REDACTED
REBUTTAL TESTIMONY

of

ROCHELLE PHIPPS

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Financial Analysis Division
Illinois Commerce Commission

Central Illinois Light Company, d/b/a AmerenCILCO,

Central Illinois Public Service Company, d/b/a AmerenCIPS

and

Illinois Power Company, d/b/a AmerenIP

Proposed General Increase in Electric Rates
and
Proposed General Increase in Gas Rates

Docket Nos. 09-0306 – 09-0311 (Cons.)

November 20, 2009

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Schedules and Attachments

Witness Identification

Q. Please state your name and business address.

A. My name is Rochelle Phipps. I am employed by the Illinois Commerce Commission ("Commission"), 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. Are you the same Rochelle Phipps that previously submitted direct testimony in this proceeding?

A. Yes, I am.

Introduction and Summary of Recommendations

Q. What is the purpose of your rebuttal testimony in this proceeding?

A. I will respond to the rebuttal testimony of Mr. Lee Nickloy (Ameren Ex. 28.0) and Mr. Michael O'Bryan (Ameren Ex. 37.0 (Revised)) who testified on behalf of Central Illinois Light Company ("CILCO"), Central Illinois Public Service Company ("CIPS") and Illinois Power Company ("IP")[1] on CILCO's standalone financial strength and debt rates, IP's capital structure and the Companies' bank commitment fees. I also updated CILCO's and IP's short-term debt balances in Schedule 19.02 because the September 2009 balances I presented in direct testimony (ICC Staff Ex. 5.0, Schedule 5.02) were Company forecasts.[2]

[1] I collectively refer to CILCO, CIPS and IP as the "Companies" or "AIU." I refer to CILCO, CIPS and IP, individually, as the "Company."
[2] ICC Staff Exhibit 5.0, pp. 13 and 24.

Q. Please summarize your conclusions and recommendations.

A. The AIU provided no compelling arguments that caused me to reconsider my adjustments to the interest rate on CILCO's recent long-term debt issuance, IP's capital structure or IP's embedded cost of long-term debt.

I revised my estimate of CILCO's short-term debt rate, and associated bank commitment fees, due to the new Moody's rating methodology, which results in a higher short-term debt rate and a higher cost of capital for CILCO than I proposed in direct testimony. I also revised my bank commitment fee calculation to reflect administrative agency fees as an annual expense based on additional information the AIU provided, which results in a more accurate calculation, but does not materially affect my recommendation.

CILCO's Standalone Financial Strength

Q. Please respond to the Companies' claim that your adjustment to the interest rate on the bonds CILCO issued in December 2008 is unreasonable.[3]

A. Mr. Nickloy states:

> Ms. Phipps does not offer any compelling evidence that AmerenCILCO's rating, or the coupon/interest rate on this debt offering, would have been any different than what either was at the time this debt was issued.

[3] Ameren Ex. 28.0, p. 4.

> AmerenCILCO needed to complete this refinancing in order to reduce borrowings under its bank facilities…and improve its liquidity position.[4]

I do not address whether CILCO should have issued $150 million long-term indebtedness. My adjustment is limited to removing any incremental cost of CILCO's capital due to its non-utility affiliates, as required by Section 9-230 of the Act.

Each of the rating agencies notes that CILCO's rating is affected by its non-utility affiliates (*e.g.*, AERG's riskier generation operations and CILCORP's direct indebtedness). Therefore, I estimated Moody's Investors Service implied utility-only issuer credit rating for CILCO by comparing the financial metrics that Moody's publishes for CILCO to Moody's benchmarks for a "Low" business risk profile (*i.e.*, a transmission and distribution company) rather than a "Medium" business risk profile (*i.e.*, a generation company).[5] Similarly, I estimated Standard & Poor's ("S&P") implied utility-only issuer credit rating for CILCO by comparing the financial metrics that S&P publishes for CILCO to a less risky business profile than S&P has assigned CILCO. Specifically, I assumed S&P assigns CILCO a "Strong" business risk profile, which is the business risk profile that S&P has assigned CIPS and IP.

Specifically, S&P states:

[4] Ameren Ex. 28.0, p. 4.
[5] The results of my analysis are the same whether the 3-year average financial metrics for CILCO were calculated for years 2006-2008 (per Moody's Investors Service, "Credit Opinion: Central Illinois Light Company," August 14, 2009, provided in Attachment B) or 2005-2007 (per Moody's Investors Service, "Credit Opinion: Central Illinois Light Company," January 30, 2009).

> IP's ratings also reflect its strong business profile and Ameren's significant financial profile…IP's strong business profile reflects its lower operating risk. As a distributor with no owned generation, IP has less operating risk than a fully integrated utility.[6]

> ***

> CIPS' ratings also reflect its strong business profile and Ameren's significant financial profile…CIPS' strong business profile reflects its lower operating risk. As a distributor with no owned generation, CIPS has less operating risk than a fully integrated utility.[7]

On the other hand, with respect to CILCO, S&P states:

> CILCO's ratings also reflect its satisfactory business profile and Ameren's significant financial profile. CILCO's satisfactory business profile reflects its non-regulated businesses, partially offset by its lower risk regulated transmission and distribution business.[8]

Q. Please respond to the AIU argument that CILCO's rating from S&P could be BBB- even if using a "Strong" business risk profile.

A. The AIU claim that actual ratings could span one notch above or below the midpoint indicated on the S&P rating matrix and argue this means CILCO's rating using a "Strong" business risk profile could still be BBB- (CILCO's actual rating) rather than BBB+ (CILCO's adjusted rating).[9] However, the first step in making my adjustment to CILCO's S&P rating was to plot CILCO's actual S&P issuer rating on the matrix using the "Significant" financial risk profile and the "Satisfactory" business risk profile that S&P actually assigns CILCO. Next,

[6] Standard & Poor's, "Summary: Illinois Power Co.," August 27, 2009, provided as Attachment A – IP.
[7] Standard & Poor's, "Summary: Central Illinois Public Service Co.," August 27, 2009, provided as Attachment A – CIPS.
[8] Standard & Poor's, "Summary: Central Illinois Light Co.," August 27, 2009, provided as Attachment A – CILCO.
[9] Ameren Ex. 28.0, pp. 3-4.

without changing where CILCO's rating falls on the financial risk spectrum, I moved CILCO's business risk profile up one category to "Strong." Thus, I only changed business risk profile, everything else I held the same. Consequently, the Company's argument implies that, all else equal, a change of business profile alone could be insufficient to induce S&P to alter its credit ratings. However, that S&P decided to disclose what CILCO's business profile would be in the absence of AERG and CILCORP's indebtedness indicates that information is sufficient to affect CILCO's credit ratings.[10] To assume the contrary, implies that S&P clutters its concise reports with immaterial information.

Q. Since September 1, 2008, have Moody's, S&P and Fitch Ratings published any ratings reports that state their review of CILCO's financial performance is indicative of the standalone, regulated utility, without the presence of any unregulated subsidiaries?

A. No. Mr. Nickloy states:

> [Begin Confidential Information]
>
> [11]

10 Standard & Poor's "Research: Ameren Corp.," February 25, 2009.
11 Ameren Ex. 28.0, pp. 2-3.

[End Confidential Information].[12] The August 14, 2009, Moody's ratings report for CILCO includes financial metrics for the twelve months ended June 30, 2009 and years 2006-2008. Contrary to Mr. Nickloy's claim, the Moody's report, provided as Attachment B, notes that Cilcorp's debt and AERG's non-utility operations affect CILCO's credit rating. Moody's states:

> AmerenCILCO…also includes the unregulated generation subsidiary AmerenEnergy Generating Company (AERG), which is unrated…CILCO's financial metrics are very strong for its rating…CILCO's rating is constrained by $210 million of long-term debt at its intermediate parent company CILCORP, which exhibits significantly lower financial metrics on a consolidated basis than its utility subsidiary…AmerenCILCO is unique among Ameren's three Illinois utilities in that it owns AERG, with 1,200 MW of unregulated generation, consisting of AmerenCILCO's former generating assets. AERG has significant capital expenditure requirements necessary to bring it into compliance with current environmental standards.[13]

In any event, it is not clear why the rating agencies would view CILCO as a standalone regulated utility since the AIU are not certain when CILCO would spin-off AERG.[14] Further, it would say little for the supposed independence of the ratings agencies if they accepted without question the financial ratios provided by debt issuers.

[12] AIU response to ICC Staff data request RP 15.02.
[13] Moody's Investors Service, "Credit Opinion: Central Illinois Light Company," August 14, 2009, provided in Attachment B.
[14] AIU response to ICC Staff data request RP 15.03.

CILCO's Cost of Short-Term Debt

Q. Did you make any changes to your estimate of CILCO's cost of short-term debt?

A. Yes. During August 2009, Moody's revised its credit rating methodology. The new methodology does not provide distinguishable business risk categories that permit evaluating financial metrics for a "Medium" risk utility that owns generation versus a "Low" risk distribution utility. On this basis, I relied upon CILCO's actual senior secured debt rating from Moody's (Baa1) and my estimate of CILCO's S&P rating, adjusted solely to reflect a lower degree of business risk (A). Pursuant to Illinois credit facility, CILCO's implied Baa1/A ratings would result in a Level II borrower status. This would result in a 2.50% cost of short-term debt for CILCO, which equals the weighted average of CILCO's bank loan rate (*i.e.*, the August 18, 2009, LIBOR rate, plus a 2.375% margin for Level II status) and the internal money pool rate (0.19%). Furthermore, I recommend adding 28 basis points to CILCO's overall cost of capital to reflect bank commitment fees, including a Level II borrower facility fee of 0.375%. The revised bank commitment fee calculation is presented on Schedule 19.05.

Q. Why is your updated short-term debt rate for CILCO distinguishable from your adjustment to CILCO's long-term debt rate, which is based on CILCO's standalone financial strength?

A. CILCO's December 2008 debt issuance preceded the new Moody's rating methodology. The Moody's rating methodology that was in place during December 2008 clearly distinguished financial benchmarks for "Medium" business risk profiles for utilities that own generation from "Low" business risk profiles for distribution utilities. Unlike short-term debt rates, the interest rate on CILCO's December 2008 bonds is fixed. On the other hand, the new Moody's methodology, which would apply to current costs, such as short-term debt rates, does not permit a similar comparison of "Low" and "Medium" business risk levels, which served as the basis for my adjustment to CILCO's cost of short-term debt. Therefore, for the purposes of this case only, I revised my estimate of CILCO's cost of short-term debt for ratemaking purposes to reflect the new Moody's credit rating methodology.

IP's Capital Structure

Long-Term Debt Balance

Q. Why did IP issue $400 million bonds instead of $350 million bonds during October 2008?

A. Mr. Nickloy argues:

> First, AmerenIP's long-term debt issuance was not impacted by its temporary short-term money pool loan to AmerenCIPS. AmerenIP sized the debt issuance to retire its own short-term debt with an objective of maintaining an appropriate level of available liquidity…the money pool loan to AmerenCIPS was simply a temporary use of funds which would

> have otherwise been maintained as highly liquid short-term investments as a liquidity reserve.[15]

While Mr. Nickloy argues that IP did not need those funds it loaned to CIPS during October 2008, he also argues:

> At the time of this debt financing, AmerenIP was fully utilizing its capacity under its two bank facilities and had to further meet its short-term borrowing requirements through borrowings from Ameren Corporation.[16]

Yet, IP could have recalled its money pool loan to CIPS, in which case CIPS could have borrowed funds from Ameren Corporation ("Ameren"). Instead, IP borrowed $xx million from Ameren on October 21, 2008, which IP repaid two days later.[17] If IP had recalled its money pool loan, it would not have needed to borrow $xx million from Ameren on October 21, 2008. If IP had not borrowed from Ameren on October 21, 2008, it could have reduced the size of its October 2008 long-term debt issue from $400 million to $350 million because it would have had less short-term debt to retire. Furthermore, IP's cash balance grew by more than $xx million from October 20, 2008 (the day before IP borrowed from Ameren) to October 22, 2008 (the day before IP issued $400 million bonds).[18] This indicates that IP did not use the proceeds from the Ameren loan, making it dubious whether IP needed the Ameren loan at all.

[15] Ameren Ex. 28.0, pp. 5-6.
[16] Ameren Ex. 28.0, p. 6.
[17] Confidential compliance reports filed pursuant to 83 Ill. Adm. Code 340.
[18] AIU response to ICC Staff data request RP 1.04.

Here is a summary of IP's daily surplus funds balances for October 20, through October 22, 2008:

	(A)	(B)	(C)
Date	Total Cash & Investments Balance[1] (in millions)	Money Pool Contributions[2] (in millions)	Total Cash & Inv. Balance & Money Pool Contributions[3]
10/20/08			
10/21/08	Redacted		
10/22/08			
[1] Does not include amounts IP posted as collateral or contributions to the AIU money pool (AIU responses to ICC Staff data requests RP 1.04 and 7.08)			
[2] Confidential quarterly reports filed pursuant to 83 Ill. Adm. Code 340.			
[3] Sums of columns (A) and (B).			

Q. Do the AIU quantify an "appropriate level of liquidity"?

A. No.[19]

Q. Did you review projected short-term debt and cash balances for IP that preceded IP's October 2008 debt issuance?

A. Yes. I reviewed one-year financial projections for IP as of September 18, 2008. [Begin Confidential Information]

[End Confidential Information][20]

[19] AIU response to ICC Staff data request RP 15.04, provided as Attachment D.
[20] AIU response to ICC Staff data request RP 12.01.

