportive outcome of their pending distribution rate cases, resulting in an improvement in some of their relatively low cash flow coverage metrics; if there is a reduction in high short-term debt levels and an extension of their bank facilities, increasing financial flexibility; or if there is a successful implementation of new power procurement policies and procedures in Illinois.

Ratings downgraded include:

Ameren's Issuer Rating, to Baa3 (stable outlook) from Baa2; and short-term rating for commercial paper, to Prime-3 from Prime-2;

AmerenGenco's senior unsecured debt, to Baa3 (stable outlook) from Baa2;

Union Electric's short-term rating for commercial paper, to Prime-3 from Prime-2.

Ameren Corporation is a public utility holding company headquartered in St. Louis, Missouri. It is the parent company of Union Electric Company (d/b/a AmerenUE), Central Illinois Public Service Company (d/b/a AmerenCIPS), CILCORP Inc., Central Illinois Light Company (d/b/a AmerenCILCO), Illinois Power Company (d/b/a AmerenIP), and AmerenEnergy Generating Company.

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Fitch Upgrades Ameren's Illinois Utility Subsidiaries; Removed from Rating Watch Positive

Ratings
16 Oct 2008 11:13 AM (EDT)

Fitch Ratings-New York-16 October 2008: Fitch Ratings has upgraded the Issuer Default Ratings (IDR) of Ameren Corp.'s Illinois utility subsidiaries as follows: Central Illinois Light Company (CILCO) to 'BBB' from 'BB+' and Central Illinois Public Service Company (CIPS), Illinois Power Co. (IP) and CILCORP to 'BBB-' from 'BB+'. Fitch has also raised the instrument ratings for each entity as shown in the table below. Concurrent with this action, the ratings of each entity are removed from Rating Watch Positive. The Rating Outlook is Stable. The ratings of Ameren Corp. (IDR 'BBB+', Outlook Stable), Union Electric Co. (IDR 'A-', Outlook Negative) and Ameren Energy Generating Company (IDR 'BBB+', Outlook Stable) are unaffected by today's ratings actions.

The rating upgrades and Stable Outlook reflect the expected positive financial impact of electric and gas rate case decisions recently issued by the Illinois Commerce Commission (ICC). Both CIPS and CILCO were granted electric and gas rate increases effective Oct. 1, 2008, that are expected to improve credit quality measures to a level supportive of the new ratings. CILCO was required to moderately lower its electric and gas rates. However, even with the rate reductions CILCO's credit quality measures are expected to be supportive of the new ratings. The ratings also recognize the reduction in business risk that resulted from the 2007 Illinois Settlement Agreement, which affirmed the Illinois utilities' right to recover power procurement costs from customers.

Rising capital expenditures to meet environmental compliance standards are among the primary credit concerns. CILCO subsidiary AmerenEnergy Resources Generating Co. owns approximately 1,074 megawatts (MW) of coal-fired electric generation in Illinois that will require significant investment over the next several years. Similarly, Ameren subsidiaries Union Electric Company (regulated) and Ameren Energy Generating Co. (unregulated) own 5,422 MW and 2,549 MW, respectively, of coal-fired electric generation.

The following ratings have been upgraded and assigned a Stable Ratings Outlook:

Central Illinois Public Service Company (AmerenCIPS)
--IDR to 'BBB-' from 'BB+';
--Senior secured debt to 'BBB+' from 'BBB';
--Senior unsecured debt to 'BBB' from 'BBB-';
--Preferred stock to 'BBB-' from 'BB+';
--Short-term IDR to 'F3' from 'B'.

Central Illinois Light Company
--IDR to 'BBB' from 'BB+';
--Senior secured debt to 'A-' from 'BBB';
--Senior unsecured debt to 'BBB+' from 'BBB-';
--Preferred stock to 'BBB' from 'BB+';
--Short-term IDR to 'F3' from 'B'.

CILCORP
--IDR to 'BBB-' from 'BB+';
--Senior unsecured debt to 'BBB-' from 'BB+';
--Short-term IDR to 'F3' from 'B'.

Illinois Power Company
--IDR to 'BBB-' from 'BB+';
--Senior secured debt to 'BBB+' from 'BBB';
--Senior unsecured debt to 'BBB' from 'BBB-';
--Preferred stock to 'BBB-' from 'BB+';
--Short-term IDR to 'F3' from 'B'.

Illinois Development Finance Authority (CIPS Project)
--Senior unsecured PCRBs to 'BBB' from 'BBB-';

Illinois Development Finance Authority (IP Project)
--Senior secured PCRBs to 'BBB+' from 'BBB'.

The following rating is withdrawn:

Central Illinois Light Company
--Commercial paper (CP) of 'B'.

The following ratings are unaffected:

Ameren Corp
--IDR 'BBB+';
--CP 'F2';
--Short-term IDR 'F2';
--Rating Outlook Stable.

Union Electric Company:
--IDR 'A-';
--Senior secured debt 'A+';
--Senior unsecured debt 'A';
--Subordinate debt 'A-';
--Preferred stock 'A-';
--CP 'F2';
--Short-term IDR 'F2';
--Rating Outlook Negative.

Ameren Energy Generating Company:
--IDR 'BBB+';
--Senior unsecured debt 'BBB+';
--Short-term IDR 'F2'.
--Rating Outlook Stable.

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RESEARCH

Research Update:

Ameren Corp.'s Illinois Subsidiaries Upgraded To Investment Grade

Publication date: 11-Sep-2008
Primary Credit Analyst: Barbara A Eiseman, New York (1) 212-438-7666; barbara_eiseman@standardandpoors.com

Rationale

On Sept. 11, 2008, Standard & Poor's Ratings Services raised its long-term corporate credit ratings on Ameren Corp.'s Illinois subsidiaries Illinois Power Co. (IP), Central Illinois Public Service Co. (CIPS), CILCORP Inc., and Central Illinois Light Co. (CILCO) to 'BBB-' from 'BB'.

At the same time, we affirmed the 'BBB-' ratings on Ameren, its Missouri utility subsidiary Union Electric Co. (UE), and unregulated generation subsidiary Ameren Energy Generating Co. The outlook is stable on all entities. St. Louis, Mo.-based Ameren had about $6.1 billion in consolidated outstanding long-term debt at June 30, 2008, excluding IP's securitized debt.

The upgrades on the Illinois subsidiaries reflect Standard & Poor's assessment that the regulatory and political environment in Illinois will be reasonably supportive of investment grade credit quality with regard to their pending rate cases. The Illinois Commerce Commission's (ICC) administrative law judges (ALJ) have endorsed electric and gas delivery service rate increase of $163.5 million, nearly 80% of the revised amount sought by Ameren's Illinois utilities, and significantly more than the $47 million rate hike recommended by the ICC staff. The ALJ decision is not binding on the ICC, whose final rate order is expected by Sept. 30, 2008. Unlike the significant rate increase requests in 2006-2007 that became so highly politicized, there has been virtually no resurgence of political interference or opposition to higher rates, other than the Citizens Utility Board, which characteristically opposes the utilities' position for higher rates. Moreover, the ICC's recently approved $270 million rate hike for Commonwealth Edison Co., a subsidiary of Exelon Corp., was supportive of credit quality and was materially larger that that of the ALJ's and staff's positions. In raising the ratings on the Illinois subsidiaries, we are assuming that higher rates, which would become effective in October, do not again become highly politicized.

Under the ALJ's proposed order, electric delivery rates for IPC and CIPS would climb $104.9 million (29.5%) and $23.9 million (11.2%), respectively, but decrease $379,000 (0.31%) for CILCO based upon ROE of 10.65%. The ALJ recommended gas rate increases for IPC and CIPS of $36.5 million (27.3%) and $7.3 million (11.25%), respectively, but a gas rate cut of $8.7 million (10.5%) for CILCO, predicated upon ROE's of 10.68%. Rate relief is needed to recover higher costs and for increased investment.

Standard & Poor's has also revised the business profiles on IP and CIPS to strong from satisfactory. The satisfactory business profile for the relatively low-risk transmission and distribution businesses of IP and CIPS was solely a function of the highly politicized environment in Illinois, which appears to have diminished. CILCORP and CILCO's business profiles remain satisfactory largely reflecting the riskier nature of CILCO's subsidiary AmerenEnergy Resources Generating Co.'s unregulated generation business and an industrialized service area that, while becoming more diverse, remains somewhat dependent on Caterpillar Inc. UE's business profile is regarded as strong and AEGC's is weak. Ameren's satisfactory consolidated business profile results from difficult regulatory environments in both Illinois and Missouri, the challenges of owning and operating a nuclear facility, and the riskier, unregulated generating fleet, offset somewhat by its position as one of the lowest-cost producers in the Midwest, strong transmission ties, and limited industrial exposure.

