DIRECT TESTIMONY

of

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Finance Department

Financial Analysis Division

Illinois Commerce Commission

Ameren Illinois Company d/b/a Ameren Illinois
Proposed General Increase in Electric and Natural Gas Rates

Docket Nos. 11-0279 and 11-0282 (Cons.)

June 29, 2011

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Schedules

Witness Identification

Q1. Please state your name and business address.

A1. My name is Rochelle Phipps. My business address is 527 East Capital Avenue, Springfield, Illinois 62701.

Q2. What is your current position with the Illinois Commerce Commission?

A2. I am a Senior Financial Analyst in the Finance Department of the Financial Analysis Division.

Q3. Please describe your qualifications and background.

A3. I received a Bachelor of Arts degree in Finance from Illinois College, Jacksonville, Illinois. I received a Master of Business Administration degree from the University of Illinois at Springfield. I have been employed by the Illinois Commerce Commission ("Commission") since June 2000.

Q4. What is the purpose of your testimony in this proceeding?

A4. I will present the overall cost of capital and recommend a fair rate of return on rate base for Ameren Illinois Company's ("AIC" or the "Company") electric and gas delivery services. The overall cost of capital I present incorporates the cost of common equity Staff witness Janis Freetly recommends in ICC Staff Exhibit 8.0.

Q5. Please summarize your cost of capital findings.

A5. The overall cost of capital for the Company's electric and gas delivery services equals 8.63% and 8.20%, respectively, as presented on Schedule 7.01.

Cost of Capital

Q6. Why must one determine an overall cost of capital for a public utility?

A6. Under the traditional regulatory model, ratepayer and shareholder interests are balanced when the Commission authorizes a rate of return on rate base equal to the public utility's overall cost of capital, as long as that overall cost of capital is not unnecessarily expensive.[1] If the authorized rate of return on rate base exceeds the overall cost of capital, then ratepayers bear the burden of excessive prices. Conversely, if the authorized rate of return on rate base is lower than the overall cost of capital, the financial strength of the utility could deteriorate, making it difficult for the utility to raise capital at a reasonable cost. Ultimately, the utility's inability to raise sufficient capital would impair service quality. Therefore, ratepayer interests are served best when the authorized rate of return on rate base equals the utility's overall cost of capital.

In authorizing a rate of return on rate base equal to the overall cost of capital, all costs of service are assumed reasonable and accurately measured, including the costs and balances of the components of the capital structure. If unreasonable costs continue to be incurred, or if any reasonable cost of service component is measured inaccurately, then the allowed rate of return on rate base will not balance ratepayer and investor interests.

Q7. Please define the overall cost of capital for a public utility.

[1] The remainder of the discussion assumes that the utility's overall cost of capital is not unnecessarily expensive; that is, the utility's cost of capital reflects a reasonable balance between financial strength and cost.

A7. The overall cost of capital for a public utility equals the sum of the costs of the components of the capital structure (*i.e.*, debt, preferred stock and common equity) after weighting each by its proportion to total capital.

Capital Structure

Q8. What capital structure does the Company propose for setting rates for electric and gas delivery services?

A8. The Company proposes using a forecasted average 2012 capital structure that comprises 0.2% short-term debt, 45.2% long-term debt, 1.7% preferred stock and 53.0% common equity.[2]

Q9. Did you make any capital structure adjustments to the AIC proposal that affect more than one capital structure component?

A9. Yes. The short-term debt calculation should also include a calculation for remaining Construction Work in Progress ("CWIP") accruing an Allowance for Funds used During Construction ("AFUDC"). The Commission's formula for calculating AFUDC assumes short-term debt is the first source of funds financing CWIP; however, it is not necessarily the only source. The Commission's formula also assumes that any CWIP not funded by short-term debt is funded proportionately by the remaining sources of capital (*i.e.*, long-term debt, preferred stock and common equity). Thus, to avoid double counting the portions of long-term debt, preferred stock and common equity that the AFUDC formula assumes is financing CWIP, the calculation of the average 2012 capital structure should

[2] Ameren Ex. 4.0, p. 4.

subtract $41,893,910, from the long-term debt balance, $1,556,991, from the preferred stock balance and $46,899,816, from the common equity balance.

Q10. How did you calculate those amounts?