Q. Do you agree with Mr. Nickloy's assertion that the distressed capital markets and the Lehman Brothers bankruptcy warranted the issuance of $50 million more long-term bonds than IP required to repay its short-term bank loans?[21]

A. No. Mr. Nickloy states:

> After its bankruptcy filing, Lehman Brothers was no longer funding loan requests under these facilities and many feared others would follow. At the time of its bankruptcy filing, Lehman Brothers represented $71 million of the $1 billion in credit facilities AmerenIP could directly access (under its $350 million of borrowing sublimits).[22]

After Lehman Brothers Commercial Bank assigned its $50 million commitment under the 2007 credit facility to Commerzbank AG on September 17, 2008, there was only $21 million of lost borrowing capacity for the AIU under the 2006 credit facility. Ameren and its subsidiaries, including the AIU, did not believe the potential reduction in available capacity under the credit facilities if Lehman Brothers Bank, FSB did not fund its commitments would materially affect their liquidity. In fact, on September 18, 2008, Ameren had available liquidity (including cash balances) of approximately $1.197 billion, excluding the $121 million of Lehman Brothers Bank, FSB's credit facilities commitments.[23]

[21] Ameren Ex. 28.0, pp. 6-7.
[22] Ameren Ex. 28.0, pp. 6-7.
[23] The remaining $100 million commitments were under Ameren Corporation's non-utility $1.15 billion credit facility. Ameren Corporation, Form 8-K, filed September 18, 2008.

Q. Has IP explained its rationale for issuing $50 million more long-term bonds than IP required to repay its outstanding bank loans given the condition of the capital markets and debt markets during October 2008?

A. The AIU assert, “[t]he incremental $50 million repaid other short-term indebtedness and further enhanced IP’s liquidity position.”[24] Mr. Nickloy also asserts:

> Adding to this environment was the fact the Ameren Illinois Utilities’ bank facilities were scheduled to expire in January 2010 with no assurance that the bank markets would improve and permit the extension or renewal of these facilities.[25]

However, IP issued the long-term indebtedness more than one year before the AIU bank facilities would expire. Moreover, IP did not require the $50 million that I removed from its long-term debt balance to repay existing short-term indebtedness. IP issued more long-term debt than it required in order to “further enhance” its liquidity position by increasing its cash reserves and has not shown it considered any less-costly alternatives to issuing more long-term bonds than it required to repay its short-term bank loans.

Common Equity Balance

Q. Is Mr. Nickloy’s testimony that IP required the $58 million equity infusion compelling?

[24] AIU response to ICC Staff data request RP 15.05.
[25] Ameren Ex. 28.0, p. 7.

A. No. The AIU contend that the common equity infusion was another of the multiple credit enhancing actions taken by Ameren and IP that ultimately led to Moody's decision to restore IP's credit rating to investment grade.[26] However, Moody's August 13, 2009, announcement of the AIU upgrade does not support this claim. Moody's expressly states, "[t]he upgrade of Ameren's Illinois utilities is prompted by the recent execution of new bank facilities and the improved political and regulatory environment for utilities in Illinois."[27]

Mr. Nickloy also argues:

> Although the March equity infusion resulted in a temporary increase in cash, this enhanced AmerenIP's liquidity position and reduced the extent to which it would need to rely on its bank facilities.[28]

IP's March 2009 surplus funds balances ranged from $xxx million to $xxx million.[29] Additionally, since IP issued the 9.75% bonds, it has not borrowed under any of its bank credit facilities (which available capacity totaled $350 million) or the money pool. IP did not require an equity infusion from Ameren due to a lack of available liquidity because IP had available liquidity of at least $xxx million to $xxx million during March 2009.

Finally, the AIU claim, "[i]gnoring the credit and liquidity enhancing step of making a common equity infusion into IP implies neither of these objectives is

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[26] Ameren Ex. 28.0, p. 8.
[27] Moody's Investors Service, "Rating Action: Illinois Power Company, Moody's Upgrades Ameren Illinois Utilities to Investment Grade," August 13, 2009, provided as Attachment C.
[28] Ameren Ex. 28.0, p. 8.
[29] ICC Staff Ex. 5.0, Schedule 5.04 IP.

worthwhile."[30] Yet, I did not adjust IP's common equity because the objectives noted by Mr. Nickloy are not worthwhile. I recommend removing $50 million long-term debt that IP did not require and the subsequent equity infusion that was intended to bolster IP's equity ratio after the Company issued $50 million more bonds than it required to repay its short-term bank loans.

Alternative Recommendation

Q. Do you have an alternative in the event the Commission does not adopt both of your adjustments to IP's long-term debt and common equity balances?

A. Yes. Foremost, I recommend the Commission consider the related adjustments to IP's long-term debt and common equity balances together. In terms of capitalization, the March 2009 $58 million common equity infusion essentially offsets the $50 million in excess debt IP issued in October 2008. If IP had issued $50 million less in debt in October 2008, it would not have needed $58 million of common equity in March 2009 to keep its common equity ratio from sinking further. Nevertheless, if the Commission agrees with my adjustment to IP's long-term debt balance, but not my adjustment to IP's common equity balance, then I recommend the Commission also not remove from IP's long-term debt balance the $50 million in excess debt IP issued in October 2008. Instead, I would recommend the Commission adjust the interest rate on that $50 million in excess

[30] Ameren Ex. 28.0, p. 7.

debt to the embedded cost of long-term debt had the $50 million in excess debt not been issued, or 7.83%. This approach would prevent the $50 million of excess debt from increasing IP's embedded cost of long-term debt. Absent such an adjustment, because the before-tax cost of common equity is more expensive than even 9.75% debt, IP's before-tax rate of return on rate base would be higher if the Commission only reduced the balance of the October 2008 debt issue than if the Commission adjusted neither the amount of the October 2008 debt issue nor the March 2009 common equity infusion. The alternative cost of capital summary is presented on Schedule 19.03 and IP's before-tax rates of return are presented on Schedule 19.04.

Bank Commitment Fees

Q. How did you revise your bank commitment fee calculation?

A. The AIU provided information confirming that the administrative fees associated with the Illinois credit facility are annual fees.[31] Therefore, I allocated 62.5% of the $37,500 annual fee to the AIU and assigned each Company a share proportional to its sub-limit under the Illinois credit facility. This adjustment changes my bank commitment fee calculations for CILCO, CIPS and IP, but does not affect my recommendation for each of the AIU, as shown on Schedule 19.05.

Q. Were any of the AIU arguments regarding bank commitment fees compelling?

[31] AIU response to ICC Staff data request RP 14.07.

A. No. The AIU allege that my calculation of the AIU bank commitment fees assumes the upfront fees would be lower if the total facility size is lower.[32] Mr. O'Bryan argues:

> It would be wrong to suggest that banks would be willing to lend into a smaller (Illinois only) facility at a 1.50% rate. In fact, smaller bank facilities recently completed by Integrys Energy Group ($500 million) and another electric utility ($265 million) suggest otherwise. Upfront fees in those bank facilities were 2.00% for all borrowers in the Integrys case and 3.00% for all borrowers in the other electric utility's case.[33]

Those comparisons by Mr. O'Bryan have no value. His argument implies those facilities are similar to the Illinois credit facility; however, they were entered into prior to the date AIU closed on the Illinois credit facility and the amount of each of the credit facilities lenders' commitments to the borrowers is unknown.[34] Towards that end, the smaller bank facility for Integrys Energy Group that Mr. O'Bryan references actually replaced a small portion of Integrys Energy Group's aggregate $2.2 billion bank facilities.[35] The other electric utility that Mr. O'Bryan references, NiSource, Inc., is distinguishable from the Illinois credit facility because NiSource, Inc. entered a term bank loan to supplement $1.5 billion revolving credit facilities.[36] Moreover, Mr. O'Bryan's argument implies there are economies of scale associated with a larger credit facility. To the contrary, under

[32] Ameren Ex. 37.0 (Revised), p. 4.
[33] Ameren Ex. 37.0 (Revised), pp. 4-5.
[34] AIU response to ICC Staff data request RP 14.08, provided as Attachment E.
[35] Integrys Energy Group, Inc. Form 10-Q for the quarter ended June 30, 2009, provided as Attachment F.
[36] NiSource, Inc. Form 10-K for the year ended December 31, 2008, pp. 131-132; NiSource Form 10-Q for the quarterly period ended March 31, 2009, p. 49.

the terms of the Illinois credit facility, upfront fees increase as commitment amounts increase.[37]

The AIU allege that my calculation assumes that Ameren will consistently borrow up to its sublimit of $300 million over the life of the Illinois credit facility.[38] On this basis, the AIU oppose my calculation and allocation of bank commitment fees, alleging my methodology assigns too much cost to Ameren and too little to the AIU.[39] However, without my adjustment, the AIU, and ultimately AIU customers, would pay costs associated with more credit facility capacity than they would have available if Ameren borrows more than $165 million under the Illinois credit facility.

Finally, the AIU assert that my methodology does not recognize that Ameren may borrow under the facility to provide the AIU supplemental liquidity by acting as their "lender of last resort" when the AIU are at their maximum of their individual borrowing sub-limits and there are no money pool funds available.[40] However, this argument does not support the Companies' claim that the AIU should pay costs associated with the $135 million borrowing capacity that either the AIU or Ameren could borrow. The AIU argument applies only to borrowing capacity over the aggregate AIU sub-limit of $635 million because, under the Illinois credit facility, Ameren pays a higher short-term bank loan rate than any of the AIU due

[37] AIU response to ICC Staff data request RP 2.04 Attach 1, pp 1- 11, provided as Attachment G.

[38] Ameren Ex. 37.0 (Revised), p. 6.
[39] Ameren Ex. 37.0 (Revised), p. 5.
[40] Ameren Ex. 37.0 (Revised), p. 6.

to its Baa3/BBB- unsecured debt ratings from Moody's and S&P. Consequently, it makes no sense for Ameren to borrow from the Illinois credit facility and then lend the proceeds to the AIU. Regardless, the Commission's rules for utility money pool agreements prohibits utilities borrowing from affiliates whenever utilities may borrow at lower cost directly from banks or other financial institutions. Therefore, Ameren can only act as the AIUs' "lender of last resort" when the AIU reach their maximum, aggregate borrowing capacity of $635 million. Furthermore, Ameren is not obliged under any agreement to provide the AIU supplemental liquidity and has taken steps to insulate itself from the AIU when the Illinois Legislature was considering rate freeze legislation. Specifically, Ameren removed the AIU as borrowers under Ameren's credit facility and removed provisions from the credit agreement that would treat the AIU as subsidiaries for purposes of cross-default provisions.[41] Finally, the argument ignores the rationale for a commitment fee, which as its name implies, compensates banks for making a firm commitment to provide up to a specified amount of credit on demand. Nevertheless, because of the overlapping sub-limits in the Illinois credit facility (*i.e.*, the sum of the sub-limits exceeds the total commitment), the commitment available to the AIU is a function of the amount of credit already committed to Ameren. Therefore, the AIU can only count on $500 million of the facility, not the $635 million of their combined sub-limits would otherwise suggest. Thus, only $500 million of the credit facility is "firm." The remaining $135 million of the combined sub-limits is "interruptible" by Ameren.

[41] Ameren Corporation, Form 8-K, filed June 1, 2006.

Q. Do you agree with Mr. O'Bryan's assertion that adjusting the facility fee rates for CIPS and IP in response to Moody's ratings upgrades for the AIU on August 13, 2009 is improper?

A. No. Foremost, the August 2009 upgrade did not affect CIPS' facility fee rate because CIPS' senior secured ratings from Moody's and S&P were Baa2 and BBB+, respectively, before the August 2009 upgrade.[42] Pursuant to the Illinois credit facility pricing schedule, borrowers with two different ratings that are one notch apart, such as CIPS, are deemed to have the higher rating. As such, CIPS was a Level III Borrower before the Moody's rating upgrade.

In contrast, the Moody's upgrade improved IP's short-term debt rate because it resulted in IP becoming a Level III Borrower. Nevertheless, using IP's current senior secured credit rating is not a selective adjustment to the cost of capital, as Mr. O'Bryan alleges.[43] First, the adjustment is not the consequence of an out-of-measurement period change in capitalization, such as the issuance of new debt or common equity, the retirement of debt or the payment of common dividends. Selective capital structure adjustment such as those would be improper because they wrongly imply those events occur in isolation. For example, removing a debt issue that matures after the capital structure measurement date fails to consider whether the utility will need to raise capital to refund the maturing debt issue much less what type of capital it will raise. In contrast, the facility fees will

[42] Moody's Investors Service, "Rating Action: Central Illinois Public Service Company," August 13, 2009; Standard & Poor's, "Central Illinois Public Service Co.," February 27, 2009.
[43] Ameren Ex. 37.0 (Revised), p. 8.

change during the term of the credit agreement as each borrower's credit rating changes.[44] The change in the fee rate typically does not significantly affect the amount of capital the utility needs to maintain.[45] Thus, adjustable facility fee rates are similar to variable interest rates, which the Commission has estimated using current rates rather than those that were in effect during an historical measurement period.

Furthermore, if Mr. O'Bryan's argument had any merit, which it does not, then AIU short-term debt rates would not reflect any costs associated with the Illinois credit facility because the AIU were borrowers under the 2006 and 2007 credit facilities on the capital structure measurement dates.

Rate of Return on Rate Base

Q. What is the rate of return on rate base you recommend for CILCO?

A. I recommend an 8.28% rate of return on rate base for CILCO's electric delivery services, which incorporates the 10.38% rate of return on common equity Staff witness Janis Freetly recommends for the AIU electric operations. I recommend a 7.95% rate of return on rate base for CILCO's gas delivery services, which incorporates the 9.64% rate of return on common equity Ms. Freetly recommends for the AIU electric operations. My rate of return recommendations are presented on Schedule 19.01 CILCO.

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[44] AIU response to ICC Staff data request RP 2.04.

[45] Any change in cost ultimately affects capitalization because it affects cash flow, all else equal. Nevertheless, such changes in capitalization will be very small in comparison to the amount of total capital.