Due to rising operating expenses and significant rate base investments, including accelerating construction expenditures, Ameren's utilities are

expected to file for rate relief more frequently in the future. In addition to securing adequate levels of rate relief, the company will need to effectively contain costs, improve plant performance, and finance conservatively to enhance credit quality. In the interim, consolidated financial metrics are expected to continue to slip. In this regard, Standard & Poor's expects adjusted funds from operations (FFO) to total debt to fall below 17% and total debt to capital to exceed 55%, while internal funds covers roughly 50% to 60% of capital outlays. Although adjusted FFO interest coverage is likely to decline somewhat, it should remain healthy at around 4.0x.

Short-term credit factors

Following execution of the comprehensive settlement in Illinois, the company's principal immediate focus is on significant expenditures for environmental compliance and energy infrastructure, operational improvements, rate cases, and the competitive market for its unregulated generation fleet. Standard & Poor's expects that consolidated FFO will hover around $1.1 billion to $1.4 billion in 2008. This level of cash would significantly fall short of covering rising capital expenditures (estimated at $2.2 billion in 2008) and dividends of about $550 million. The actual level of prospective cash flows will depend on the future amounts of rate relief ultimately granted in pending rate cases.

After paying down its remaining $250 million of debt in May 2007, Ameren has no outstanding long-term debt at the parent level. Following the May 2008 maturity of $152 million at UE, the next noticeably large maturity is $250 million at Illinois Power in 2009. As of June 30, 2008, Ameren had $205 million in cash and cash equivalents.

An amended $1.15 billion agreement will terminate on July 14, 2010, with respect to Ameren; however, UE and AEGC will have the option to seek an annual renewal on a 364-day basis after their current termination date of July 10, 2008. CIPS, CILCORP, CILCO, and Illinois Power do not have borrowing authority under this facility. At the end June 2008, $717 million was available under the $1.15 billion multiyear revolver, which is used primarily to support commercial paper programs. On June 25, 2008, Ameren entered into a $300 million term loan due June 24, 2009, which was fully drawn on June 26, 2008. Proceeds were used to reduce amounts borrowed under the $1.15 billion credit facility, which made additional amounts available for borrowing under that credit facility.

In 2006, CIPS, CILCORP, CILCO, Illinois Power, and AERG entered into a $500 million multiyear credit facility that terminates on Jan. 14, 2010. An additional $500 million revolver was entered into on Feb. 9, 2007, and also expires in January 2010. Each borrower's obligations are several, and Ameren doesn't guarantee them. As of June 30, 2008, $350 million had been borrowed under the 2006 facility and $400 million had been borrowed under the 2007 facility.

The credit facilities require Ameren and each subsidiary to maintain a maximum debt-to-capital ratio of 65%, with which they comfortably comply. The $1.15 billion credit agreement does not require a representation of no material adverse change to borrow; however, the Illinois facilities include this requirement, subject to certain exceptions.

Outlook

Ratings stability for Ameren and its subsidiaries incorporates expectations for sufficient future rate relief in both Illinois and Missouri and credit-supportive actions by management. Downside ratings momentum would result from a weakening of consolidated financial metrics and a resurgence of political interference in the ratemaking process. In light of accelerating capital outlays, rising operating costs, higher fuel and transportation costs, and expected slippage in the company's overall financial condition, any upward ratings action in the near-term is unlikely.

Ratings List

Ratings Affirmed

Ameren Corp.	
Corporate credit	BBB-/Stable/A-3
Senior Unsecured (1 issue)	BB+
Commercial Paper (1 issue)	A-3

AmerenEnergy Generating Co.		
Corporate credit rating	BBB-/Stable/--	
Senior Unsecured (3 issues)	BBB-	
Central Illinois Public Service Co.		
Senior Secured (1 issue)	AA/Negative	
Union Electric Co. d/b/a AmerenUE Corporate credit rating BBB-/Stable/A-3		
Senior Secured (14 issues)	BBB	
Preferred Stock (6 issues)	BB	
Commercial Paper (1 issue)	A-3	

Upgraded

	To	From
CILCORP Inc. Corporate credit rating	BBB-/Stable/--	BB/Positive/--
Senior Unsecured (2 issues)	BB+	BB
Central Illinois Light Co.		
Corporate credit rating	BBB-/Stable/--	BB/Positive/--
Senior Secured (1 issue)	BBB+	BBB
Senior Secured (1 issue)	BBB+	BBB-
Preferred Stock (1 issue)	BB	B
Central Illinois Public Service Co.		
Corporate credit rating	BBB-/Stable/--	BB/Positive/--
Senior Secured (6 issues)	BBB+	BBB
Preferred Stock (5 issues)	BB	B
Illinois Power Co.		
Corporate credit rating	BBB-/Stable/--	BB/Positive/--
Senior Secured (4 issues)	BBB	BBB-
Preferred Stock (6 issues)	BB	B

Ratings Affirmed

Union Electric Co. d/b/a AmerenUE	
Senior Secured	
US$450 mil 6.7% sr secd nts due 02/01/2019	BBB
Recovery Rating	1

Upgraded

	To	From
CILCORP Inc.		
Senior Unsecured		
US$250 mil nts due 10/15/2029	BB+	BB
Recovery Rating	NR	3
US$225 mil 8.7% sr nts due 10/15/2009	BB+	BB
Recovery Rating	NR	3
Central Illinois Public Service Co.		
Senior Secured		
Local Currency	BBB+	BBB
Recovery Rating	1+	1+
Illinois Power Co.		
Senior Secured		
US$250 mil 7.5% 1st mtg bnd due 06/15/2009	BBB	BBB-
Recovery Rating	1	1
US$250 mil 6.125% sr secd nts due 11/15/2017	BBB	BBB-
Recovery Rating	1	1
US$337 mil 6.25% sr secd nts due 04/01/2018	BBB	BBB-
Recovery Rating	1	1

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search.

Moody's Investors Service

Global Credit Research
Rating Action
13 AUG 2008

Rating Action: Ameren Corporation

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"The downgrade of Ameren reflects declining consolidated coverage ratios over the last several years and Moody's expectation that ongoing cost pressures and the lack of timely regulatory recovery of some costs will prevent ratios from returning to historical levels over the near term", said Michael G. Haggarty, Vice President and Senior Credit Officer. Ameren has experienced higher operating and maintenance costs and increased capital spending requirements at both its utility and nonutility businesses. Limited rate relief, low returns, and the lack of automatic rate adjustment clauses has led to regulatory lag in recovering costs in recent years, which is reflected in its lower consolidated coverage metrics. In addition, the combination of large capital expenditures and the company's high dividend payout ratio has resulted in substantial negative free cash flow in 2007 and 2008, which is likely to continue over the next several years.

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The maintenance of a positive rating outlook of Ameren's Illinois utilities reflects the potential for modest upward movement in their ratings in the event there is a supportive outcome of their pending distribution rate cases, resulting in an improvement in some of their relatively low cash flow coverage metrics; if there is a reduction in high short-term debt levels and an extension of their bank facilities, increasing financial flexibility; or if there is a successful implementation of new power procurement policies and procedures in Illinois.

Ratings downgraded include:

Ameren's Issuer Rating, to Baa3 (stable outlook) from Baa2; and short-term rating for commercial paper, to Prime-3 from Prime-2;

AmerenGenco's senior unsecured debt, to Baa3 (stable outlook) from Baa2;

Union Electric's short-term rating for commercial paper, to Prime-3 from Prime-2.

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The following ratings have been upgraded and assigned a Stable Ratings Outlook:

Central Illinois Public Service Company (AmerenCIPS)
--IDR to 'BBB-' from 'BB+';
--Senior secured debt to 'BBB+' from 'BBB';
--Senior unsecured debt to 'BBB' from 'BBB-';
--Preferred stock to 'BBB-' from 'BB+';
--Short-term IDR to 'F3' from 'B'.

Central Illinois Light Company
--IDR to 'BBB' from 'BB+';
--Senior secured debt to 'A-' from 'BBB';
--Senior unsecured debt to 'BBB+' from 'BBB-';
--Preferred stock to 'BBB' from 'BB+';
--Short-term IDR to 'F3' from 'B'.

CILCORP
--IDR to 'BBB-' from 'BB+';
--Senior unsecured debt to 'BBB-' from 'BB+';
--Short-term IDR to 'F3' from 'B'.