A10. The Company forecasts a higher balance of CWIP than short-term debt during the months of December 2011 through November 2012. Therefore, the AFUDC formula assigns long-term sources of capital to the portion of CWIP that exceeds the balance of short-term debt during those months. After adjusting the monthly short-term debt balances to remove the portion of short-term debt reflected in the calculation of AFUDC, I allocated any remaining amount of CWIP accruing AFUDC according to the proportion of total long-term capital that each long-term capital component represents. The average is $90,522,710, as presented in column (H) on Schedule 7.02. Long-term debt, preferred stock, and common equity compose 46.28%, 1.72% and 51.81% of long-term capital, respectively, based on their balances discussed hereafter. Thus, 46.28% of $90,522,710, or $41,893,910, was subtracted from the long-term debt balance; 1.72% of $90,522,710, or $1,556,991, was subtracted from the preferred stock balance; and 51.81% of $90,522,710, or $46,899,816, was subtracted from the common equity balance.

Q11. Do you recommend any adjustments to the Company's calculation of the average 2012 short-term debt balance?

A11. No.

Q12. Do you recommend any adjustments to the balance of long-term debt?

A12. Yes. I began with the average 2012 balance of $1,633,534,069, as presented on Schedule 7.03. That balance reflects the carrying value for the Company's long-term debt, including unamortized loss of reacquired debt issues. Then, I subtracted $41,893,910, to reflect the amount of long-term debt already incorporated in the calculation of AFUDC, as explained previously. This adjustment results in a long-term debt balance of $1,591,640,159.

Q13. Do you recommend any adjustments to the balance of preferred stock?

A13. Yes. As shown on Schedule 7.04, the Company's average 2012 balance of preferred stock equals $60,718,696, which reflects the net proceeds available to the Company. Yet, the Company's calculation should also subtract $1,556,991 to reflect the amount of preferred stock already incorporated in the AFUDC calculation, as explained previously. This adjustment results in a preferred stock balance of $59,161,705.

Q14. Do you recommend any adjustments to the balance of common equity?

A14. Yes. I recommend three adjustments to the Company's calculation of the average 2012 common equity balance. First, I removed $411 million of goodwill from the Company's common equity balance. The Company proposed to use the September 30, 2009, balance of the purchase accounting adjustments reflected in Account 114; however, that balance reflects bookkeeping entries to Account 114 that do not affect the Company's common equity balance. Therefore, I subtracted the entire goodwill balance to avoid including in rates any purchase accounting adjustments that are not appropriate for ratemaking purposes. Second, I adjusted the common equity balance to reflect Staff's recommended rate increase instead of the Company's requested rate increase. My calculation of the Company's average 2012 common equity balance is presented on Schedule 7.05. Third, as explained previously, this amount should be reduced by $46,899,816 to reflect the amount of common equity already incorporated into the AFUDC calculation. This adjustment results in a common equity balance of $1,781,510,184.

Q15. How does capital structure affect the overall cost of capital?

A15. Capital structure affects the value of a firm and, therefore, its cost of capital, to the extent it affects the expected level of cash flows that accrue to parties other than debt and equity holders. Employing debt as a source of capital reduces a company's income taxes,[3] thereby reducing the cost of capital; however, as reliance on debt as a source of capital increases, so does the probability of default. As the probability of default rises, expected payments to attorneys, trustees and other outside parties increase. Further, expected cash flows decline as the company forgoes investment that would have been available to it had its financial condition been stronger, including the expected value of the income tax shield from debt financing. Beyond a certain point, a growing dependence on debt as a source of funds increases the overall cost of capital. Therefore, the

[3] The tax advantage debt has over equity at the corporate level is partially offset at the individual investor level. Debt investors receive returns largely in the form of current income (*i.e*., interest). In contrast, equity investors receive returns in the form of both current income (*i.e.*, dividends) and capital appreciation (*i.e.*, capital gains). Taxes on common dividends and capital gains are lower than taxes on interest because common dividend and capital gains tax rates are lower and taxes on capital gains are deferred until realized.

Commission should not determine the overall rate of return from a utility's actual capital structure if the Commission concludes that capital structure adversely affects the overall cost of capital.

An optimal capital structure would minimize the cost of capital and maintain a utility's financial integrity. Unfortunately, determining whether a capital structure is optimal remains problematic because (1) the cost of capital is a continuous function of the capital structure, rendering its precise measurement along each segment of the range of possible capital structures problematic; (2) the optimal capital structure is a function of operating risk, which is dynamic; and (3) the relative costs of the different types of capital vary with dynamic market conditions. Consequently, one should determine whether the capital structure is consistent with the financial strength necessary to access the capital markets under most economic conditions and, if so, whether the cost of that financial strength is reasonable.