Q. What is the rate of return on rate base you recommend for CIPS?

A. I recommend an 8.06% rate of return on rate base for CIPS' electric delivery services, which incorporates Ms. Freetly's 10.14% rate of return on common equity recommendation for the AIU electric operations. I recommend a 7.69% rate of return on rate base for CIPS' gas delivery services, which incorporates Ms. Freetly's 9.38% rate of return on common equity recommendation for the AIU gas operations. My rate of return recommendations are presented on Schedule 19.01 CIPS.

Q. What is the rate of return on rate base you recommend for IP?

A. I recommend a 9.05% rate of return on rate base for IP's electric delivery services, which incorporates Ms. Freetly's 10.44% rate of return on common equity recommendation for the AIU electric operations. I recommend an 8.70% rate of return on rate base for IP's gas delivery services, which incorporates Ms. Freetly's 9.64% rate of return on common equity recommendation for the AIU gas operations. My rate of return recommendations are presented on Schedule 19.01 IP.

Q. Does this question conclude your prepared rebuttal testimony?

A. Yes, it does.

Central Illinois Light Company
Cost of Capital Summary
March 31, 2009

CILCO Electric

Staff Recommendation					
Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	32,017,993	5.60%	2.50%	0.14%
Long-Term Debt	$	271,691,990	47.49%	6.69%	3.18%
Preferred Stock	$	18,893,282	3.30%	4.61%	0.15%
Common Equity	$	249,457,171	43.61%	10.38%	4.53%
Bank Facility Fees					0.28%
TOTAL	$	572,060,436	100.00%		8.28%

Company Proposal					
Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	32,017,993	5.60%	2.15%	0.12%
Long-Term Debt	$	271,492,364	47.48%	8.16%	3.87%
Preferred Stock	$	18,893,567	3.30%	4.61%	0.15%
Common Equity	$	249,457,171	43.62%	11.70%	5.10%
Bank Facility Fees					0.37%
TOTAL	$	571,861,095	100.00%		9.61%

CILCO Gas

Staff Recommendation					
Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	32,017,993	5.60%	2.50%	0.14%
Long-Term Debt	$	271,691,990	47.49%	6.69%	3.18%
Preferred Stock	$	18,893,282	3.30%	4.61%	0.15%
Common Equity	$	249,457,171	43.61%	9.64%	4.20%
Bank Facility Fees					0.28%
TOTAL	$	572,060,436	100.00%		7.95%

Company Proposal					
Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	32,017,993	5.60%	2.15%	0.12%
Long-Term Debt	$	271,492,364	47.48%	8.16%	3.87%
Preferred Stock	$	18,893,567	3.30%	4.61%	0.15%
Common Equity	$	249,457,171	43.62%	11.20%	4.89%
Bank Facility Fees					0.37%
TOTAL	$	571,861,095	100.00%		9.40%

Source: Ameren Ex. 37.1, p. 1.

Central Illinois Public Service Company
Cost of Capital Summary
December 31, 2008

CIPS Electric

Staff Recommendation

Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	58,098,936	5.91%	1.50%	0.09%
Long-Term Debt	$	397,751,866	40.44%	6.49%	2.62%
Preferred Stock	$	48,974,984	4.98%	5.13%	0.26%
Common Equity	$	478,676,606	48.67%	10.14%	4.94%
Bank Facility Fees					0.15%
TOTAL	$	983,502,392	100.00%		8.06%

Company Proposal

Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	58,098,936	5.91%	1.50%	0.09%
Long-Term Debt	$	397,751,866	40.44%	6.49%	2.62%
Preferred Stock	$	48,974,984	4.98%	5.13%	0.26%
Common Equity	$	478,676,606	48.67%	11.30%	5.50%
Bank Facility Fees					0.21%
TOTAL	$	983,502,392	100.00%		8.68%

CIPS Gas

Staff Recommendation

Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	58,098,936	5.91%	1.50%	0.09%
Long-Term Debt	$	397,751,866	40.44%	6.49%	2.62%
Preferred Stock	$	48,974,984	4.98%	5.13%	0.26%
Common Equity	$	478,676,606	48.67%	9.38%	4.57%
Bank Facility Fees					0.15%
TOTAL	$	983,502,392	100.00%		7.69%

Company Proposal

Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	58,098,936	5.91%	1.50%	0.09%
Long-Term Debt	$	397,751,866	40.44%	6.49%	2.62%
Preferred Stock	$	48,974,984	4.98%	5.13%	0.26%
Common Equity	$	478,676,606	48.67%	10.80%	5.26%
Bank Facility Fees					0.21%
TOTAL	$	983,502,392	100.00%		8.44%

Source: Ameren Ex. 37.1, p. 2.

Illinois Power Company
Cost of Capital Summary
March 31, 2009

IP Electric

Staff Recommendation					Company Proposal				
Capital Component	Balance	Percent of Total Capital	Cost	Weighted Cost	Capital Component	Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$ 10,791,502	0.45%	3.02%	0.01%	Short-Term Debt	$ 10,404,002	0.41%	3.02%	0.01%
Long-Term Debt	$ 1,307,983,675	54.11%	7.83%	4.24%	Long-Term Debt	$ 1,357,044,075	53.77%	7.94%	4.27%
Preferred Stock	$ 45,786,945	1.89%	5.01%	0.09%	Preferred Stock	$ 45,786,945	1.81%	5.01%	0.09%
Common Equity	$ 1,052,636,039	43.55%	10.44%	4.55%	Common Equity	$ 1,110,636,039	44.01%	11.70%	5.15%
Bank Facility Fees				0.16%	Bank Facility Fees				0.22%
TOTAL	$ 2,417,198,161	100.00%		9.05%	TOTAL	$ 2,523,871,061	100.00%		9.74%

IP Gas

Staff Recommendation					Company Proposal				
Capital Component	Balance	Percent of Total Capital	Cost	Weighted Cost	Capital Component	Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$ 10,791,502	0.45%	3.02%	0.01%	Short-Term Debt	$ 10,404,002	0.41%	3.02%	0.01%
Long-Term Debt	$ 1,307,983,675	54.11%	7.83%	4.24%	Long-Term Debt	$ 1,357,044,075	53.77%	7.94%	4.27%
Preferred Stock	$ 45,786,945	1.89%	5.01%	0.09%	Preferred Stock	$ 45,786,945	1.81%	5.01%	0.09%
Common Equity	$ 1,052,636,039	43.55%	9.64%	4.20%	Common Equity	$ 1,110,636,039	44.01%	11.20%	4.93%
Bank Facility Fees				0.16%	Bank Facility Fees				0.22%
TOTAL	$ 2,417,198,161	100.00%		8.70%	TOTAL	$ 2,523,871,061	100.00%		9.52%

Source: Ameren Ex. 37.1, p. 3.

Central Illinois Light Company
Balance of Short-term Debt
Twelve Month Average for March 31, 2009 Capital Structure Measurement Date

End of Month Balance

Date (A)	Bank Loan (B)	Money Pool Loans (C)	Gross Short-term Debt Outstanding (D)	Adjustment for Bank Loans Contributed to Money Pool (E)	Adusted Gross Short-term Debt Outstanding (F)	CWIP (G)	CWIP Accruing AFUDC (H)	Net Short-term Debt Outstanding (I)	Monthly Average of Net Short-Term Debt Outstanding (J)	Remaining CWIP Accruing AFUDC (K)	Monthly Average of Remaining CWIP Accruing AFUDC (L)
Sep-08	150,000,000	9,100,000	159,100,000	-	159,100,000	14,336,038	6,266,607	152,833,393		-	
Oct-08	Redacted		154,700,000	-	154,700,000	10,234,020	5,659,780	149,040,220	150,936,807	-	-
Nov-08			162,000,000	-	162,000,000	10,288,782	5,729,814	156,270,186	152,655,203	-	-
Dec-08	-	200,000	200,000	-	200,000	12,207,611	7,557,125	76,190	78,173,188	7,433,315	3,716,657
Jan-09	Redacted		4,900,000	-	4,900,000	13,710,777	6,959,975	2,412,623	1,244,406	4,472,598	5,952,956
Feb-09			-	9,200,000	-	12,003,550	5,699,101	-	1,206,311	5,699,101	5,085,849
Mar-09	-	-	-	-	-	9,578,111	5,474,195	-	-	5,474,195	5,586,648
Apr-09	Redacted		-	-	-	6,229,177	2,566,067	-	-	2,566,067	4,020,131
May-09			-	-	-	6,068,453	3,132,941	-	-	3,132,941	2,849,504
Jun-09	-	-	-	-	-	6,723,898	3,813,119	-	-	3,813,119	3,473,030
Jul-09	Redacted		-	9,600,000	-	5,289,369	4,237,963	-	-	4,237,963	4,025,541
Aug-09			-	-	-	6,003,106	5,258,472	-	-	5,258,472	4,748,218
Sep-09	-	-	-	-	-	8,313,573	6,141,292	-	-	6,141,292	5,699,882
								Average =	**$ 32,017,993**	**$ 4,019,089**	**$ 3,763,201**

Sources: Company responses to ICC Staff data requests RP 1.02, 1.03, 4.01, 5.07, 7.07, 11.01, 14.01 and 14.02
Schedule D-2 (including supporting work papers)
83 Ill. Adm. Code 340 Compliance Reports

Illinois Power Company
Balance of Short-term Debt
Twelve Month Average for March 31, 2009 Capital Structure Measurement Date

End of Month Balance

Date (A)	Bank Loan (B)	Money Pool Loans (C)	Gross Short-term Debt Outstanding (D)	Adjustment for Bank Loans Contributed to Money Pool (E)	Adusted Gross Short-term Debt Outstanding (F)	CWIP (G)	CWIP Accruing AFUDC (H)	Net Short-term Debt Outstanding (I)	Monthly Average of Net Short-Term Debt Outstanding (J)	Remaining CWIP Accruing AFUDC (K)	Monthly Average of Remaining CWIP Accruing AFUDC (L)
Sep-08	304,300,000	-	304,300,000	9,100,000	295,200,000	56,266,559	36,203,948	258,996,052		-	
Oct-08	Redacted		-	76,300,000	-	41,668,956	39,221,474	-	129,498,026	39,221,474	19,610,737
Nov-08			-	93,300,000	-	46,545,810	40,022,058	-	-	40,022,058	39,621,766
Dec-08	-	-	-	44,300,000	-	54,496,928	52,829,997	-	-	52,829,997	46,426,028
Jan-09	Redacted		-	70,700,000	-	59,175,193	49,263,737	-	-	49,263,737	51,046,867
Feb-09			-	78,700,000	-	58,336,943	48,623,632	-	-	48,623,632	48,943,685
Mar-09	-	-	-	55,500,000	-	56,636,287	52,430,584	-	-	52,430,584	50,527,108
Apr-09	Redacted		-	29,000,000	-	48,988,757	45,693,276	-	-	45,693,276	49,061,930
May-09			-	-	-	44,846,291	49,069,850	-	-	49,069,850	47,381,563
Jun-09	-	-	-	-	-	39,806,677	44,053,862	-	-	44,053,862	46,561,856
Jul-09	Redacted		-	-	-	28,919,848	43,566,109	-	-	43,566,109	43,809,986
Aug-09			-	-	-	25,868,671	35,926,902	-	-	35,926,902	39,746,506
Sep-09	-	-	-	-	-	34,269,244	30,993,002	-	-	30,993,002	33,459,952
								Average =	**$ 10,791,502**		**$ 43,016,499**

Sources: Company responses to ICC Staff data requests RP 1.02, 1.03, 4.01, 5.07, 7.07, 14.01 and 14.02
Schedule D-2 (including supporting work papers)
83 Ill. Adm. Code 340 Compliance Reports

Illinois Power Company

Alternative Cost of Capital Summary

Electric

Capital Component	Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$ 10,791,502	0.43%	3.02%	0.01%
Long-Term Debt	$ 1,357,983,675	53.78%	7.83%	4.21%
Preferred Stock	$ 45,786,945	1.81%	5.01%	0.09%
Common Equity	$ 1,110,636,039	43.98%	10.44%	4.59%
Bank Facility Fees				0.15%
TOTAL	$ 2,525,198,161	100.00%		9.05%

Gas

Capital Component	Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$ 10,791,502	0.43%	3.02%	0.01%
Long-Term Debt	$ 1,357,983,675	53.78%	7.83%	4.21%
Preferred Stock	$ 45,786,945	1.81%	5.01%	0.09%
Common Equity	$ 1,110,636,039	43.98%	9.64%	4.24%
Bank Facility Fees				0.15%
TOTAL	$ 2,525,198,161	100.00%		8.70%

Note: IP's total capitalization under this alternative would reduce the adder for bank facility fees to 15 basis points.