Illinois Power Company
--IDR to 'BBB-' from 'BB+';
--Senior secured debt to 'BBB+' from 'BBB';
--Senior unsecured debt to 'BBB' from 'BBB-';
--Preferred stock to 'BBB-' from 'BB+';
--Short-term IDR to 'F3' from 'B'.

Illinois Development Finance Authority (CIPS Project)
--Senior unsecured PCRBs to 'BBB' from 'BBB-';

Illinois Development Finance Authority (IP Project)
--Senior secured PCRBs to 'BBB+' from 'BBB'.

The following rating is withdrawn:

Central Illinois Light Company
--Commercial paper (CP) of 'B'.

The following ratings are unaffected:

Ameren Corp
--IDR 'BBB+';
--CP 'F2';
--Short-term IDR 'F2';
--Rating Outlook Stable.

Union Electric Company:
--IDR 'A-';
--Senior secured debt 'A+';
--Senior unsecured debt 'A';
--Subordinate debt 'A-';
--Preferred stock 'A-';
--CP 'F2';
--Short-term IDR 'F2';
--Rating Outlook Negative.

Ameren Energy Generating Company:
--IDR 'BBB+';
--Senior unsecured debt 'BBB+';
--Short-term IDR 'F2'.
--Rating Outlook Stable.

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RESEARCH

Research Update:

Ameren Corp.'s Illinois Subsidiaries Upgraded To Investment Grade

Publication date: 11-Sep-2008
Primary Credit Analyst: Barbara A Eiseman, New York (1) 212-438-7666; barbara_eiseman@standardandpoors.com

Rationale

On Sept. 11, 2008, Standard & Poor's Ratings Services raised its long-term corporate credit ratings on Ameren Corp.'s Illinois subsidiaries Illinois Power Co. (IP), Central Illinois Public Service Co. (CIPS), CILCORP Inc., and Central Illinois Light Co. (CILCO) to 'BBB-' from 'BB'.

At the same time, we affirmed the 'BBB-' ratings on Ameren, its Missouri utility subsidiary Union Electric Co. (UE), and unregulated generation subsidiary Ameren Energy Generating Co. The outlook is stable on all entities. St. Louis, Mo.-based Ameren had about $6.1 billion in consolidated outstanding long-term debt at June 30, 2008, excluding IP's securitized debt.

The upgrades on the Illinois subsidiaries reflect Standard & Poor's assessment that the regulatory and political environment in Illinois will be reasonably supportive of investment grade credit quality with regard to their pending rate cases. The Illinois Commerce Commission's (ICC) administrative law judges (ALJ) have endorsed electric and gas delivery service rate increase of $163.5 million, nearly 80% of the revised amount sought by Ameren's Illinois utilities, and significantly more than the $47 million rate hike recommended by the ICC staff. The ALJ decision is not binding on the ICC, whose final rate order is expected by Sept. 30, 2008. Unlike the significant rate increase requests in 2006-2007 that became so highly politicized, there has been virtually no resurgence of political interference or opposition to higher rates, other than the Citizens Utility Board, which characteristically opposes the utilities' position for higher rates. Moreover, the ICC's recently approved $270 million rate hike for Commonwealth Edison Co., a subsidiary of Exelon Corp., was supportive of credit quality and was materially larger that that of the ALJ's and staff's positions. In raising the ratings on the Illinois subsidiaries, we are assuming that higher rates, which would become effective in October, do not again become highly politicized.

Under the ALJ's proposed order, electric delivery rates for IPC and CIPS would climb $104.9 million (29.5%) and $23.9 million (11.2%), respectively, but decrease $379,000 (0.31%) for CILCO based upon ROE of 10.65%. The ALJ recommended gas rate increases for IPC and CIPS of $36.5 million (27.3%) and $7.3 million (11.25%), respectively, but a gas rate cut of $8.7 million (10.5%) for CILCO, predicated upon ROE's of 10.68%. Rate relief is needed to recover higher costs and for increased investment.

Standard & Poor's has also revised the business profiles on IP and CIPS to strong from satisfactory. The satisfactory business profile for the relatively low-risk transmission and distribution businesses of IP and CIPS was solely a function of the highly politicized environment in Illinois, which appears to have diminished. CILCORP and CILCO's business profiles remain satisfactory largely reflecting the riskier nature of CILCO's subsidiary AmerenEnergy Resources Generating Co.'s unregulated generation business and an industrialized service area that, while becoming more diverse, remains somewhat dependent on Caterpillar Inc. UE's business profile is regarded as strong and AEGC's is weak. Ameren's satisfactory consolidated business profile results from difficult regulatory environments in both Illinois and Missouri, the challenges of owning and operating a nuclear facility, and the riskier, unregulated generating fleet, offset somewhat by its position as one of the lowest-cost producers in the Midwest, strong transmission ties, and limited industrial exposure.

Due to rising operating expenses and significant rate base investments, including accelerating construction expenditures, Ameren's utilities are

expected to file for rate relief more frequently in the future. In addition to securing adequate levels of rate relief, the company will need to effectively contain costs, improve plant performance, and finance conservatively to enhance credit quality. In the interim, consolidated financial metrics are expected to continue to slip. In this regard, Standard & Poor's expects adjusted funds from operations (FFO) to total debt to fall below 17% and total debt to capital to exceed 55%, while internal funds covers roughly 50% to 60% of capital outlays. Although adjusted FFO interest coverage is likely to decline somewhat, it should remain healthy at around 4.0x.

Short-term credit factors

Following execution of the comprehensive settlement in Illinois, the company's principal immediate focus is on significant expenditures for environmental compliance and energy infrastructure, operational improvements, rate cases, and the competitive market for its unregulated generation fleet. Standard & Poor's expects that consolidated FFO will hover around $1.1 billion to $1.4 billion in 2008. This level of cash would significantly fall short of covering rising capital expenditures (estimated at $2.2 billion in 2008) and dividends of about $550 million. The actual level of prospective cash flows will depend on the future amounts of rate relief ultimately granted in pending rate cases.

After paying down its remaining $250 million of debt in May 2007, Ameren has no outstanding long-term debt at the parent level. Following the May 2008 maturity of $152 million at UE, the next noticeably large maturity is $250 million at Illinois Power in 2009. As of June 30, 2008, Ameren had $205 million in cash and cash equivalents.

An amended $1.15 billion agreement will terminate on July 14, 2010, with respect to Ameren; however, UE and AEGC will have the option to seek an annual renewal on a 364-day basis after their current termination date of July 10, 2008. CIPS, CILCORP, CILCO, and Illinois Power do not have borrowing authority under this facility. At the end June 2008, $717 million was available under the $1.15 billion multiyear revolver, which is used primarily to support commercial paper programs. On June 25, 2008, Ameren entered into a $300 million term loan due June 24, 2009, which was fully drawn on June 26, 2008. Proceeds were used to reduce amounts borrowed under the $1.15 billion credit facility, which made additional amounts available for borrowing under that credit facility.

In 2006, CIPS, CILCORP, CILCO, Illinois Power, and AERG entered into a $500 million multiyear credit facility that terminates on Jan. 14, 2010. An additional $500 million revolver was entered into on Feb. 9, 2007, and also expires in January 2010. Each borrower's obligations are several, and Ameren doesn't guarantee them. As of June 30, 2008, $350 million had been borrowed under the 2006 facility and $400 million had been borrowed under the 2007 facility.

The credit facilities require Ameren and each subsidiary to maintain a maximum debt-to-capital ratio of 65%, with which they comfortably comply. The $1.15 billion credit agreement does not require a representation of no material adverse change to borrow; however, the Illinois facilities include this requirement, subject to certain exceptions.

Outlook

Ratings stability for Ameren and its subsidiaries incorporates expectations for sufficient future rate relief in both Illinois and Missouri and credit-supportive actions by management. Downside ratings momentum would result from a weakening of consolidated financial metrics and a resurgence of political interference in the ratemaking process. In light of accelerating capital outlays, rising operating costs, higher fuel and transportation costs, and expected slippage in the company's overall financial condition, any upward ratings action in the near-term is unlikely.