Illinois Power Company

Before Tax Cost of Capital Summaries for IP (excludes bank commitment fees)

Alternative Proposal: Includes $350 million 9.75% bonds; $50 million 7.83% bonds; and $58 million common equity infusion

IP Electric

Capital Component	Percent of Total Capital	Cost	Weighted Cost	Gross Revenue Conversion Factor	Before-Tax Weighted Average Cost of Capital
Short-Term Debt	0.43%	3.02%	0.01%	1.0000	0.01%
Long-Term Debt	53.78%	7.83%	4.21%	1.0000	4.21%
Preferred Stock	1.81%	5.01%	0.09%	1.6770	0.15%
Common Equity	43.98%	10.44%	4.59%	1.6770	7.70%
					12.07%

IP Gas

Capital Component	Percent of Total Capital	Cost	Weighted Cost	Gross Revenue Conversion Factor	Before-Tax Weighted Average Cost of Capital
Short-Term Debt	0.43%	3.02%	0.01%	1.0000	0.01%
Long-Term Debt	53.78%	7.83%	4.21%	1.0000	4.21%
Preferred Stock	1.81%	5.01%	0.09%	1.6880	0.15%
Common Equity	43.98%	9.64%	4.24%	1.6880	7.16%
					11.53%

No Adjustment: Includes $400 million 9.75% bonds and $58 million common equity infusion

IP Electric

Capital Component	Percent of Total Capital	Cost	Weighted Cost	Gross Revenue Conversion Factor	Before-Tax Weighted Average Cost of Capital
Short-Term Debt	0.43%	3.02%	0.01%	1.0000	0.01%
Long-Term Debt	53.76%	7.92%	4.26%	1.0000	4.26%
Preferred Stock	1.81%	5.01%	0.09%	1.6770	0.15%
Common Equity	44.00%	10.44%	4.59%	1.6770	7.70%
					12.12%

IP Gas

Capital Component	Percent of Total Capital	Cost	Weighted Cost	Gross Revenue Conversion Factor	Before-Tax Weighted Average Cost of Capital
Short-Term Debt	0.43%	3.02%	0.01%	1.0000	0.01%
Long-Term Debt	53.76%	7.92%	4.26%	1.0000	4.26%
Preferred Stock	1.81%	5.01%	0.09%	1.6880	0.15%
Common Equity	44.00%	9.64%	4.24%	1.6880	7.16%
					11.58%

Debt Adjustment Only

IP Electric

Capital Component	Percent of Total Capital	Cost	Weighted Cost	Gross Revenue Conversion Factor	Before-Tax Weighted Average Cost of Capital
Short-Term Debt	0.44%	3.02%	0.01%	1.0000	0.01%
Long-Term Debt	52.84%	7.83%	4.14%	1.0000	4.14%
Preferred Stock	1.85%	5.01%	0.09%	1.6770	0.15%
Common Equity	44.87%	10.44%	4.68%	1.6770	7.85%
					12.15%

IP Gas

Capital Component	Percent of Total Capital	Cost	Weighted Cost	Gross Revenue Conversion Factor	Before-Tax Weighted Average Cost of Capital
Short-Term Debt	0.44%	3.02%	0.01%	1.0000	0.01%
Long-Term Debt	52.84%	7.83%	4.14%	1.0000	4.14%
Preferred Stock	1.85%	5.01%	0.09%	1.6880	0.15%
Common Equity	44.87%	9.64%	4.33%	1.6880	7.31%
					11.61%

Bank Commitment Fees

		IL CF	MO CF
		800,000,000	1,079,500,000
Arrangement Fees	3,759,000	1,600,000	2,159,000
Upfront Fees to syndicate	36,090,000	12,205,000	23,885,000
	39,849,000	13,805,000	26,044,000

$500MM as % of $800MM CF	62.50%
Non-Ameren portion of arrangement fees	1,000,000
Non-Ameren portion of upfront fees to syndicate	7,628,125
Total AIU portion of one-time costs for $800MM CF	8,628,125

CILCO	23.62%	2,037,963		1,018,982
CIPS	21.26%	1,834,339		917,170
IP	55.12%	4,755,823		2,377,911
	Total One Time Costs	8,628,125	Annualized One Time Costs	4,314,063

CILCO	23.62%	23,438	5,536
CIPS	21.26%	23,438	4,983
IP	55.12%	23,438	12,918
		Total Annual Administrative Agency Fees	23,438

CILCO	0.375%	23.62%	500,000,000	442,913
CIPS	0.500%	21.26%	500,000,000	531,496
IP	0.500%	55.12%	500,000,000	1,377,953
			Total Annual Facility Fees	2,352,362

Total Annual Facility Fees and One-time costs

	Annualized one-time costs	Annual faciltiy fees and administrative agency fees		Total Capitalization	Wtd Cost of Bank Commitment Fees
CILCO	1,018,982	448,450	1,467,431	527,060,436	**0.28%**
CIPS	917,170	536,479	1,453,649	983,502,392	**0.15%**
IP	2,377,911	1,390,871	3,768,782	2,417,198,161	**0.16%**

STANDARD
&POOR'S

RATINGSDIRECT®

August 27, 2009

Summary:

Central Illinois Light Co.

Primary Credit Analyst:
Gabe Grosberg, New York (1) 212-438-6043; gabe_grosberg@standardandpoors.com

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Summary:

Central Illinois Light Co.

Credit Rating: BBB-/Stable/NR

Rationale

The ratings on Central Illinois Light Co (CILCO; a subsidiary of intermediate holding company CILCORP, Inc.) reflect Ameren Corp.'s consolidated credit profile. CILCO's ratings also reflect its satisfactory business profile and Ameren's significant financial profile. Ameren's subsidiaries also include utilities, Union Electric Co., Illinois Power, and Central Illinois Public Service Co. Ameren's unregulated businesses include Ameren Energy Generating Co. and Ameren Energy Resources Generating Co. (a subsidiary of CILCO). Ameren also has an 80% ownership of Electric Energy, Inc. that operates non-rate-regulated electric generation facilities. As of June 30, 2009, Ameren had about $8.4 billion of total debt outstanding. Based on the combination of future earnings, cash flow, and capital expenditures, we currently view Ameren as about 60% regulated and 40% unregulated.

CILCO's satisfactory business profile reflects its non-regulated businesses, partially offset by its lower risk regulated transmission and distribution business.

Although market power prices for the unregulated business are hedged for 2009, they have considerable open positions for 2010 and beyond. Energy prices have significantly decreased, and should these lower prices be sustained for the long-term, the non-regulated margins and profitability could be materially affected. Of particular concern is the large capital expenditures required at the unregulated companies needed to meet environmental compliance standards, while relying on falling market prices, due to the economic recession, for recovery. Marginally offsetting these concerns is the company's ongoing effort to reduce its O&M and capital expenditures.

CILCO's regulated transmission and distribution business is viewed as a lower risk operation. As a distributor with no owned generation, the regulated business has less operating risk than a fully integrated utility. Partially offsetting is our assessment of the Illinois regulatory environment which we view as in the least credit supportive category (see Credit FAQ: Standard & Poor's Assessments of Regulatory Climates For U.S. Investor-Owned Utilities, published Nov. 25, 2008, on RatingsDirect). However, we also recognize the recent improvement to the Illinois regulatory environment, reflecting the Illinois Commerce Commission's decision to authorize moderate rate increases for various utilities in 2008 and 2009 without being subjected to overt political influence.

In June 2009, CILCO filed for electric and gas rate increases of $37 million and the commission's order is not expected until May 2010.

The financial profile of the consolidated entity is maintained as 'significant', enhanced by the company's decision to reduce its dividend by $1 per share, which we view as credit supportive. However, the financial measures for Ameren have remained weak for the current rating, putting pressure on the credit quality of the consolidated entity.

For the 12 months ended June 30, 2009, adjusted funds from operations (FFO) to total debt remained the same as the end of 2008 at 19.3%. Adjusted FFO interest coverage was maintained at 4.9x. Adjusted debt to total capital slid to 57.1% from 57.2% at year-end 2008. Free and discretionary cash flows have continued to remain negative. Given the company's satisfactory business risk profile and present credit rating we expect adjusted FFO to debt to exceed 21%; adjusted FFO interest coverage of 4.0x and adjusted debt to total capital to approximate 55%.

The recession has hurt all of Ameren's businesses. The unemployment rate in Illinois remains higher than the national average and Missouri's is about the same as the national average. All of the company's service territories have seen various degrees of load deterioration due to the recession. As the recession eases we would expect to see some financial improvement to all of Ameren's businesses.

Liquidity

The short-term rating on Ameren is 'A-3' and its liquidity position is adequate. As of June 30, 2009, Ameren had cash and cash equivalents of about $251 million and about $1.1 billion available on its $2.1 billion revolving credit facilities after reducing outstanding borrowings and letters of credit.

In June 2009, Ameren and its subsidiaries entered into multiyear credit facilities, which cumulatively provide $2.1 billion of credit capacity through 2010 and $1.08 billion through July 2011. The credit facilities require Ameren and its subsidiaries to maintain a maximum debt-to-capital ratio of 65%, with which they comfortably comply. Additionally, the Illinois credit agreement contains a rating condition that requires an investment-grade rating and requires an interest coverage ratio of at least 2.0x, which Ameren considerably exceeded. Long-term maturities are forecasted as manageable for 2009-2011 with approximately $124 million due in 2009, $220 million due in 2010, and $150 million due in 2011.

Outlook

The outlook for Ameren and its subsidiaries is stable and reflects our expectation that the company has and will continue to effectively manage its regulatory risk during this deep economic recession. A ratings downgrade could result if the consolidated cash flow measures continue to remain weak on a consistent basis, actual capital expenditures rise significantly higher than current estimates resulting in a regulatory disallowance, or a material incident at the regulated nuclear generating facility. A ratings upgrade would be predicated on reducing its market exposure at its unregulated businesses and significant improvement to the company's financial measures.

STANDARD & POOR'S

RATINGSDIRECT®

August 27, 2009

Summary:

Central Illinois Public Service Co.

Primary Credit Analyst:
Gabe Grosberg, New York (1) 212-438-6043; gabe_grosberg@standardandpoors.com

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Summary:

Central Illinois Public Service Co.

Credit Rating: BBB-/Stable/NR

Rationale

The ratings Central Illinois Public Service Co. (CIPS) reflect Ameren Corp.'s consolidated credit profile. CIPS' ratings also reflect its strong business profile and Ameren's significant financial profile. Ameren's subsidiaries also consist of utilities, Union Electric Co., Illinois Power, and Central Illinois Light Co. (CILCO; a subsidiary of CILCORP Inc.). Ameren's unregulated businesses include Ameren Energy Generating Co. and Ameren Energy Resources Generating Co. (a subsidiary of CILCO). Ameren also has an 80% ownership of Electric Energy, Inc. that operates non-rate-regulated electric generation facilities. As of June 30, 2009, Ameren had about $8.4 billion of total debt outstanding. Based on the combination of future earnings, cash flow, and capital expenditures, we currently view Ameren as about 60% regulated and 40% unregulated.

In most circumstances, Standard & Poor's will not rate a wholly owned subsidiary higher than the parent. Exceptions can be made on the basis of structural or regulatory insulation, which in the case of CIPS, in our view, is not present. Therefore, regardless of CIPS' strong business profile and relatively healthy financial condition as a stand-alone basis, Standard & Poor's views the rating on CIPS to be affected by Ameren's non-regulated businesses.

CIPS' strong business profile reflects its lower operating risk. As a distributor with no owned generation, CIPS has less operating risk than a fully integrated utility. Partially offsetting is our current assessment of the Illinois regulatory environment which we view as in the least credit supportive category (see Standard & Poor's Assessments Of regulatory Climates For U.S. Investor-Owned Utilities, published Nov. 25, 2008, on RatingsDirect).

The consolidated satisfactory business profile reflects Ameren's non-regulated businesses, partially offset by the ongoing improvements to both the Illinois and Missouri regulatory environments.

The improved Illinois regulatory environment reflects the recent Illinois Commerce Commission's decision to authorize moderate rate increases for various utilities in 2008 and 2009 without being subjected to overt political influence. Recently, Standard & Poor's raised the business profile of UE to 'excellent' from 'strong' reflecting an improved regulatory environment in Missouri that has included constructive rate cases and various riders including a fuel adjustment clause. Although both Illinois and Missouri continue to have a regulatory lag, we nevertheless view these regulatory environments as credit enhancing compared to several years ago. We also expect that due to the regulatory lag, the company will file more frequent rate cases in both jurisdictions. However, we also recognize that the political will for rate increases could be limited due to the existing deep economic recession.

In June 2009, the company filed for electric and gas rate increases of $219 million in Illinois and in July 2009, the company filed for about $402 million rate increase in Missouri. The commissions' orders are not expected until the second quarter of 2010.

Continuing to meaningfully weigh on the business profile of the consolidated entity is Ameren's unregulated generation. Although power prices for the unregulated business are hedged for 2009, they have considerable open positions for 2010 (70% hedged), 2011 (40% hedged), and beyond. Energy prices have significantly decreased, and should these lower prices be sustained for the long-term, the non-regulated margins and profitability could be materially affected. Of particular concern is the large capital expenditures required at the unregulated companies needed to meet environmental compliance standards, while relying on falling market prices, due to the economic recession, for recovery. Marginally offsetting these concerns is the company's ongoing effort to reduce its O&M and capital expenditures.

The financial profile of the consolidated entity is maintained as 'significant', enhanced by the company's decision to reduce its dividend by $1 per share, which we view as credit supportive. However, the financial measures for Ameren have remained weak for the current rating, putting pressure on the credit quality of the consolidated entity.

For the 12 months ended June 30, 2009, adjusted funds from operations (FFO) to total debt remained the same as the end of 2008 at 19.3%. Adjusted FFO interest coverage was maintained at 4.9x. Adjusted debt to total capital slid to 57.1% from 57.2% at year-end 2008. Free and discretionary cash flows have continued to remain negative. Given the company's satisfactory business risk profile and present credit rating we expect adjusted FFO to debt to exceed 21%; adjusted FFO interest coverage of 4.0x and adjusted debt to total capital to approximate 55%.

The recession has hurt all of Ameren's businesses. The unemployment rate in Illinois remains higher than the national average and Missouri's is about the same as the national average. All of the company's service territories have seen various degrees of load deterioration due to the recession. As the recession eases we would expect to see some financial improvement to all of Ameren's businesses.

Liquidity

The short-term rating on Ameren 'A-3' and its liquidity position is adequate. As of June 30, 2009, Ameren had cash and cash equivalents of about $251 million and about $1.1 billion available on its $2.1 billion revolving credit facilities after reducing outstanding borrowings and letters of credit.

In June 2009, Ameren and its subsidiaries entered into multiyear credit facilities, which cumulatively provide $2.1 billion of credit through 2010 and $1.08 billion through July 2011. The credit facilities require Ameren and its subsidiaries to maintain a maximum debt-to-capital ratio of 65%, with which they comfortably comply. Additionally, the Illinois credit agreement contains a rating condition that requires an investment-grade rating and requires an interest coverage ratio of at least 2.0x, which Ameren considerably exceeded. Long-term maturities are forecasted as manageable for 2009-2011 with approximately $124 million due in 2009, $220 million due in 2010, and $150 million due in 2011.

Outlook

The outlook for Ameren and its subsidiaries is stable and reflects our expectation that the company has and will continue to effectively manage its regulatory risk during this deep economic recession. A ratings downgrade could result if the consolidated cash flow measures continue to remain weak on a consistent basis, actual capital expenditures rise significantly higher than current estimates resulting in a regulatory disallowance, or a material incident at the regulated nuclear generating facility. A ratings upgrade would be predicated on reducing its market exposure at its unregulated businesses and significant improvement to the company's financial measures.

STANDARD & POOR'S

RatingsDirect®

August 27, 2009

Summary:
Illinois Power Co.

Primary Credit Analyst:
Gabe Grosberg, New York (1) 212-438-6043; gabe_grosberg@standardandpoors.com

Table Of Contents

Summary:

Illinois Power Co.

Credit Rating: BBB-/Stable/NR

Rationale

The ratings on Illinois Power (IP) reflect Ameren Corp.'s consolidated credit profile. IP's ratings also reflect its strong business profile and Ameren's significant financial profile. Ameren's subsidiaries also consist of utilities, Union Electric Co., Central Illinois Public Service Co., and Central Illinois Light Co. (CILCO; a subsidiary of CILCORP Inc.). Ameren's unregulated businesses include Ameren Energy Generating Co. and Ameren Energy Resources Generating Co. (a subsidiary of CILCO). Ameren also has an 80% ownership of Electric Energy, Inc. that operates non-rate-regulated electric generation facilities. As of June 30, 2009, Ameren had about $8.4 billion of total debt outstanding. Based on the combination of future earnings, cash flow, and capital expenditures, we currently view Ameren as about 60% regulated and 40% unregulated.

In most circumstances, Standard & Poor's will not rate a wholly owned subsidiary higher than the parent. Exceptions can be made on the basis of structural or regulatory insulation, which in the case of IP, in our view, is not present. Therefore, regardless of IP's strong business profile and relatively healthy financial condition as a stand-alone basis, Standard & Poor's views the rating on IP to be affected by Ameren's non-regulated businesses.

IP's strong business profile reflects its lower operating risk. As a distributor with no owned generation, IP has less operating risk than a fully integrated utility. Partially offsetting is our assessment of the Illinois regulatory environment which we currently view as in the least credit supportive category (see Standard & Poor's Assessments Of regulatory Climates For U.S. Investor-Owned Utilities, published Nov. 25, 2008, on RatingsDirect).

The consolidated satisfactory business profile reflects Ameren's non-regulated businesses, partially offset by the ongoing improvements to both the Illinois and Missouri regulatory environments.

The improved Illinois regulatory environment reflects the Illinois Commerce Commission's decision to authorize moderate rate increases for various utilities in 2008 and 2009 without being subjected to overt political influence. Recently, Standard & Poor's raised the business profile of UE to 'excellent' from 'strong' reflecting an improved regulatory environment in Missouri that has included constructive rate cases and various riders including a fuel adjustment clause. Although both Illinois and Missouri continue to have a regulatory lag, we nevertheless view these regulatory environments as credit enhancing compared to several years ago. We also expect that due to the regulatory lag, the company will file more frequent rate cases in both jurisdictions. However, we also recognize that the political will for rate increases could be limited due to the existing deep economic recession.

In June 2009, the company filed for electric and gas rate increases of $219 million in Illinois and in July 2009, the company filed for about $402 million rate increase in Missouri. The commissions' orders are not expected until the second quarter of 2010.

Continuing to meaningfully weigh on the business profile of the consolidated entity is Ameren's unregulated generation. Although power prices for the unregulated business are hedged for 2009, they have considerable open positions for 2010 (70% hedged), 2011 (40% hedged), and beyond. Energy prices have significantly decreased, and should these lower prices be sustained for the long-term, the non-regulated margins and profitability could be materially affected. Of particular concern is the large capital expenditures required at the unregulated companies needed to meet environmental compliance standards, while relying on falling market prices, due to the economic recession, for recovery. Marginally offsetting these concerns is the company's ongoing effort to reduce its O&M and capital expenditures.

The financial profile of the consolidated entity is maintained as 'significant', enhanced by the company's decision to reduce its dividend by $1 per share, which we view as credit supportive. However, the financial measures for Ameren have remained weak for the current rating, putting pressure on the credit quality of the consolidated entity.

For the 12 months ended June 30, 2009, adjusted funds from operations (FFO) to total debt remained the same as the end of 2008 at 19.3%. Adjusted FFO interest coverage was maintained at 4.9x. Adjusted debt to total capital slid to 57.1% from 57.2% at year-end 2008. Free and discretionary cash flows have continued to remain negative. Given the company's satisfactory business risk profile and present credit rating we expect adjusted FFO to debt to exceed 21%; adjusted FFO interest coverage of 4.0x and adjusted debt to total capital to approximate 55%.

The recession has hurt all of Ameren's businesses. The unemployment rate in Illinois remains higher than the national average and Missouri's is about the same as the national average. All of the company's service territories have seen various degrees of load deterioration due to the recession. As the recession eases we would expect to see some financial improvement to all of Ameren's businesses.

Liquidity

The short-term rating on Ameren 'A-3' and its liquidity position is adequate. As of June 30, 2009, Ameren had cash and cash equivalents of about $251 million and about $1.1 billion available on its $2.1 billion revolving credit facilities after reducing outstanding borrowings and letters of credit.

In June 2009, Ameren and its subsidiaries entered into multiyear credit facilities, which cumulatively provide $2.1 billion of credit through 2010 and $1.08 billion through July 2011. The credit facilities require Ameren and its subsidiaries to maintain a maximum debt-to-capital ratio of 65%, with which they comfortably comply. Additionally, the Illinois credit agreement contains a rating condition that requires an investment-grade rating and requires an interest coverage ratio of at least 2.0x, which Ameren considerably exceeded. Long-term maturities are forecasted as manageable for 2009-2011 with approximately $124 million due in 2009, $220 million due in 2010, and $150 million due in 2011.

Outlook

The outlook for Ameren and its subsidiaries is stable and reflects our expectation that the company has and will continue to effectively manage its regulatory risk during this deep economic recession. A ratings downgrade could result if the consolidated cash flow measures continue to remain weak on a consistent basis, actual capital expenditures rise significantly higher than current estimates resulting in a regulatory disallowance, or a material incident at the regulated nuclear generating facility. A ratings upgrade would be predicated on reducing its market exposure at its unregulated businesses and significant improvement to the company's financial measures.

The Ameren Illinois Utilities'
Response to ICC Staff Data Requests
Docket Nos. 09-0306 thru 09-0311 (cons.)
Proposed general increase in electric and gas delivery service rates
Response Date: 9/1/2009

RP 9.01

Please provide copies of the Moody's Credit Opinions, published on August 14, 2009 for each of the following Companies: A). Central Illinois Light Company; B). Central Illinois Public Service Company; and C). Illinois Power Company.

RESPONSE

Prepared By: Michael G. O'Bryan
Title: Senior Capital Markets Specialist
Phone Number: 314-554-3503

a) See RP 9.01 Attach
b) See RP 9.01 Attach
c) See RP 9.01 Attach

Moody's Investors Service

Credit Opinion: Illinois Power Company

Global Credit Research - 14 Aug 2009

Decatur, Illinois, United States

Ratings

Category	**Moody's Rating**
Outlook	Stable
Issuer Rating	Baa3
Senior Secured	Baa1
Senior Unsecured Shelf	(P)Baa3
Preferred Stock	Ba2
Parent: Ameren Corporation	
Outlook	Stable
Issuer Rating	Baa3
Senior Unsecured	Baa3
Subordinate Shelf	(P)Ba1
Preferred Shelf	(P)Ba2
Commercial Paper	P-3

Contacts

Analyst	**Phone**
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William L. Hess/New York	212.553.3837

Key Indicators

[1]
Illinois Power Company

	LTM 6/30/09	**2008**	**2007**	**2006**
(CFO Pre-W/C + Interest) / Interest Expense	**2.4x**	**2.1x**	**2.7x**	**3.5x**
(CFO Pre-W/C) / Debt	**13%**	**8%**	**10%**	**13%**
(CFO Pre-W/C - Dividends) / Debt	**10%**	**5%**	**6%**	**13%**
(CFO Pre-W/C - Dividends) / Capex	**69%**	**39%**	**44%**	**82%**
Debt / Book Capitalization	**48%**	**54%**	**49%**	**45%**
EBITA Margin %	**11%**	**7%**	**8%**	**9%**

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Improved political and regulatory environment in Illinois

- Low financial metrics in recent years expected to improve as new rate increases take effect

- High ongoing capital expenditures and continued regulatory lag for the recovery of costs

- Recent two-year renewal of bank credit facility provides adequate liquidity over the near term

Corporate Profile

Illinois Power Company (AmerenIP; Baa3 Issuer Rating, stable outlook) is a regulated electric and natural gas transmission and distribution utility with a service territory in southern Illinois. AmerenIP is a wholly-owned subsidiary of Ameren Corporation (Ameren; Baa3 Issuer Rating, stable outlook).

Recent Events

On June 30, 2009, Ameren and the Ameren Illinois utilities entered in an $800 million two year credit agreement with JPMorgan and Barclays Capital as the lead agents. This credit agreement replaced two facilities each sized at $500 million.

On June 5, 2009, AmerenIP filed a request with the Illinois Commerce Commission (ICC) for approval to increase its electric delivery service rates by $102 million and gas delivery service rates by $25 million.. The proceedings will take approximately eleven months with a decision expected in May 2010.

On February 13, 2009, Ameren announced a reduction in its common dividend by 39% from $2.54 per share to $1.54 per share. The new dividend payout, which is more in line with average dividend payout levels in the utilities industry, will permit the company to conserve approximately $215 million of cash annually, reducing negative free cash flow and external debt financing needs.

SUMMARY RATING RATIONALE

AmerenIP's Baa3 Issuer Rating reflects an improved political and regulatory environment in Illinois, including a reasonably supportive rate order in last year's electric and gas delivery service rate case, and a recently executed two year bank facility that provides adequate liquidity over the near term. Offsetting these positive credit considerations are the below investment grade coverage metrics exhibited by the utility in 2007, 2008 and the first half of 2009; higher operating costs; the potential for continued regulatory lag in the recovery of such costs; and high ongoing capital expenditures for transmission and distribution system investment.

DETAILED RATING CONSIDERATIONS

- An improved political and regulatory environment in Illinois, including a reasonably supportive rate order in last year's electric and gas delivery service rate case

AmerenIP's rating reflects the improved political and regulatory environment in Illinois since a 2007 settlement on electric rates in Illinois averted the extension of a rate freeze that had been in place for several years. Since that electric rate settlement took effect in August 2007, the newly created Illinois Power Agency successfully executed its first power procurement auction during the first half of 2009, which resulted in a decrease in retail rates, partly due to declining power prices over the last year. Ameren's Illinois utilities also received a reasonably supportive rate case decision in their most recent rate case, which took effect on October 1, 2008. AmerenIP has indicated that it expects to file for rate relief more frequently in Illinois going forward because of rising costs and the need for infrastructure investments. On June 5, 2009, AmerenIP filed for a $102 million electric delivery service increase and a $25 million gas delivery increase, with a decision by the ICC is expected in May 2010. Although the southern Illinois economy continues to face recessionary conditions, which could make future regulatory proceedings more challenging, Moody's believes AmerenIP should be able to obtain sufficient regulatory relief to maintain its investment grade credit quality.

- Coverage metrics that have been at or below Moody's investment grade parameters in recent years, although Moody's expects them to improve as its most recent rate increases take effect

IP's financial coverage metrics decreased considerably in 2007, 2008 and the first half of 2009 from previous years to levels that are at or below investment grade parameters, using guidelines outlined in Moody's rating methodology for regulated electric and gas utilities. This includes CFO pre-working capital interest coverage of 2.1 times and CFO pre-working capital to debt of 8.3% in 2008, and 2.4 times and 12.6%, respectively, for the twelve-months ending June 30,

2009. The company has been negatively affected by higher operating costs, higher spending for transmission and distribution system reliability, low rates of return, and regulatory lag. The company also issued $400 million of senior secured notes in October 2008 at a relatively high rate of 9.75%, which increased long-term debt levels and interest expense. Moody's expects AmerenIP's ratios to improve to low investment grade levels in 2009 and going forward as its October 1, 2008 rate increase takes effect and additional rate cases are filed.

High ongoing capital expenditures and continued regulatory lag for the recovery of costs

AmerenIP has a substantial capital expenditure program for investments in transmission and distribution system expansion and reliability, although the company recently lowered capital expenditure estimates from previous levels as the weak economy in its service territory has negatively affected demand. Ameren as a system had reduced its planned 2008 and 2009 capital and operating expenditure budgets of its regulated businesses by $350 to $400 million and has indicated that it has identified further possible opportunities to control capital and O&M expenditures in 2010 and beyond. Moody's views such capital expenditure reductions positively to the extent they don't impact transmission and distribution system reliability. AmerenIP continues to be negatively affected by regulatory lag as rate cases take a lengthy 11 months to complete and the company earns significantly less than its allowed rate of return.

Liquidity Profile

AmerenIP maintains an adequate liquidity profile with significantly improved bank credit availability under a recently renewed credit facility. On June 30, 2009, Ameren executed new bank facilities, including one providing credit and liquidity support for its Illinois utilities (the "Illinois credit facility"). The Illinois credit facility is shared with the parent company as well as with Ameren's other Illinois utility affiliates. Under the new $800 million facility the maximum amount available is limited to $350 million for AmerenIP, $135 million for AmerenCIPS, $150 million for AmerenCILCO., and $300 million for Ameren. The facility includes covenants similar to those in the company's previous Illinois credit agreement including a requirement that Ameren and each Illinois utility maintain consolidated indebtedness of not more than 65% of its consolidated total capitalization. At June 30, 2009 the ratios for Ameren, AmerenCIPS, AmerenCILCO, and AmerenIP were 54%, 45%, 46% and 47%, respectively. In addition, Ameren is required to maintain a ratio of consolidated funds from operations plus interest expense to consolidated interest expense of 2.0 to 1. As of June 30, 2009, and it was in compliance with this financial covenant with a ratio of 4.4.