Ratings List

Ratings Affirmed

Ameren Corp.	
Corporate credit	BBB-/Stable/A-3
Senior Unsecured (1 issue)	BB+
Commercial Paper (1 issue)	A-3

AmerenEnergy Generating Co.	
Corporate credit rating	BBB-/Stable/--
Senior Unsecured (3 issues)	BBB-
Central Illinois Public Service Co.	
Senior Secured (1 issue)	AA/Negative
Union Electric Co. d/b/a AmerenUE Corporate credit rating	BBB-/Stable/A-3
Senior Secured (14 issues)	BBB
Preferred Stock (6 issues)	BB
Commercial Paper (1 issue)	A-3

Upgraded

	To	From
CILCORP Inc. Corporate credit rating	BBB-/Stable/--	BB/Positive/--
Senior Unsecured (2 issues)	BB+	BB
Central Illinois Light Co.		
Corporate credit rating	BBB-/Stable/--	BB/Positive/--
Senior Secured (1 issue)	BBB+	BBB
Senior Secured (1 issue)	BBB+	BBB-
Preferred Stock (1 issue)	BB	B
Central Illinois Public Service Co.		
Corporate credit rating	BBB-/Stable/--	BB/Positive/--
Senior Secured (6 issues)	BBB+	BBB
Preferred Stock (5 issues)	BB	B
Illinois Power Co.		
Corporate credit rating	BBB-/Stable/--	BB/Positive/--
Senior Secured (4 issues)	BBB	BBB-
Preferred Stock (6 issues)	BB	B

Ratings Affirmed

Union Electric Co. d/b/a AmerenUE	
Senior Secured	
US$450 mil 6.7% sr secd nts due 02/01/2019	BBB
Recovery Rating	1

Upgraded

	To	From
CILCORP Inc.		
Senior Unsecured		
US$250 mil nts due 10/15/2029	BB+	BB
Recovery Rating	NR	3
US$225 mil 8.7% sr nts due 10/15/2009	BB+	BB
Recovery Rating	NR	3
Central Illinois Public Service Co.		
Senior Secured		
Local Currency	BBB+	BBB
Recovery Rating	1+	1+
Illinois Power Co.		
Senior Secured		
US$250 mil 7.5% 1st mtg bnd due 06/15/2009	BBB	BBB-
Recovery Rating	1	1
US$250 mil 6.125% sr secd nts due 11/15/2017	BBB	BBB-
Recovery Rating	1	1
US$337 mil 6.25% sr secd nts due 04/01/2018	BBB	BBB-
Recovery Rating	1	1

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search.

Moody's Investors Service

Global Credit Research
Rating Action
13 AUG 2008

Rating Action: Ameren Corporation

Moody's Downgrades Ameren and AmerenGenco; Outlook Stable

Approximately $800 million of Debt Securities Downgraded

New York, August 13, 2008 -- Moody's Investors Service downgraded the ratings of Ameren Corporation (Ameren), including its Issuer Rating, to Baa3 from Baa2, and its short-term rating for commercial paper, to Prime-3 from Prime-2; and the senior unsecured debt rating of AmerenEnergy Generating Company (AmerenGenco) to Baa3 from Baa2. The rating outlooks of Ameren and AmerenGenco are stable. Moody's also downgraded Union Electric Company's (d/b/a AmerenUE) short-term rating for commercial paper to Prime-3 from Prime-2. These rating actions conclude the review for downgrade initiated on May 21, 2008. The long-term ratings and outlooks of Central Illinois Public Service Company (d/b/a AmerenCIPS, Ba1 Issuer Rating, positive outlook); CILCORP Inc. (Ba1 Corporate Family Rating, positive outlook); Central Illinois Light Company's (d/b/a AmerenCILCO, Ba1 Issuer Rating, positive outlook), Illinois Power Company (d/b/a AmerenIP, Ba1 Issuer Rating, positive outlook), and Union Electric Company (d/b/a AmerenUE, Baa2 Issuer Rating, stable outlook) are unchanged.

"The downgrade of Ameren reflects declining consolidated coverage ratios over the last several years and Moody's expectation that ongoing cost pressures and the lack of timely regulatory recovery of some costs will prevent ratios from returning to historical levels over the near term", said Michael G. Haggarty, Vice President and Senior Credit Officer. Ameren has experienced higher operating and maintenance costs and increased capital spending requirements at both its utility and nonutility businesses. Limited rate relief, low returns, and the lack of automatic rate adjustment clauses has led to regulatory lag in recovering costs in recent years, which is reflected in its lower consolidated coverage metrics. In addition, the combination of large capital expenditures and the company's high dividend payout ratio has resulted in substantial negative free cash flow in 2007 and 2008, which is likely to continue over the next several years.

Ameren's lower rating is also prompted the downgrade of two of its major subsidiaries, Union Electric (to Baa2 on May 21, 2008) and AmerenGenco (with this rating action), which will decrease the quality of expected cash flows upstreamed to the parent company. Although Moody's maintains positive outlooks on the ratings of Ameren's Illinois utility subsidiaries, any upward movement of these ratings is likely to be modest and not significant enough to offset the lower ratings of Union Electric and AmerenGenco, which represent the bulk of the cash flows upstreamed to the parent. The downgrade also considers longer-term challenges facing Ameren, including the potential passage of carbon control legislation next year and the possible construction of a new nuclear unit at Union Electric, which just submitted a combined Construction and Operating License Application (COLA) to the Nuclear Regulatory Commission.

The downgrade of AmerenGenco reflects higher capital expenditures at this predominantly coal fired generating subsidiary, some of which are likely to be financed with additional long-term debt; and the likelihood that the company will be negatively affected over the long-term by the implementation additional environmental compliance requirements or controls on carbon emissions. The downgrade also considers its higher business and operating risk profile, as Moody's views AmerenGenco as more of a merchant generating company selling into unregulated power markets rather than a completely contracted genco selling most of its power to Ameren affiliates. Although financial metrics have improved since the expiration of these below market affiliate contracts, this improvement is not sufficient enough to offset its increased business risk profile.

The downgrade of Union Electric's short-term rating for commercial paper to Prime-3 from Prime-2 is prompted by the downgrade of Ameren's short-term rating to Prime-3. Ameren and Union Electric share the same bank credit facility, with Union Electric able to borrow on a 364-day basis under the facility. The two entities also share a money pool arrangement and Union Electric is highly dependent on the parent for liquidity and financial support, as has been demonstrated by capital contributions from Ameren to Union Electric and a $50 million intercompany note payable from the utility to the parent outstanding as of June 30, 2008.

The maintenance of a positive rating outlook of Ameren's Illinois utilities reflects the potential for modest upward movement in their ratings in the event there is a supportive outcome of their pending distribution rate cases, resulting in an improvement in some of their relatively low cash flow coverage metrics; if there is a reduction in high short-term debt levels and an extension of their bank facilities, increasing financial flexibility; or if there is a successful implementation of new power procurement policies and procedures in Illinois.

Ratings downgraded include:

Ameren's Issuer Rating, to Baa3 (stable outlook) from Baa2; and short-term rating for commercial paper, to Prime-3 from Prime-2;

AmerenGenco's senior unsecured debt, to Baa3 (stable outlook) from Baa2;

Union Electric's short-term rating for commercial paper, to Prime-3 from Prime-2.

Ameren Corporation is a public utility holding company headquartered in St. Louis, Missouri. It is the parent company of Union Electric Company (d/b/a AmerenUE), Central Illinois Public Service Company (d/b/a AmerenCIPS), CILCORP Inc., Central Illinois Light Company (d/b/a AmerenCILCO), Illinois Power Company (d/b/a AmerenIP), and AmerenEnergy Generating Company.

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Corporates

Global Power
U.S. and Canada
Credit Analysis

Central Illinois Light Company

Subsidiary of Ameren Corporation

Ratings

Security Class	Current Rating
IDR	BBB
Secured Debt	A–
Senior Unsecured	BBB+
Preferred Stock	BBB
Short-Term IDR	F3

Outlook

Stable

Financial Data

Central Illinois Light Company
($ Mil.)

	LTM Ended 9/30/08	Year Ended 12/31/07
Revenue	1,092	990
Gross Margin	448	424
Cash Flow from Operations	147	74
Operating EBITDA	228	217
Total Debt	605	514
Total Capitalization	1,273	1,131
ROE (%)	12.04	13.06
Capex/ Depreciation (x)	3.6	3.5

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Related Research

- *Illinois Power Company, Jan. 29, 2009*
- *Central Illinois Public Service Co., Jan. 29, 2009*

Rating Rationale

- The ratings of Central Illinois Light Company (CILCO) were upgraded to their present level and removed from Ratings Watch Positive by Fitch Ratings in October 2008.
- The assigned ratings reflect the company's solid consolidated credit profile and the resolution of a rate case that required modest rate reductions in both natural gas and electric tariffs. Even with the rate reductions, credit quality measures are expected to remain supportive of the current ratings.
- The ratings also consider the substantial earnings and cash flow contribution and merchant risk of CILCO's unregulated wholesale power subsidiary AmerenEnergy Resources Generating Co. (AERG). AERG is subject to greater cash flow volatility than CILCO's regulated transmission and distribution businesses and increases overall business risk.
- The merchant risk is moderated by the low marginal cost of AERG's primarily coal-fired electric generating portfolio located in Illinois.

Key Rating Drivers

- Achieving satisfactory outcomes in future rate proceedings will be important to maintaining credit metrics consistent with current ratings.
- Power prices in Illinois and adjacent markets have a direct effect on the financial performance of AERG and therefore CILCO.
- Rising environmental compliance costs may impact profitability on non-regulated power sales.
- Maintaining a high level of coal-fired plant availability is critical to maintaining current credit quality.
- The financial well-being of CILCO's parent, Ameren Corporation (AEE), and its affiliates could affect CILCO's ratings.

Recent Events

On Sept. 24, 2008, the Illinois Commerce Commission (ICC) issued a final rate order requiring CILCO to reduce its electric and natural gas rates by $2.7 million and $9.2 million, respectively. The rate decisions were based on a 2006 test year and a return on equity (ROE) of 10.65% for the electric business and 10.68% for the gas business. The ICC denied the company's requests for a rate adjustment mechanism to recover capital costs on electric infrastructure investments as completed and a natural gas decoupling mechanism. CILCO initially requested an increase in its electric delivery charges of $10 million and a decrease in its natural gas delivery revenue of $4 million.

Liquidity and Debt Structure

Liquidity is typically supported by internally generated cash, drawings under committed credit facilities and a corporate money pool. CILCO and AERG each participate with their Illinois affiliates in two separate $500 million multi-year secured credit facilities;

CILCO's borrowing limit in the two facilities totals $150 million, and AERG's is $300 million. Excluding a $21 million commitment from a Lehman subsidiary in one of the two facilities reduces the total lending commitment to $979 million, with a proportional reduction in CILCO's borrowing limit. Both credit facilities expire in January 2010 and have similar terms. Access to the credit facilities is subject to reduction as borrowings are made by affiliates. The obligations of each borrower are several and not joint, and are not guaranteed by Ameren or any other subsidiary of Ameren.

The credit facilities limit the amount of CILCO's common and preferred stock dividends payments to $10 million per year if the company's senior secured long-term debt securities or first mortgage bonds have received a below-investment-grade credit rating. For AERG, which is not rated, dividends are restricted if the ratio of debt to operating cash flow exceeds 3.0 times (x). Currently, neither CILCO nor AERG is limited in its dividend payments. Each credit facility contains a financial covenant that limits total indebtedness to 65% of total capitalization. As of Sept. 30, 2008, CILCO's debt-to-capital ratio, as calculated in the credit facilities, was 48% and AERG's was 44%.

CILCO and AERG have access to additional liquidity through corporate money pools. AEE maintains separate money pools for utility and non-state regulated entities. AERG may participate in the utility money pool only as a lender. Through the utility money pool, CILCO also has access to AEE's $1.15 billion credit facility. Excluding a $100 million commitment from a Lehman subsidiary reduces the lending commitment to $1.05 billion. Similarly, AERG has access to AEE's $1.15 billion credit facility through the non-regulated money pool. At Sept. 30, 2008, CILCO on a consolidated basis had $171 million of borrowings from the corporate money pools.

CILCO has no debt maturities before 2012 when $1 million of pollution control revenue bonds are due, followed by $150 million and $54 million of senior secured notes due in 2013 and 2016, respectively. All of CILCO's long-term debt is comprised of secured notes with a fall-away lien or first mortgage bonds. The secured notes are collateralized by first mortgage bonds and will remain so until all outstanding first mortgage bonds are retired. The earliest release date is 2023.

Regulation

As previously noted, CILCO implemented electric and gas rate reductions effective Oct. 1, 2008. The new rates were based on a 2006 test year, an ROE of 10.65% for the electric business and 10.68% for the gas business and the capital structure as of June 30, 2007. The rate decision, which is expected to have a moderately negative affect on CILCO's credit quality, is considered constructive by Fitch when considered in conjunction with rate increases granted to CILCO's Ameren affiliates.

However, regulatory lag remains a concern in Illinois. The ICC typically requires 11 months to review rate filings and issue a final order, relies on historical test years and does not employ interim adjustment mechanisms. There is a difference of nearly two years between the 2006 test year cost structure used to calculate new rates in the company's most recent rate case and the Oct. 1, 2008, effective date. Moreover, the ICC rejected CILCO's requests for a Qualifying Infrastructure Plant Investment (QIP) rider designed to recover capital costs on infrastructure investments as completed and placed in service and reduce regulatory lag or a Volume Balancing Adjustment (VBA) mechanism intended to decouple gas revenue from sales volume. Favorably, the ICC did approve an increase in the demand charge for gas service to include a greater potion of fixed costs. The ICC also lengthened the depreciable lives of certain property, which impairs cash flow with no earnings impact.

Illinois Settlement Agreement

An Electric Rate Compromise agreement was reached in Illinois in July 2007, which completed the transition to a competitive market. The regulatory agreement and associated legislation established the framework for procuring power for standard offer service and affirmed the Illinois utilities' right to recover procurement costs from customers. The rate settlement and Settlement Legislation provided for contributions by electric utilities and generators of electricity in Illinois of approximately $1 billion over the four-year period 2007–2010 to fund rate relief programs for electricity customers and established the Illinois Power Authority (IPA). The majority of the rate relief is provided by Exelon Corp., including $747 million from Exelon Generation Co., LLC and $53 million from Commonwealth Edison Co. The AEE subsidiaries' contribution totaled $150 million, including $11 million from CILCO and $28 million for AERG. Independent power marketers contributed $51 million to the rate relief program, including $25 million from both Dynegy Inc. and Edison International subsidiary Midwest Generation LLC and $1 million from MidAmerican Energy Holdings subsidiary MidAmerican Energy Company. As of Sept. 30, 2008, CILCO's remaining contributions from 2008–2010 amounted to $10 million on a consolidated basis, including $7.2 million for AERG. Beginning in 2009, the IPA will be responsible for managing the electricity procurement process on behalf of the utilities in Illinois.

Capital Expenditures

CILCO is in the midst of a substantial capital expenditure program, primarily attributable to the cost of meeting environmental compliance standards at subsidiary AERG's coal-fired generating fleet. Expenditures aggregated approximately $550 million over the past two years (2007 and 2008) compared with $226 million over the prior two-year period, and are expected to remain at elevated levels at least through 2012. This level of spending cannot be funded with internally generated cash and will require some external financing.

Financial Overview

CILCO's credit profile is sound. For the 12 months ended Sept. 30, 2008, the ratio of earnings before interest, taxes, depreciation and amortization (EBITDA) to interest expense exceeded 9.0x, and the ratio of debt/EBITDA was 2.7x. Measures of funds from operations (FFO) to interest and FFO debt were equally strong. Each of these measures are expected to weaken somewhat beginning in 2009, due to the October 2008 rate reduction and financing requirements related to the large capital program, but should remain supportive of existing ratings.

CILCORP Exchange Offering

CILCO's direct corporate parent company, CILCORP, announced a tender offer for any and all of its outstanding long-term debt. CILCORP's outstanding debt aggregates $334 million, including $124 million, 8.7% senior notes due 2009 and $210 million, 9.375% senior notes due 2029. On Jan. 29, 2009, CILCORP extended the expiration of its tender offer to April 30, 2009. To date, CILCORP has received consents from the holders of $121.3 million, or 98% of the outstanding 2009 notes, and $206.6 million, or 98.1% of the 2029 notes. The results of the tender will have no effect on the ratings or credit quality of CILCO.

Background

CILCO, a wholly owned direct subsidiary of CILCORP and an indirect subsidiary of Ameren Corp., supplies electric and gas service to portions of central and east central Illinois, with a population of approximately 1 million. Electric service is provided to 210,000 customers and natural gas service to 213,000 customers. AERG, a non-regulated wholly owned subsidiary of CILCO, owns 1,074 megawatts (MW) of coal-fired electric generating capacity and 55 MW of natural gas and oil-fired electric generating capacity.