In addition to this credit facility, AmerenIP also participates in a utility money pool arrangement with the parent company, giving it access to additional funds if necessary. As previously cited, Ameren reduced its dividend earlier this year, which has reduced negative free cash flow and external financing requirements on a consolidated basis which should help maintain the overall system's liquidity profile. Ameren has also maintained adequate access to the capital markets at both the utility and parent company. At June 30, 2009, AmerenIP had no draws outstanding under its credit facility, $64 million of cash on hand and no long-term debt maturities until June 2016.

Rating Outlook

The stable outlook reflects adequate liquidity over the near term, the improved political and regulatory environment for utilities in Illinois since the August 2007 electric rate settlement, a reasonably supportive outcome of its most recent delivery service rate case, and an expectation that coverage metrics will improve to low investment grade levels as rate increases take effect.

What Could Change the Rating - Up

AmerenIP's ratings could be raised if there are continued supportive distribution rate case outcomes that reduce regulatory lag, or if financial metrics increase to levels significantly above minimum investment grade rating parameters, including CFO pre-working capital interest coverage above 3.5x and CFO pre-working capital to debt in the 20% range on a sustainable basis.

What Could Change the Rating - Down

AmerenIP's ratings could be lowered if there is renewed political intervention in the regulatory process; if future distribution rate case outcomes do not provide sufficient rate relief; or if rising operating costs or other factors put additional pressure on financial metrics such that they fall below investment grade parameters, including CFO pre-working capital interest coverage below 2.7x and CFO pre-working capital to debt below 13%.

Rating Factors

Illinois Power Company

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)					X	
Factor 2: Ability to Recover Costs and Earn Returns (25%)				X		
Factor 3: Diversification (10%)						
a) Market Position (5%)					X	
b) Generation and Fuel Diversity (5%)						
Factor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Ineterest (7.5%) (3yr Avg)				X		
c) CFO pre-WC / Debt (7.5%) (3yr Avg)					X	
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)					X	
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)				X		
Rating:						
a) Methodology Implied Senior Unsecured Rating				**Baa3**		
b) Actual Senior Unsecured Rating				**Baa3**		

Moody's Investors Service

accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

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Moody's Investors Service

Credit Opinion: Central Illinois Public Service Company

Global Credit Research - 14 Aug 2009

Springfield, Illinois, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa3
First Mortgage Bonds	Baa1
Senior Secured	Baa1
Senior Unsecured Shelf	(P)Baa3
Preferred Stock	Ba2
Parent: Ameren Corporation	
Outlook	Stable
Issuer Rating	Baa3
Senior Unsecured	Baa3
Subordinate Shelf	(P)Ba1
Preferred Shelf	(P)Ba2
Commercial Paper	P-3

Contacts

Analyst	Phone
Michael G. Haggarty/New York	212.553.7172
William L. Hess/New York	212.553.3837

Key Indicators

[1]

Central Illinois Public Service Company

	LTM 6/30/09	2008	2007	2006
(CFO Pre-W/C + Interest) / Interest Expense	3.2x	3.1x	2.5x	3.7x
(CFO Pre-W/C) / Debt	17%	13%	10%	17%
(CFO Pre-W/C - Dividends) / Debt	17%	13%	3%	8%
(CFO Pre-W/C - Dividends) / Capex	86%	83%	27%	55%
Debt / Book Capitalization	41%	45%	47%	42%
EBITA Margin %	7%	5%	7%	9%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Improved political and regulatory environment in Illinois

- Low financial metrics in recent years expected to improve as new rate increases take effect

- High ongoing capital expenditures and continued regulatory lag for the recovery of costs

- Recent two-year renewal of bank credit facility provides adequate liquidity over near term

Corporate Profile

Central Illinois Public Service Company (AmerenCIPS; Baa3 Issuer Rating, stable outlook) is a regulated electric and natural gas transmission and distribution utility in Illinois. AmerenCIPS is a wholly-owned subsidiary of Ameren Corporation (Ameren; Baa3 Issuer Rating, stable outlook).

Recent Events

On June 30, 2009, Ameren and the Ameren Illinois Utilities entered in an $800 million senior secured, two year credit agreement with JPMorgan and Barclays Capital as the lead agents. This credit agreement replaced two facilities each sized at $500 million.

On June 5, 2009, AmerenCIPS filed a request with the Illinois Commerce Commission (ICC) for approval to increase their electric delivery service rates by $51 million and gas delivery service rates by $11 million. These proceedings will take approximately eleven months with a decision expected in May 2010.

On February 13, 2009, Ameren announced a reduction in its common dividend by 39% from $2.54 per share to $1.54 per share. The new dividend payout, which is more in line with average dividend payout levels in the utilities industry, will permit the company to conserve approximately $215 million of cash annually, reducing negative free cash flow and external debt financing needs.

SUMMARY RATING RATIONALE

AmerenCIPS' Baa3 Issuer Rating reflects an improved political and regulatory environment in Illinois, including a reasonably supportive rate order in last year's electric and gas delivery service rate case, and a recently executed two year bank facility that provides adequate liquidity over the near term. Offsetting these positive developments are higher operating costs; the potential for continued regulatory lag in the recovery of these costs; and high ongoing capital expenditures for transmission and distribution system investment.

DETAILED RATING CONSIDERATIONS

- An improved political and regulatory environment in Illinois, including a reasonably supportive rate order in last year's electric and gas delivery service rate case

AmerenCIPS' rating reflects the improved political and regulatory environment in Illinois since a 2007 settlement on electric rates in Illinois averted the extension of a rate freeze that had been in place for several years. Since that electric rate settlement took effect in August 2007, the newly created Illinois Power Agency has successfully executed its first power procurement auction during the first half of 2009, which resulted in a decrease in retail rates, partly due to declining power prices over the last year. Ameren's Illinois utilities also received a reasonably supportive rate case decision in their most recent rate case, which took effect on October 1, 2008. AmerenCIPS has indicated that it expects to file for rate relief more frequently in Illinois going forward because of rising costs and the need for infrastructure investments. On June 5, 2009, the company filed for a $51 million electric delivery service increase and an $11 million gas delivery increase, with a decision by the ICC is expected in May 2010. Although the southern Illinois economy continues to face recessionary conditions, which could make future regulatory proceedings more challenging, Moody's believes AmerenCIPS should be able to obtain sufficient regulatory relief to maintain its investment grade credit quality.

- Coverage metrics that are adequate for a low investment grade rating, although they could improve modestly as its most recent rate increases take effect

AmerenCIPS' financial coverage metrics improved slightly in 2008 and during the six months of 2009 from 2007 levels and are now at low investment grade rating levels, using guidelines outlined in Moody's rating methodology for regulated electric and gas utilities. This includes CFO pre-working capital interest coverage of 3.1 times and CFO pre-working capital to debt of 13.2% in 2008 and 3.2 times and 17.1%, respectively, for the twelve-months ending June 30, 2009. The company has been negatively affected by increased operating costs, higher spending for transmission and distribution system reliability, low rates of return, and regulatory lag. Credit metrics could improve modestly as the company's most recent rate increases begin to take effect and additional rate cases are filed.

High ongoing capital expenditures and continue regulatory lag for the recovery of costs.

AmerenCIPS has a substantial capital expenditure program for investments in transmission and distribution system expansion and reliability, although the company recently lowered capital expenditure estimates from previous levels as the weak economy in its service territory has negatively affected demand. Ameren as a system had reduced its planned 2008 and 2009 capital and operating expenditure budgets of its regulated businesses by $350 to $400 million and has indicated that it has identified further possible opportunities to control capital and O&M expenditures in 2010 and beyond. Moody's views such capital expenditure reductions positively to the extent they don't impact transmission and distribution system reliability. AmerenCIPS continues to be negatively affected by regulatory lag as rate cases take a lengthy 11 months to complete and the company earns significantly less than its allowed rate of return.

Liquidity Profile

AmerenCIPS maintains an adequate liquidity profile with significantly improved bank credit availability under a recently renewed credit facility. On June 30, 2009, Ameren executed new bank facilities, including one providing credit and liquidity support for its Illinois utilities (the "Illinois credit facility"). The Illinois credit facility is shared with its parent Ameren as well as with Ameren's other Illinois utility affiliates. Under the new $800 million facility the maximum amount available is limited to $135 million for AmerenCIPS, $150 million for AmerenCILCO, and $350 million for AmerenIP and $300 million for Ameren. The facility includes covenants similar to those in the company's previous Illinois credit agreement including a requirement that Ameren and each Illinois utility maintain consolidated indebtedness of not more than 65% of its consolidated total capitalization. At June 30, 2009 the ratios for Ameren, AmerenCIPS, AmerenCILCO, and AmerenIP were 54%, 45%, 46% and 47%, respectively. In addition, Ameren is required to maintain a ratio of consolidated funds from operations plus interest expense to consolidated interest expense of 2.0 to 1. As of June 30, 2009, it was in compliance with this financial covenant with a ratio of 4.4.

In addition to this credit facility, AmerenCIPS also participates in a utility money pool arrangement with the parent company, giving it access to additional funds, if necessary. As previously cited, Ameren reduced its dividend on earlier this year, which has reduced negative free cash flow and external financing requirements on a consolidated basis and should help maintain the overall system's liquidity profile. Ameren has also maintained adequate access to the capital markets at both the utilities and parent company. At June 30, 2009, AmerenCIPS had no draws outstanding under its credit facility, $10 million of cash on hand and no long-term debt maturities until June 2011.

Rating Outlook

The stable outlook reflects adequate liquidity over the near term, an improved political and regulatory environment for utilities in Illinois since the August 2007 electric rate settlement, a reasonably supportive outcome of its most recent delivery service rate case, and Moody's expectation that the company should continue to obtain sufficient rate relief to maintain their investment grade credit quality.

What Could Change the Rating - Up

AmerenCIPS' ratings could be raised if there are continued supportive distribution rate case outcomes that reduce regulatory lag; if financial metrics improve to mid to high Baa rating parameters, including CFO pre-working capital interest coverage above 3.5x and CFO pre-working capital to debt in the 20% range on a sustainable basis.

What Could Change the Rating - Down

AmerenCIPS' ratings could be lowered if future distribution rate cases do not provide sufficient rate relief; if there is renewed political intervention in the regulatory process, or if rising operating costs or other factors put additional pressure on financial metrics such that they fall below investment grade parameters, including CFO pre-working capital interest coverage below 2.7x and CFO pre-working capital to debt below 13%.

Rating Factors

Central Illinois Public Service Company

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)					X	
Factor 2: Ability to Recover Costs and Earn Returns (25%)				X		
Factor 3: Diversification (10%)						
a) Market Position (5%)					X	
b) Generation and Fuel Diversity (5%)						
Factor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Ineterest (7.5%) (3yr Avg)				X		
c) CFO pre-WC / Debt (7.5%) (3yr Avg)				X		
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)					X	
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)			X			
Rating:						
a) Methodology Implied Senior Unsecured Rating				**Baa3**		
b) Actual Senior Unsecured Rating				**Baa3**		

Moody's Investors Service

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subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moodys.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."

Moody's Investors Service

Credit Opinion: Central Illinois Light Company

Global Credit Research - 14 Aug 2009

Peoria, Illinois, United States

Ratings

Category	**Moody's Rating**
Outlook	Stable
Issuer Rating	Baa3
Senior Secured	Baa1
Senior Unsecured Shelf	(P)Baa3
Preferred Stock	Ba1
Ult Parent: Ameren Corporation	
Outlook	Stable
Issuer Rating	Baa3
Senior Unsecured	Baa3
Subordinate Shelf	(P)Ba1
Preferred Shelf	(P)Ba2
Commercial Paper	P-3
Parent: CILCORP Inc.	
Outlook	Stable
Corporate Family Rating	Ba1

Contacts

Analyst	**Phone**
Michael G. Haggarty/New York	212.553.7172
William L. Hess/New York	212.553.3837

Key Indicators

[1]
Central Illinois Light Company

	LTM 6/30/09	**2008**	**2007**	**2006**
(CFO Pre-W/C + Interest) / Interest Expense	**6.0x**	**6.2x**	**5.7x**	**7.2x**
(CFO Pre-W/C) / Debt	**29%**	**25%**	**26%**	**32%**
(CFO Pre-W/C - Dividends) / Debt	**29%**	**25%**	**26%**	**18%**
(CFO Pre-W/C - Dividends) / Capex	**78%**	**58%**	**59%**	**69%**
Debt / Book Capitalization	**45%**	**47%**	**43%**	**40%**
EBITA Margin %	**16%**	**11%**	**14%**	**11%**

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Improved political and regulatory environment in Illinois

- Historically strong credit metrics for the rating

- High ongoing capital expenditures and continued regulatory lag for the recovery of costs

- Recent two-year renewal of bank credit facility provides adequate liquidity over the near term

Corporate Profile

Central Illinois Light Company (AmerenCILCO; Baa3 Issuer Rating, stable outlook), a subsidiary of Ameren's intermediate holding company CILCORP, Inc. (Ba1 senior unsecured, stable outlook), is a regulated electric and natural gas transmission and distribution utility with a service territory in southern Illinois. It also includes the unregulated generation subsidiary AmerenEnergy Resources Generating Company (AERG), which is unrated. CILCORP is a wholly-owned subsidiary of Ameren Corporation (Ameren; Baa3 Issuer Rating, stable outlook).

Recent Events

On June 30, 2009, Ameren and the Ameren Illinois utilities entered in an $800 million senior secured, two year credit agreement with JPMorgan and Barclays Capital as the lead agents. This credit agreement replaces two facilities each sized at $500 million.

On June 5, 2009, AmerenCILCO filed a request with the Illinois Commerce Commission (ICC) for approval to increase its electric delivery service rates by $28 million and gas delivery service rates by $9 million. These proceedings will take approximately eleven months with a decision expected in May 2010.

On February 13, 2009, Ameren announced a reduction in its common dividend by 39% from $2.54 per share to $1.54 per share. The new dividend payout, which is more in line with average dividend payout levels in the utilities industry, will permit the company to conserve approximately $215 million of cash annually, reducing negative free cash flow and external debt financing needs.

SUMMARY RATING RATIONALE

AmerenCILCO's Baa3 Issuer Rating reflects strong financial metrics and low leverage, an improved political and regulatory environment in Illinois, and a recently executed two year bank facility that provides adequate liquidity over the near term. Offsetting these positive credit characteristics are increased operating costs; high environmental capital expenditures at its AERG unregulated generating subsidiary; and the potential for continued regulatory lag with regard to the recovery of costs.

DETAILED RATING CONSIDERATIONS

- An improved political and regulatory environment in Illinois

AmerenCILCO's rating reflects the improved political and regulatory environment in Illinois since a 2007 settlement on electric rates in Illinois averted the continuation of a rate freeze that had been in place for several years. Since that electric rate settlement took effect in August 2007, the newly created Illinois Power Agency has successfully executed its first power auction during the first half of 2009, which resulted in a decrease in retail rates, partly due to declining fuel prices over the last year. Ameren's Illinois utilities also received a reasonably supportive rate case decision in their most recent rate case, which took effect on October 1, 2008. AmerenCILCO has indicated that it expects to file for rate relief more frequently in Illinois going forward because of rising costs and the need for infrastructure investments. On June 5, 2009, AmerenCILCO filed for a $28 million electric delivery service increases and a $9 million gas delivery increases, with a decision by the ICC is expected in May 2010. Although the southern Illinois economy continues to face recessionary conditions, which could make future regulatory proceedings more challenging, Moody's believes AmerenCILCO should be able to obtain sufficient regulatory relief to maintain its investment grade credit quality.

- Strong standalone financial metrics for its rating category are offset by debt outstanding at its intermediate parent company CILCORP and limited financial flexibility

CILCO's financial metrics are very strong for its rating, using guidelines outlined in Moody's rating methodology for regulated electric and gas utilities. This includes CFO pre-working interest coverage of 6.2 times and CFO pre-working capital to debt of 25% in 2008 and 6.0 times and 29%, respectively, for the twelve months ending June 30, 2009. These high metrics can be attributed to the inclusion of cash flow from AERG, the company's unregulated generating subsidiary that includes CILCO's former generating assets. CILCO's rating is constrained by $210 million of long-term debt at its intermediate holding company parent CILCORP, which exhibits significantly lower financial metrics on a consolidated basis than its utility subsidiary. CILCORP's metrics include CFO pre-working capital interest coverage of 3.4 times and CFO pre-working capital to debt of 12% in 2008 and 3.7 times and 14.4%, respectively, for the twelve-months ending June 30, 2009. CILCO's metrics could also be pressured going forward by an anticipated increase in environmental capital expenditures at AERG.

- High ongoing capital expenditures, much of which is for environmental compliance at AERG

AmerenCILCO is unique among Ameren's three Illinois utilities in that it owns AERG, with 1,200 MW of unregulated generation, consisting of AmerenCILCO's former generating assets. AERG has significant capital expenditure requirements necessary to bring it into compliance with current environmental standards. AmerenCILCO's overall capital expenditures have been increasing over the last several years, for the most part due to AERG, from $119 million in 2006 to $254 million in 2007 and then $319 million in 2008. AmerenCILCO expects to have capital expenditures of between $670 million and $890 million from 2010 and 2013, of which between $420 million and $550 million is expected to be at AERG. Since AERG is unregulated, these costs cannot be recovered by AmerenCILCO through rates, but rather recovery will be dependent upon AERG's contracted price and the market rates it receives for the power it generates.

Liquidity Profile

AmerenCILCO maintains an adequate liquidity profile with significantly improved availability under a recently renewed credit facility. On June 30, 2009, Ameren executed new bank facilities, including one providing credit and liquidity support for its Illinois utilities (the "Illinois credit facility"). The Illinois credit facility is shared with its parent Ameren as well as with Ameren's other Illinois utility affiliates. Under the new $800 million facility the maximum amount available is limited to $150 million for AmerenCILCO, $135 million for AmerenCIPS, $350 million for AmerenIP, and $300 million for Ameren. The facility includes covenants similar to those in the previous Illinois credit agreement including a requirement that Ameren and each Illinois utility maintain consolidated indebtedness of not more than 65% of its consolidated total capitalization. At June 30, 2009 the ratios for Ameren, AmerenCIPS, AmerenCILCO, and AmerenIP were 54%, 45%, 46% and 47%, respectively. In addition, Ameren is required to maintain a ratio of consolidated funds from operations plus interest expense to consolidated interest expense of 2.0 to 1. As of June 30, 2009, and it was in compliance with this financial covenant with a ratio of 4.4.

In addition to this credit facility, AmerenCILCO also participates in a utility money pool arrangement with the parent company, giving it access to additional funds if necessary. As previously cited, Ameren also reduced its dividend on earlier this year, which has reduced negative free cash flow and external financing requirements on a consolidated basis which should help maintain the overall system's liquidity. The company has also maintained adequate access to the capital markets at both the utility and parent company levels. At June 30, 2009, AmerenCILCO had no draws outstanding under its credit facility, $64 million of cash on hand and no long-term debt maturities until November 2012. Intermediate holding company CILCORP has $124 million of debt due in October 2009, which is expected to be paid off by the parent company.

Rating Outlook

The stable outlook reflects adequate liquidity over the near term, the improved political and regulatory environment for utilities in Illinois since the 2007 electric rate settlement, and Moody's expectation that the company should continue to obtain sufficient rate relief to maintain its investment grade credit quality.

What Could Change the Rating - Up

The ratings could be raised if there are continued supportive distribution rate cases that reduce regulatory lag or if additional debt is paid down at the CILCORP holding company level.

What Could Change the Rating - Down

The ratings could be lowered if future distribution rate cases do not provide sufficient rate relief, if there is renewed political intervention in the regulatory process, of if rising operating costs or other factors put pressure on financial metrics such that they fall below investment grade parameters, including CFO pre-working capital interest coverage below 2.7x and CFO pre-working capital to debt below 13%.

Rating Factors

Central Illinois Light Company

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)					X	
Factor 2: Ability to Recover Costs and Earn Returns (25%)				X		
Factor 3: Diversification (10%)						
a) Market Position (5%)					X	
b) Generation and Fuel Diversity (5%)						
Factor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Ineterest (7.5%) (3yr Avg)		X				
c) CFO pre-WC / Debt (7.5%) (3yr Avg)			X			
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)			X			
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)			X			
Rating:						
a) Methodology Implied Senior Unsecured Rating				Baa2		
b) Actual Senior Unsecured Rating				Baa3		

Moody's Investors Service

solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moodys.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."

Moody's Investors Service

Global Credit Research
Rating Action
13 AUG 2009

Rating Action: Illinois Power Company

Moody's Upgrades Ameren Illinois Utilities to Investment Grade

Approximately $2.5 billion of Debt Securities Upgraded

New York, August 13, 2009 -- Moody's Investors Service upgraded the ratings of Central Illinois Public Service Company (AmerenCIPS; Issuer Rating to Baa3 from Ba1); Central Illinois Light Company (AmerenCILCO, Issuer Rating to Baa3 from Ba1); Illinois Power Company (AmerenIP, Issuer Rating to Baa3 from Ba1) and CILCORP Inc. (senior unsecured to Ba1 from Ba2). The Corporate Family Rating, Probability of Default rating and all loss given default ratings of the CILCORP have been withdrawn. Moody's affirmed the ratings of Ameren Corporation (Ameren, Baa3 senior unsecured), Union Electric Company (AmerenUE, Baa2 Issuer Rating), and AmerenEnergy Generating Company (Genco, Baa3 senior unsecured). The rating outlook of Ameren and all of its subsidiaries is stable.

"The upgrade of Ameren's Illinois utilities is prompted by the recent execution of new bank credit facilities and the improved political and regulatory environment for utilities in Illinois," said Michael G. Haggarty, Vice President and Senior Credit Officer. The new two year bank facility provides $800 million of credit and liquidity support for Ameren, AmerenCIPS, AmerenCILCO, and AmerenIP. Although it replaces $1 billion of credit facilities with a longer tenor, bank and credit market conditions have made it more difficult and expensive for utilities to enter into facilities at previous amounts and with longer maturities. Moody's believes this new facility provides adequate liquidity support considering lower usage of the facility in 2009 and going forward, Ameren's anticipated continued ability to access the capital markets for long-term debt financings. Moody's notes that CILCORP is not a borrower under the new facility and will rely on Ameren's money pool or other arrangements to maintain adequate liquidity.

Moreover, the upgrade also reflects positive developments in Illinois since rate freeze legislation was passed by the Illinois House of Representatives in 2007. Following a comprehensive settlement agreement on electric rates and power procurement issues reached in the state in August 2007, Ameren's Illinois utilities received a reasonably supportive delivery service rate case outcome in September 2008 in their first rate proceeding after the settlement. The newly created Illinois Power Agency's first power procurement RFP process during the first half of 2009 was executed successfully and resulted in somewhat lower electric rates for residential customers. In addition, legislation was recently passed providing Illinois utilities with a bad debt rider. Although the southern Illinois economy continues to face recessionary conditions, which could make future regulatory proceedings more challenging, Moody's believes the utilities should be able to obtain sufficient regulatory relief to maintain their investment grade credit quality.

Ratings upgraded and assigned a stable outlook include:

Central Illinois Public Service Company's senior secured debt to Baa1 from Baa2, Issuer Rating to Baa3 from Ba1, and preferred stock to Ba2 from Ba3;

CILCORP Inc.'s senior unsecured debt to Ba1 from Ba2;

Central Illinois Light Company's senior secured debt to Baa1 from Baa2; and Issuer Rating to Baa3 from Ba1;

Illinois Power Company's senior secured debt to Baa1 from Baa2, Issuer Rating to Baa3 from Ba1, and preferred stock to Ba2 from Ba3.

Ratings affirmed with a stable outlook include:

Ameren's Baa3 Issuer Rating and Prime-3 short-term rating for commercial paper;

Union Electric Company's A3 senior secured, Baa2 Issuer Rating, Baa3 subordinated, Ba1 preferred stock, and Prime-3 short-term rating for commercial paper;

Ameren Energy Generating Company's Baa3 senior unsecured debt.

Ratings withdrawn:

CILCORP's Corporate Family Rating and Probability of Default Rating.

The last rating action on Central Illinois Public Service Company, Illinois Power Company and Union Electric Company was on August 3, 2009, when their senior secured debt ratings were upgraded one notch. The last rating action on CILCORP was on January 29, 2009, when its rating was affirmed and its rating outlook was changed to stable from positive, as was also the case for Central Illinois Public Service Company, Central Illinois Light Company, and Illinois Power Company. The last rating action on Ameren was on February 16, 2009 when its rating was affirmed. The last rating action on Ameren Energy Generating Company was on August 13, 2008, when its rating was downgraded. The principal methodology used in rating these issuers was Regulated Electric and Gas Utilities, which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that have been considered in the process of rating these issuers can also be found in the Credit Policy & Methodologies directory.

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

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Michael G. Haggarty
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The Ameren Illinois Utilities'
Response to ICC Staff Data Requests
Docket Nos. 09-0306 thru 09-0311 (cons.)
Proposed general increase in electric and gas delivery service rates
Response Date: 11/5/2009

RP 15.04

Ameren Ex. 28.0, pp. 5-6, states: AmerenIP sized the debt issuance to retire its own short-term debt with an objective of maintaining an appropriate level of available liquidity…At the time of this debt financing, AmerenIP was fully utilizing its capacity under its two bank facilities and had to further meet its short-term borrowing requirements through borrowings from Ameren Corporation ("Ameren").

A) Please define and quantify the "appropriate level of available liquidity" for each of the AIU. Additionally, provide the basis for the appropriate level of available liquidity, including when the AIU (or their affiliates) determined such amount was the appropriate level of available liquidity for each of the AIU.

B) Please specify the short-term borrowing requirements that AmerenIP had to meet through borrowings from Ameren.

RESPONSE

Prepared By: Lee R. Nickloy
Title: Assistant Treasurer
Phone Number: (314) 554-4140

A) An appropriate level of liquidity would represent a level of short-term borrowing capacity and cash that would safely enable an entity to meet its payment obligations on a going-forward basis. This determination takes into account a number of variables and unknowns including such elements as future cash flow profiles and expenditure levels, potential collateral payments related to changes in commodity prices, the future availability and cost of short-term and long-term capital, etc. Given the highly variable and uncertain (especially at the time of AmerenIP's Q4 2008 debt offering) nature of these parameters, determining an appropriate level of liquidity must include a level of judgment, and, given the critical nature of maintaining sufficient liquidity resources such that the entity's payment obligations can be met on a timely basis and without interruption, must include a degree of conservatism. With AmerenIP's borrowing capacity under its bank facilities fully utilized, the only remaining liquidity resources available to it were its balances of available cash, and potentially, borrowing ability from the other AIUs or Ameren Corporation recognizing that these entities also had outstanding short-term borrowing balances and had their own demands on their liquidity resources. The assessment of the sufficiency of available liquidity resources is an ongoing process.

B) AmerenIP's borrowings from Ameren were subject to the terms and provisions of Ameren's Utility Money Pool arrangement. See RP 15.04 Attach.