Financial Summary — Central Illinois Light Company

($ Mil., Fiscal Years Ended Dec. 31)

	LTM Ended 9/30/08	2007	2006	2005	2004	2003
Fundamental Ratios (x)						
Funds from Operations (FFO)/Interest Expense	7.8	6.2	9.2	6.4	10.9	8.0
Cash Flow from Operations (CFO)/Interest Expense	7.1	3.7	9.5	4.4	10.1	7.4
Debt/FFO	3.7	3.7	2.6	4.1	2.2	3.7
Operating EBIT/Interest Expense	6.1	5.3	4.4	4.5	4.0	4.6
Operating EBITDA/Interest Expense	9.5	8.0	8.3	9.3	8.3	9.0
Debt/Operating EBITDA	2.7	2.4	2.6	2.4	2.7	2.9
Common Dividend Payout (%)	—	—	148.9	91.7	40.0	148.8
Internal Cash/Capital Expenditures (%)	49.0	28.4	72.3	23.4	100.0	44.8
Capital Expenditures/Depreciation (%)	363.0	348.0	170.0	159.7	195.3	124.3
Profitability						
Adjusted Revenues	1,092	990	733	742	688	822
Net Revenues	448	424	354	334	346	347
Operating and Maintenance Expense	196	184	180	184	198	165
Operating EBITDA	228	217	149	130	124	144
Depreciation and Amortization Expense	81	73	70	67	64	70
Operating EBIT	147	144	79	63	60	74
Gross Interest Expense	24	27	18	14	15	16
Net Income for Common	79	74	45	24	30	43
Operating Maintenance Expense % of Net Revenues	43.8	43.4	50.9	55.1	57.2	47.6
Operating EBIT % of Net Revenues	32.8	34.0	22.3	18.9	17.3	21.3
Cash Flow						
Cash Flow from Operations	147	74	153	47	137	103
Change in Working Capital	(17)	(67)	6	(28)	(12)	(9)
Funds from Operations	164	141	147	75	149	112
Dividends	(3)	(2)	(67)	(22)	(12)	(64)
Capital Expenditures	(294)	(254)	(119)	(107)	(125)	(87)
Free Cash Flow	(150)	(182)	(33)	(82)	—	(48)
Net Other Investment Cash Flow	2	42	(42)	13	—	1
Net Change in Debt	92	129	78	(33)	(81)	33
Net Change in Equity	(16)	14	—	102	75	—
Capital Structure						
Short-Term Debt	476	345	165	161	169	149
Long-Term Debt	129	169	220	146	163	264
Total Debt	605	514	385	307	332	413
Hybrid Equity	—	14	14	14	14	14
Common Equity	668	603	516	543	418	323
Total Capital	1,273	1,131	915	864	764	750
Total Debt/Total Capital (%)	47.5	45.5	42.1	35.5	43.5	55.1
Hybrid Equity/Total Capital (%)	—	1.2	1.5	1.6	1.8	1.9
Common Equity/Total Capital (%)	52.5	53.3	56.4	62.9	54.7	43.1

LTM – Latest 12 months. Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding.
Source: Company reports, Fitch Ratings.

FitchRatings
KNOW YOUR RISK

Corporates

Global Power
U.S. and Canada
Credit Analysis

Illinois Power Company

Subsidiary of Ameren Corporation

Ratings

Security Class	Current Rating
IDR	BBB–
Secured Debt	BBB+
Senior Unsecured	BBB
Preferred Stock	BBB–
Short-Term IDR	F3

Outlook

Stable

Financial Data

Illinois Power Company
($ Mil.)

	LTM Ended 9/30/08	Year Ended 12/31/07
Revenue	1,626	1,646
Gross Margin	570	542
Cash Flow from Operations	125	28
Operating EBITDA	214	205
Total Debt	1,312	1,257
Total Capitalization	2,524	2,554
ROE (%)	0.49	1.84
Capex/ Depreciation (x)	1.5	1.8

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Related Research

- *Central Illinois Light Co., Jan. 29, 2009*
- *Central Illinois Public Service Co., Jan. 29, 2009*

Rating Rationale

- The ratings of Illinois Power Company (IPC) were raised to their present level and removed from Ratings Watch Positive by Fitch Ratings in October 2008.
- The new ratings reflect Fitch's expectation of improvement in IPC's very weak earnings and cash flow measures following the approval of electric and gas rate increases by the Illinois Commerce Commission (ICC) effective Oct. 1, 2008.
- The ratings and stable outlook also consider the reduction in commodity price exposure and business risk attributable to the July 2007 Illinois Settlement Agreement, which affirmed IPC's right to recover power procurement costs from electric delivery customers in a timely manner.
- With no major construction projects underway or anticipated, capital expenditures should be manageable.
- Regulatory lag and the rising cost of capital are the primary credit concerns. The combination of an 11-month review process to adjudicate rate cases, reliance on historical test periods and the lack of interim rate adjustment mechanisms is likely to result in the under-recovery of current expenses that is exacerbated by the unexpectedly high cost of 2008 financings.

Key Rating Drivers

- Achieving satisfactory outcomes in future rate proceedings will be critical to maintaining credit metrics consistent with current ratings.
- The financial well-being of IPC's parent, Ameren Corporation (AEE), and its affiliates could affect IPC's ratings.

Recent Events

On Sept. 24, 2008, the ICC approved electric and gas rate increases of $104 million (approximately 29%) and $40 million (approximately 28%), respectively. The increase in electric rates equates to approximately 82% of the $127 million revised rate increase requested by IPC; the increase in gas rates is approximately 65% of the company's request for a $55.9 million rate increase. The rate decisions were based on a 2006 test year and a return on equity (ROE) of 10.65% for the electric business and 10.68% for the gas business. The ICC denied the company's requests for a rate adjustment mechanism to recover capital costs on electric infrastructure investments as completed and a natural gas decoupling mechanism.

Liquidity and Debt Structure

Liquidity is typically supported by internally generated cash, drawings under committed credit facilities and a corporate money pool. IPC participates with its Illinois affiliates in two separate $500 million secured credit facilities; the company's borrowing sub-limits in the two facilities aggregate $350 million. Excluding a $21 million commitment from a Lehman subsidiary in one of the two facilities reduces the total lending commitment to $979 million, with a proportional reduction in IPC's borrowing limit. Both credit facilities expire in January 2010 and have similar terms. Access to the credit facilities is subject to reduction as borrowings are made by affiliates. The obligations of each borrower are several and not joint.

The credit facilities limit the amount of common and preferred stock dividends payments to $10 million per year if IPC's senior secured long-term debt securities or first mortgage bonds have received a below-investment-grade credit rating. Currently, IPC is not limited in its dividend payments. Each credit facility contains a financial covenant that limits total indebtedness to 65% of total capitalization. As of Sept. 30, 2008, IPC's debt-to-capital ratio, as calculated in the credit facilities, was 51%.

IPC has access to additional liquidity through a corporate money pool. AEE maintains separate money pools for state regulated utility and other entities. Through the utility money pool, IPC also has access to AEE's $1.15 billion credit facility. Excluding a $100 million commitment from a Lehman subsidiary reduces the lending commitment to $1.05 billion. At Sept. 30, 2008, IPC had no borrowings outstanding from the corporate money pool. A unilateral borrowing agreement also exists between Ameren Corp., IPC and Ameren Services, which enables IPC to make short-term borrowings directly from its parent. The aggregate amount of loans outstanding cannot exceed $500 million. At Sept. 30, 2008, IPC had no debt outstanding under the agreement.

Debt maturities include $250 million of first mortgage bonds due June 15, 2009, followed by $75 million of senior secured notes in June 2016. In April 2008, IPC issued $337 million of 6.25% senior secured notes and used the proceeds to redeem all of the company's auction-rate pollution control revenue refunding bonds and in October 2008 issued $400 million 9.75% senior secured notes due Nov. 15, 2018, to reduce short-term debt. The higher financing costs are not reflected in current rates. The company also redeemed its remaining utility tariff bonds. All of IPC's long-term debt is either secured notes with a fall-away lien or first mortgage bonds. The secured notes are collateralized by first mortgage bonds and will remain so until all outstanding first mortgage bonds are retired. The earliest release date is 2028.

Financial Overview

Credit protection measures are expected to improve from the currently depressed levels, but remain weak relatively to the company's rating category and peer group. The expected improvement reflects the electric and gas rate increases implemented Oct. 1, 2008, and the elimination of billing credits associated with the 2007 Illinois settlement agreement. A $400 million debt financing in October 2008 was larger and costlier than previously anticipated by Fitch; consequently, the improvement in leverage and interest coverage measures are likely to be less than previously anticipated. Debt leverage, as measured by the ratio of debt/EBITDA, of 6.7 times (x) for the 12 months ended Sept. 30, 2008, is expected by Fitch to fall to a range of 4.5x–5x in 2009, with continued improvement in 2010. The ratio of EBITDA/interest is not likely to exceed 3x in 2009. The weak credit measures are mitigated by the relatively stable revenue stream and moderate capital spending plans.

Capital Expenditures

With no major construction projects underway, capital expenditures over the next several years should be manageable and not materially above the outlays of past three years (2006–2008), which averaged approximately $180 million annually.

Regulation

As previously noted, IPC implemented electric and gas rate increases, effective Oct. 1, 2008, aggregating approximately $142 million. The higher rates were based on a 2006 test year, an ROE of 10.65% for the electric business and 10.68% for the gas business and the capital structure as of June 30, 2007. The rate decision, which is expected to have a positive impact on IPC's credit quality, is considered constructive by Fitch, and in conjunction with other rate decisions by the ICC, signals improvement in the regulatory environment in Illinois.

However, regulatory lag remains a concern in Illinois and is likely to preclude IPC from earning its allowed ROE. There is a lag of nearly two years between the 2006 test year cost structure used to calculate new rates and the Oct. 1, 2008, effective date. Moreover, the ICC rejected IPC's requests for a Qualifying Infrastructure Plant Investment (QIP) rider designed to recover capital costs on infrastructure investments as completed and placed in service and reduce regulatory lag or a Volume Balancing Adjustment (VBA) mechanism intended to decouple gas revenue from sales volume. Favorably, the ICC did approve an increase in the demand charge for natural gas service to include a greater potion of fixed costs. The ICC also lengthened the depreciable lives of certain property, which impairs cash flow with no earnings impact and chose not to reflect the higher cost of refinancing $337 million of auction-rate pollution control revenue refunding bonds in April 2008 with higher-cost fixed-rate debt.

Illinois Settlement Agreement

An Electric Rate Compromise agreement was reached in Illinois in July 2007, which completed the transition to a competitive market. The regulatory agreement and associated legislation established the framework for procuring power for standard offer service and affirmed the Illinois utilities' right to recover procurement costs from customers. The rate settlement and Settlement Legislation provided for contributions by electric utilities and generators of electricity in Illinois of approximately $1 billion over the four-year period 2007–2010 to fund rate relief programs for electricity customers and established the Illinois Power Authority (IPA). The majority of the rate relief is provided by Exelon Corp., including $747 million from Exelon Generation Co., LLC and $53 million from Commonwealth Edison Co. The AEE subsidiaries' contribution totaled $150 million, including $28 million from IPC. Independent power marketers contributed $51 million to the rate relief program, including $25 million from both Dynegy Inc. and Edison International subsidiary Midwest Generation LLC and $1 million from MidAmerican Energy Holdings subsidiary MidAmerican Energy Company. As of Sept. 30, 2008, IPC's remaining contributions from 2008–2010 amount to $7.9 million. Beginning in 2009, the IPA will be responsible for managing the electricity procurement process on behalf of the utilities in Illinois.

Background

IPC, a wholly owned subsidiary of AEE, operates regulated electric and natural gas transmission and distribution businesses in portions of central, east central and southern Illinois, serving a population of 1.4 million. IPC supplies electric service to 626,000 customers and natural gas service to 427,000 customers, including most of the Illinois portion of the Greater St. Louis area. The service territory is largely rural with a large agricultural base, low customer density that can be costly to serve and modest sales growth of about 1% annually.

Financial Summary — Illinois Power Co.

($ Mil., Fiscal Years Ended Dec. 31)

	LTM Ended 9/30/08	2007	2006	2005	2004	2003
Fundamental Ratios (x)						
Funds from Operations (FFO)/Interest Expense	2.2	2.9	3.4	5.6	2.6	2.4
Cash Flow from Operations (CFO)/Interest Expense	2.3	1.4	4.5	4.4	2.9	1.8
Debt/FFO	11.4	8.4	8.9	5.2	5.5	8.6
Operating EBIT/Interest Expense	1.1	1.4	2.9	4.6	1.7	1.1
Operating EBITDA/Interest Expense	2.3	2.7	4.5	6.4	2.5	1.8
Debt/Operating EBITDA	6.1	6.1	4.8	3.7	3.5	6.5
Common Dividend Payout (%)	783.3	262.5	—	82.1	—	—
Internal Cash/Capital Expenditures (%)	8.6	(19.7)	95.0	53.0	180.7	106.4
Capital Expenditures/Depreciation (%)	152.6	185.4	232.5	167.1	118.4	104.1
Profitability						
Adjusted Revenues	1,626	1,646	1,694	1,653	1,539	1,568
Net Revenues	570	542	562	574	583	571
Operating and Maintenance Expense	292	271	271	225	186	58
Operating EBITDA	214	205	218	281	330	299
Depreciation and Amortization Expense	114	96	77	79	114	121
Operating EBIT	100	109	141	202	216	178
Gross Interest Expense	94	77	49	44	131	164
Net Income for Common	6	24	55	95	137	114
Operating Maintenance Expense % of Net Revenues	51.2	50.0	48.2	39.2	31.9	10.2
Operating EBIT % of Net Revenues	17.5	20.1	25.1	35.2	37.1	31.2
Cash Flow						
Cash Flow from Operations	125	28	172	148	247	136
Change in Working Capital	10	(121)	54	(53)	39	(90)
Funds from Operations	115	149	118	201	208	226
Dividends	(47)	(63)	(2)	(78)	(3)	(2)
Capital Expenditures	(174)	(178)	(179)	(132)	(135)	(126)
Free Cash Flow	(96)	(213)	(9)	(62)	109	8
Net Other Investment Cash Flow	(12)	(2)	(1)	141	(137)	—
Net Change in Debt	185	223	11	(84)	(898)	(226)
Net Change in Equity	—	—	—	—	871	—
Capital Structure						
Short-Term Debt	304	175	118	75	—	—
Long-Term Debt	1,008	1,082	927	972	1,147	1,937
Total Debt	**1,312**	**1,257**	**1,045**	**1,047**	**1,147**	**1,937**
Hybrid Equity	—	35	35	35	35	35
Common Equity	1,212	1,262	1,300	1,241	1,234	1,485
Total Capital	**2,524**	**2,554**	**2,380**	**2,323**	**2,416**	**3,457**
Total Debt/Total Capital (%)	52.0	49.2	43.9	45.1	47.5	56.0
Hybrid Equity/Total Capital (%)	—	1.4	1.5	1.5	1.5	1.0
Common Equity/Total Capital (%)	48.0	49.4	54.6	53.4	51.1	43.0

LTM – Latest 12 months. Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding.
Source: Company reports, Fitch Ratings.

Global Power
U.S. and Canada
Credit Analysis

Central Illinois Public Service Co.

Subsidiary of Ameren Corporation

Ratings

Security Class	Current Rating
IDR	BBB–
Secured Debt	BBB+
Senior Unsecured	BBB
Preferred Stock	BBB–
Short-Term IDR	F3

Outlook

Stable

Financial Data

Central Illinois Public Service Co.
($ Mil.)

	LTM Ended 9/30/08	Year Ended 12/31/07
Revenue	952	1,005
Gross Margin	329	321
Cash Flow from Operations	83	14
Operating EBITDA	97	115
Total Debt	532	609
Total Capitalization	1,004	1,114
ROE (%)	0.85	2.82
Capex/ Depreciation (x)	1.3	1.2

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Related Research

- *Illinois Power Company, Jan. 29, 2009*
- *Central Illinois Light Company, Jan. 29, 2009*

Rating Rationale

- The ratings of Central Illinois Public Service Co. (CIPS) were raised to their present level and removed from Ratings Watch Positive by Fitch Ratings in October 2008.
- The new ratings reflect Fitch's expectation of improvement in CIPS' very weak earnings and cash flow measures following the approval of electric and gas rate increases by the Illinois Commerce Commission (ICC) effective Oct. 1, 2008.
- The ratings and Stable Outlook also consider the reduction in commodity price exposure and business risk attributable to the July 2007 Illinois Settlement Agreement, which affirmed CIPS' right to recover power procurement costs from electric delivery customers on a timely basis.
- With no major construction projects underway or anticipated, capital expenditures should be manageable.
- Regulatory lag and the rising cost of capital are the primary credit concerns. The combination of an 11-month review process to adjudicate rate cases, reliance on historical test periods and the lack of interim rate adjustment mechanisms results in the under-recovery of current costs.

Key Rating Drivers

- Achieving satisfactory outcomes in future rate proceedings will be critical to maintaining credit metrics consistent with current ratings.
- The financial well-being of CIPS' parent, Ameren Corporation (AEE), and its affiliates could affect CIPS' ratings.

Recent Events

On Sept. 24, 2008, the ICC approved electric and gas rate increases of $22 million (approximately 11%) and $7 million (approximately 11%), respectively. The increase in electric rates equates to approximately 85% of the $26 million revised rate increase requested by CIPS; the increase in gas rates is approximately 70% of the company's revised request for a $10 million rate increase. The rate decisions were based on a 2006 test year and a return on equity (ROE) of 10.65% for the electric business and 10.68% for the gas business. The ICC denied the company's requests for a rate adjustment mechanism to recover capital costs on electric infrastructure investments as completed and a natural gas decoupling mechanism.