The Ameren Illinois Utilities'
Response to ICC Staff Data Requests
Docket Nos. 09-0306 thru 09-0311 (cons.)
Proposed general increase in electric and gas delivery service rates
Response Date: 11/4/2009

RP 14.08

Ameren Ex. 37.0, lines 97-105 states: "In fact, smaller bank facilities recently completed by Integrys Energy Group ($500 million) and another electric utility ($265 million) suggest otherwise. Upfront fees in those bank facilities were 2.00% for all borrowers in the Integrys' case and 3.00% for all borrowers in the other electric utility's case. If Ameren had only been arranging the $800 million Illinois Facility and not a total of $2.1 billion of multiple credit facilities it would have still paid upfront fee rates in the 1.50% - 2.00% range, it would have simply required participation from fewer lenders and/or smaller commitments from these lenders with corresponding reduction in various commitment level tiers in dollar terms."

a) Please provide supporting documentation for the statements regarding the credit facilities completed by Integrys Energy Group and "another electric utility." Additionally, please identify "another electric utility," as referenced in Ameren Ex. 37.0.
b) The last sentence in the quotation above is unclear. Please restate to clarify (and, if necessary, correct) the last sentence in the quotation above.

<u>RESPONSE</u>

Prepared By: Michael G. O'Bryan
Title: Senior Capital Markets Specialist
Phone Number: 314-554-3503

a) Please see RP 14.08 Attach which is designated **CONFIDENTIAL**.
b) Participating lenders in a smaller facility would have received the same upfront fee rates but would have either made smaller commitments and/or would be fewer in number. In addition, tiers would have been adjusted lower in dollar terms.

REDACTED

REDACTED

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	IRS Employer Identification No.
1-11337	INTEGRYS ENERGY GROUP, INC. (A Wisconsin Corporation) 130 East Randolph Drive Chicago, Illinois 60601-6207 (312) 228-5400	39-1775292

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). (Registrant is not yet required to provide financial disclosure in an Interactive Data File format.)

Yes [ ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X] Accelerated filer [ ]
Non-accelerated filer [ ] Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

Indicate the number of shares outstanding of the issuer's classes of common stock, as of the latest practicable date:

Common stock, $1 par value,
76,420,113 shares outstanding at
November 3, 2009

NOTE 9--SHORT-TERM DEBT AND LINES OF CREDIT

Integrys Energy Group's short-term borrowings consist of sales of commercial paper, borrowings under revolving credit facilities, and short-term notes.

(Millions, except percentages)	September 30, 2009	December 31, 2008
Commercial paper outstanding	**$76.0**	$552.9
Average discount rate on outstanding commercial paper	**0.44%**	4.78%
Borrowings under revolving credit facilities	**-**	$475.0
Average interest rate on outstanding borrowings under revolving credit facilities	**-**	2.41%
Short-term notes payable outstanding	**$10.0**	$181.1
Average interest rate on outstanding short-term notes payable	**0.21%**	3.40%

The commercial paper at September 30, 2009, had varying maturity dates ranging from October 1, 2009, through October 23, 2009.

Integrys Energy Group manages its liquidity by maintaining adequate external financing commitments. The information in the table below relates to Integrys Energy Group's short-term debt, lines of credit, and remaining available capacity:

(Millions)	Maturity	September 30, 2009	December 31, 2008
Revolving credit facility (Integrys Energy Group) (1)	6/02/10	**$ 500.0**	$ 500.0
Revolving credit facility (Integrys Energy Group) (1)	6/09/11	**500.0**	500.0
Revolving credit facility (Integrys Energy Group) (2)	5/03/09	**-**	250.0
Revolving credit facility (Integrys Energy Group) (3)	5/26/10	**425.0**	-
Revolving credit facility (Integrys Energy Group) (4)	6/04/10	**35.0**	-
Revolving credit facility (WPS) (5)	6/02/10	**115.0**	115.0
Revolving credit facility (PEC) (1) (6)	6/13/11	**400.0**	400.0
Revolving credit facility (PGL) (7)	7/12/10	**250.0**	250.0
Revolving credit facility (Integrys Energy Services) (8)	6/29/09	**-**	175.0
Revolving short-term notes payable (WPS) (9)	5/13/10	**10.0**	10.0
Short-term notes payable (Integrys Energy Group) (10)	3/30/09	**-**	171.1
Total short-term credit capacity		**2,235.0**	2,371.1
Less:			
Letters of credit issued inside credit facilities		**292.8**	414.6
Loans outstanding under credit agreements and notes payable		**10.0**	656.1
Commercial paper outstanding		**76.0**	552.9
Accrued interest or original discount on outstanding commercial paper		**-**	0.8
Available capacity under existing agreements		**$1,856.2**	$ 746.7

(1) Provides support for Integrys Energy Group's commercial paper borrowing program.

(2) This facility matured in May 2009, and the revolving credit agreement was terminated.

(3) In May 2009, Integrys Energy Group entered into a revolving credit agreement to provide support for Integrys Energy Group's commercial paper borrowing program.

(4) In June 2009, Integrys Energy Group entered into a revolving credit agreement to provide support for Integrys Energy Group's commercial paper borrowing program.

(5) Provides support for WPS's commercial paper borrowing program.

(6) Borrowings under this agreement are guaranteed by Integrys Energy Group.

(7) Provides support for PGL's commercial paper borrowing program.

(8) This facility matured in June 2009, at which time the borrowings were paid in full, and the revolving credit agreement was terminated. This facility was previously guaranteed by Integrys Energy Group.

(9) This note is renewed every six months and is used for general corporate purposes.

(10) This facility matured in March 2009, at which time the borrowings were paid in full, and the short-term debt agreement was terminated.

At September 30, 2009, Integrys Energy Group and its subsidiaries were in compliance with all financial covenants related to outstanding short-term debt. Integrys Energy Group and certain subsidiaries' revolving credit agreements contain financial and other covenants, including, but not limited to, a requirement to maintain a debt to total capitalization ratio not to exceed 65%, excluding non-recourse debt. Failure to meet these covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements.

NOTE 10--LONG-TERM DEBT

(Millions)	September 30, 2009	December 31, 2008
WPS	**$ 872.1**	$ 872.1
UPPCO (1)	**11.7**	11.7
PEC	**327.4**	328.2
PGL (2)	**576.0**	501.0
NSG	**75.3**	75.3
Integrys Energy Group (3)	**705.0**	550.0
Unsecured term loan – Integrys Energy Group (4)	**65.6**	65.6
Term loans – nonrecourse, collateralized by nonregulated assets (5)	**4.6**	6.6
Other term loan (6)	**27.0**	27.0
Total	**2,664.7**	2,437.5
Unamortized discount and premium on bonds and debt	**3.0**	5.7
Total debt	**2,667.7**	2,443.2
Less current portion	**(271.0)**	(155.2)
Total long-term debt	**$2,396.7**	$2,288.0

(1) Prior to November 1, 2009, UPPCO will make a $0.9 million sinking fund payment under the terms of its First Mortgage Bonds. As a result, this payment is included in the current portion of long-term debt on Integrys Energy Group's Condensed Consolidated Balance Sheet at September 30, 2009.

(2) PGL has outstanding $51.0 million of Adjustable Rate, Series OO bonds, due October 1, 2037, which are currently in a 35-day Auction Rate mode (the interest rate is reset every 35 days through an auction process). Recent auctions have failed to receive sufficient clearing bids. As a result, these bonds are priced each 35 days at the maximum auction rate, until such time a successful auction occurs. The maximum auction rate is determined based on the lesser of the London Interbank Offered Rate or the Securities Industry and Financial Markets Association Municipal Swap Index rate plus a defined premium. The year-to-date weighted-average interest rate at September 30, 2009 was 0.9% for these bonds.

In March 2010, $50.0 million of PGL's First and Refunding Mortgage Bonds will mature. As a result, these notes are included in the current portion of long-term debt on Integrys Energy Group's Condensed Consolidated Balance Sheet at September 30, 2009.

In September 2009, PGL issued $75.0 million of Series UU, 4.63%, 10-year First and Refunding Mortgage Bonds due September 1, 2019. The net proceeds from the issuance of these bonds were used for general corporate utility purposes and to increase liquidity. The first and refunding mortgage Bonds were sold in a private placement and are not registered under the Securities Act of 1933.

(3) In June 2009, Integrys Energy Group issued $100.0 million of 7.27%, 5-year Unsecured Senior Notes due June 1, 2014 and $55.0 million of 8.0%, 7-year Unsecured Senior Notes due June 1, 2016. The net proceeds from the issuance of the Senior Notes were used to refinance existing short-term debt and for general corporate purposes. The senior notes were sold in a private placement and are not registered under the Securities Act of 1933.

On November 1, 2009, $150.0 million of Integrys Energy Group Unsecured Senior Notes matured. As a result, these notes are included in the current portion of long-term debt on Integrys Energy Group's Condensed Consolidated Balance Sheet at September 30, 2009.

The Ameren Illinois Utilities'
Revised Response to ICC Staff Data Requests
Docket Nos. 09-0306 thru 09-0311 (cons.)
Proposed general increase in electric and gas delivery service rates
Revised Response Date: 9/2/2009

RP 2.04R

Ameren Ex. 2.0, lines 217-227, states: Fees associated with [the $635 million two-year bank] facility include one time arrangement and up front fees totaling $13.820 million and ongoing administrative agent and facility fees totaling $5.256 million. The banks require that the facility portion of these fees totaling $5.181 million be paid on both the used and unused portion of the facility. As such, the AIUs incur these costs whether or not and without regard to the extent to which they tap into the facility. These fees are properly viewed as an ongoing cost of doing business that should be recovered as Administrative & General (A&G) expense. The pro forma adjustment includes ongoing fees plus amortization of the one time fees over the life of the facility, and is allocated among the AIUs based on borrower sublimits.

a) Please provide all supporting documentation for the arrangement and up front fees totaling $13.82 million and the ongoing administrative agent and facility fees totaling $5.256 million.
b) Please explain how the fees are allocated between Ameren Corporation, AmerenCILCO – Electric, AmerenCILCO – Gas, AmerenCIPS – Electric, AmerenCIPS – Gas, and AmerenIP – Electric and AmerenIP Gas.
c) Please provide a copy of the two-year bank facility (the "AIU 2009 Credit Agreement").
d) Please explain the basis for the total amount of the AIU 2009 Credit Agreement and provide any analyses performed to assess the appropriate total amount of and individual limits on borrowing capacity available under the AIU 2009 Credit Agreement.
e) Please provide the formula that describes the relationship between the size of the AIU 2009 Credit Agreement and the:
    1) one-time arrangement and upfront fees and
    2) ongoing administrative agent and facility fees.
f) Please provide a comparison of the fees associated with the Companies' bank facility and the fees associated with the other non-utility 2009 Credit Agreements that Ameren Corporation and its subsidiaries entered into on June 30, 2009.
g) In any prior delivery services rate proceedings, have the Companies proposed to include in A&G expense either one-time arrangement and upfront fees or ongoing administrative agent and facility fees associated with short-term borrowing bank facilities? If so, please provide all docket numbers for cases in which the Companies proposed this type of recovery for short-term debt costs.
h) Please explain how the Companies recovered one-time arrangement and upfront fees and ongoing administrative agent and facility fees associated with the Companies' 2006 and 2007 bank facilities. If the Companies did not recover

those fees through A&G expense, then please explain why the Companies' propose this type of recovery for debt costs in the instant proceeding. Please include supporting data and documentation in the response.

REVISED RESPONSE

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a) The fee amounts that are listed were estimates. See RP 2.04R Attach 1 which is designated **CONFIDENTIAL**, for a breakdown of the actual fees.
b) The fees are allocated among the AIUs according to their respective sublimits. Although the total facility size is $800 million, the sublimits total to $935 million.
CIPS sublimit = $135 million (14.5%)
CILCO sublimit = $150 million (16.0%)
IP sublimit = $350 million (37.4%)
Ameren Corp. sublimit = $300 million (32.1%)
Each AIU allocated fees between electric and gas by labor.
c) See RP 2.04R Attach 2 which is designated **CONFIDENTIAL**.
d) All of the AIU sublimits were equal to the combined sublimits of the prior 2006 and 2007 AIU credit facilities which the AIU 2009 Credit Agreements replaced.
e)
   1) No formula exists for these fee rates. They are negotiated. The aggregate amount of up-front fees is based on the up-front fee rate times the size of facility as allocated to various borrowers and commitment tiers (see arrangers fee letter provided in response to subpart a)).
   2) Admin agent fees are also a negotiated fixed amount—no formula exists. Please see a) for chart that shows facility fees by borrower level. These are charged based on borrower rating and sublimit (see Credit Agreement provided in response to c)).
f) The up-front and arrangement fee rates for the facilities were the same (see arrangers fee letter provided in response to a)). The facility fee rates and borrowings spreads were also the same—see RP 2.04R Attach 3 (designated **CONFIDENTIAL**) for pricing grids.
g) No. Please note that this answer pertains only to the delivery services rate proceedings for AmerenCIPS, AmerenCILCO and AmerenIP while they were a part of Ameren Corp.
h) The upfront fees were never recovered. The annual facility fees were added to each AIUs' cost of short-term debt by taking the applicable annualized rate (determined by credit ratings) for each AIU. The Companies propose this type (A&G expense) of recovery for debt costs for the reasons outlined in my direct testimony (see AmerenCILCO Ex. 13.0E Page 7 Lines 137-150). These fees are incurred regardless as to whether loans are ever drawn and thus are independent from the AIUs' short-term debt in the capital structure. Thus these fees represent the cost of having access to bank credit rather than the cost of the individual bank loans. Also, in cases such as the instant proceeding where the AIUs have a very

small amount (0.011% to 1.136%) of short-term debt in the capital structure, fees will not be recovered.

RP 2.04R Attach 1, pages 1 through 11 have been redacted.