Liquidity and Debt Structure

Liquidity is typically supported by internally generated cash, drawings under committed credit facilities and a corporate money pool. CIPS participates with its Illinois affiliates in a $500 million secured credit facility expiring January 2010; the company's borrowing limit is $135 million. Excluding a $21 million commitment from a Lehman subsidiary reduces the total lending commitment to $479 million, with a proportional reduction in CIPS' borrowing limit. Access to the credit facility is subject to reduction as borrowings are made by affiliates. The obligations of each borrower are several and not joint.

The credit facility limit the amount of common and preferred stock dividends payments to $10 million per year if CIPS' senior secured long-term debt securities or first mortgage bonds have received a below-investment-grade credit rating. Currently, CIPS is not limited in its dividend payments. The credit facility contains a financial covenant that limits total indebtedness to 65% of total capitalization. As of Sept. 30, 2008, CIPS' debt-to-capital ratio, as calculated in the credit facilities, was 52%.

CIPS has access to additional liquidity through a corporate money pool. AEE maintains separate money pools for utility and non-state-regulated entities. Through the utility money pool, CIPS also has access to AEE's $1.15 billion credit facility. Excluding a $100 million commitment from a Lehman subsidiary reduces the lending commitment to $1.05 billion. At Sept. 30, 2008, CIPS had no borrowings outstanding from the corporate money pool

At Sept. 30, 2008, CIPS had $14 million of cash and cash equivalents and $96 million of short-term debt. The maturity schedule is manageable, with $150 million of senior secured notes due June 15, 2011, followed by $51 million of pollution control bonds in March 2014. Approximately 80% of CIPS' long-term debt is secured notes with a fall-away lien or first mortgage bonds. The secured notes are collateralized by first mortgage bonds and will remain so until all outstanding first mortgage bonds are retired. The earliest release date is 2017.

Financial Overview

Credit protection measures are expected to improve from the currently depressed levels. The expected improvement reflects the electric and gas rate increases implemented Oct. 1, 2008, and the elimination of billing credits associated with the 2007 Illinois settlement agreement. Debt leverage, as measured by the ratio of EBITDA/interest, of 5.5 times (x) for the 12 months ended Sept. 30, 2008, is expected by Fitch to fall to a range of 4.0x–4.5x in 2009, with continued improvement in 2010. The ratio of EBITDA/interest is expected to approximate 4.0x in 2009. The weak credit measures are mitigated by the relatively stable revenue stream and moderate capital spending plans.

Capital Expenditures

With no major construction projects underway, capital expenditures over the next several years should be manageable and not materially above the outlays of 2008 of approximately $90 million.

Regulation

As previously noted, CIPS implemented electric and gas rate increases, effective Oct. 1, 2008, aggregating approximately $31 million. The higher rates were based on a 2006 test year, an ROE of 10.65% for the electric business and 10.68% for the gas business and the capital structure as of June 30, 2007. The rate decision, which is expected to a have positive impact on CIPS' credit quality, is considered constructive by Fitch, and in conjunction with other rate decisions by the ICC, signals improvement in the regulatory environment in Illinois.

However, regulatory lag remains a concern in Illinois and is likely to preclude CIPS from earning its allowed ROE. There is a difference of nearly two years between the 2006 test year cost structure used to calculate new rates and the Oct. 1, 2008, effective date. Moreover, the ICC rejected CIPS' requests for a Qualifying Infrastructure Plant Investment (QIP) rider designed to recover capital costs on infrastructure investments as completed and placed in service and reduce regulatory lag or a Volume Balancing

Adjustment (VBA) mechanism intended to decouple gas revenue from sales volume. Favorably, the ICC did approve an increase in the demand charge for natural gas service to include a greater potion of fixed costs. The ICC also lengthened the depreciable lives of certain property, which impairs cash flow with no earnings impact.

Illinois Settlement Agreement

An Electric Rate Compromise agreement was reached in Illinois in July 2007, which completed the transition to a competitive market. The regulatory agreement and associated legislation established the framework for procuring power for standard offer service and affirmed the Illinois utilities' right to recover procurement costs from customers. The rate settlement and Settlement Legislation provided for contributions by electric utilities and generators of electricity in Illinois of approximately $1 billion over the four-year period 2007–2010 to fund rate relief programs for electricity customers and established the Illinois Power Authority (IPA). The majority of the rate relief is provided by Exelon Corp., including $747 million from Exelon Generation Co., LLC and $53 million from Commonwealth Edison Co. The AEE subsidiaries' contribution totaled $150 million, including $21 million from CIPS. Independent power marketers contributed $51 million to the rate relief program, including $25 million from both Dynegy Inc. and Edison International subsidiary Midwest Generation LLC and $1 million from MidAmerican Energy Holdings subsidiary MidAmerican Energy Company. As of Sept 30, 2008, CIPS' remaining contributions from 2008–2010 amount to $5.8 million. Beginning in 2009, the IPA will be responsible for managing the electricity procurement process on behalf of the utilities in Illinois.

Background

CIPS, a wholly owned subsidiary of AEE, operates regulated electric and natural gas transmission and distribution businesses in portions of central, west central and southern Illinois, serving a population of 1 million. CIPS supplies electric service to 400,000 customers and natural gas service to 190,000 customers. The service territory is largely rural with a large agricultural base, low customer density that can be costly to serve and modest sales growth of about 1% annually.

Financial Summary — Central Illinois Public Service Company

($ Mil., Fiscal Years Ended Dec. 31)

	LTM Ended 9/30/08	2007	2006	2005	2004	2003
Fundamental Ratios (x)						
Funds from Operations (FFO)/Interest Expense	3.1	3.1	3.5	4.3	3.3	3.4
Cash Flow from Operations (CFO)/Interest Expense	3.6	1.4	4.8	5.4	3.2	2.7
Debt/FFO	7.9	7.8	6.7	4.6	7.1	7.7
Operating EBIT/Interest Expense	0.9	1.3	2.2	2.8	1.8	1.3
Operating EBITDA/Interest Expense	3.0	3.1	4.3	5.0	3.4	2.9
Debt/Operating EBITDA	5.5	5.3	3.9	3.0	4.8	6.4
Common Dividend Payout (%)	1,075.0	307.1	151.4	92.7	269.0	250.0
Internal Cash/Capital Expenditures (%)	46.5	(36.7)	79.3	148.4	(10.9)	(18.0)
Capital Expenditures/Depreciation (%)	128.4	119.7	130.2	100.0	86.8	96.2
Profitability						
Adjusted Revenues	952	1,005	954	934	735	742
Net Revenues	329	321	334	326	285	280
Operating and Maintenance Expense	195	172	161	144	148	156
Operating EBITDA	97	115	132	149	111	97
Depreciation and Amortization Expense	67	66	63	64	53	52
Operating EBIT	30	49	69	85	58	45
Gross Interest Expense	32	37	31	30	33	34
Net Income for Common	4	14	35	41	29	26
Operating Maintenance Expense % of Net Revenues	59.3	53.6	48.2	44.2	51.9	55.7
Operating EBIT % of Net Revenues	9.1	15.3	20.7	26.1	20.4	16.1
Cash Flow						
Cash Flow from Operations	83	14	118	133	73	56
Change in Working Capital	16	(64)	40	34	(2)	(24)
Funds from Operations	67	78	78	99	75	80
Dividends	(43)	(43)	(53)	(38)	(78)	(65)
Capital Expenditures	(86)	(79)	(82)	(64)	(46)	(50)
Free Cash Flow	(46)	(108)	(17)	31	(51)	(59)
Net Other Investment Cash Flow	133	37	16	52	124	62
Net Change in Debt	(74)	90	7	(86)	(88)	(4)
Net Change in Equity	—	1	1	—	—	—
Capital Structure						
Short-Term Debt	96	125	35	8	68	121
Long-Term Debt	436	484	484	443	463	498
Total Debt	532	609	519	451	531	619
Hybrid Equity	—	38	38	38	38	38
Common Equity	472	467	493	519	440	482
Total Capital	1,004	1,114	1,050	1,008	1,009	1,139
Total Debt/Total Capital (%)	53.0	54.7	49.4	44.7	52.6	54.4
Hybrid Equity/Total Capital (%)	—	3.4	3.6	3.8	3.8	3.3
Common Equity/Total Capital (%)	47.0	41.9	47.0	51.5	43.6	42.3

LTM – Latest 12 months. Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding.
Source: Company reports, Fitch Ratings.