Q16. What capital structure do you propose for the Company?

A16. With the adjustments I described above, my proposed capital structure for AIC comprises 0.19% short-term debt, 46.28% long-term debt, 1.72% preferred stock and 51.81% common equity, as shown on Schedule 7.01.

Q17. How did you evaluate the Company's average 2012 capital structure?

A17. I compared the Company's debt ratio to the Moody's Investors Service ("Moody's") benchmark total debt to total capital ratio for regulated electric and gas utilities. The Company's 46.5% debt ratio falls within the 45% - 55% debt ratio range for Baa-rated regulated electric and gas utilities.[4] According to Moody's, an obligor rated 'Baa' is considered medium-grade and is subject to moderate credit risk.[5] This suggests that the Company's average 2012 capital structure is commensurate with a strong but not excessive degree of financial strength.

Cost of Short-Term Debt

Q18. Please describe the bank loan rate calculation.

A18. The Company's projected short-term debt balances comprise 100% bank loans. Since short-term borrowings are generally made on a 30-day basis,[6] my bank loan interest rate calculation begins with the 0.19% one-month LIBOR rate on June 3, 2011.[7] Then, I added the applicable margin to the LIBOR rate, which varies according to the borrower's senior unsecured credit rating. Currently, Ameren Illinois has senior unsecured credit ratings of Baa3/BBB- from Moody's and Standard & Poor's ("S&P").[8] According to the AIC credit facility, AIC is a Level IV borrower and pays a short-term borrowing rate that equals LIBOR, plus

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[4] Moody's Investors Service, "Rating Methodology: Regulated Electric and Gas Utilities," August 2009.

[5] Moody's Investors Service, "Moody's Rating Symbols and Definitions," March 2007, p. 8.

[6] Company responses to ICC Staff DR RMP-1.13R and Gas Deficiency 7 from the March 23, 2011 Deficiency Letter in Docket Nos. 11-0279/11-0282.

[7] The Wall Street Journal Money Rates on June 3, 2011 (http://online.wsj.com).

[8] Moody's Investors Service, "Rating Action: Moody's affirms ratings of Ameren Illinois Company upon reorganization," October 5, 2010; Standard & Poor's, "Ameren Illinois Co.," December 29, 2010.

a 2.05% margin.[9] Thus, the Company's cost of short-term bank loans would equal 2.24%, before bank commitment fees.

Q19. Please explain how you calculated the bank commitment fees.

A19. Ameren Corporation ("Ameren") established three credit facilities in September 2010 – the $800 million Ameren Illinois credit facility (which covers AIC and Ameren), the $800 million Ameren Missouri credit facility, and the $500 million Ameren Energy Generating Company ("Genco") credit facility. I calculated one-time arrangement and upfront fees for Ameren Illinois to maintain its bank lines of credit as set forth in the July 29, 2010 Arrangers Fee Letters for the three credit facilities that Ameren established in 2010.[10]

For the three credit facilities, combined, one-time arrangement fees equal $1,300,000 and miscellaneous fees to syndicate equal $377,562. The maximum available capacity under the Ameren Illinois credit facility is $800 million, and the aggregate capacity under the three 2010 credit facilities is $2.1 billion. As such, for the Ameren Illinois credit facility, the pro rata share of the arrangement fee equals $495,238, and the miscellaneous fee equals $143,833. Upfront fees vary from 0.25% to 0.875% of the aggregate amount of each lender's commitments under the three credit facilities. It is my understanding that Section 9-230 of the Public Utilities Act (the "Act") prohibits including in a utility's allowed rate of return any increased cost of capital which is the direct or indirect result of the public

[9] Company response to ICC Staff DR RMP-1.04.

[10] Company responses to ICC Staff DRs RMP-1.04 and RMP-2.01.

utility's affiliation with unregulated or non-utility companies.[11] Therefore, I calculated upfront fees of $2,000,000, based on each lender's commitments under the Ameren Illinois credit facility only.

I divided one-time costs between Ameren Illinois and Ameren according to borrower sub-limits under the 2010 credit facility (*i.e.*, $300 million for Ameren and $800 million for Ameren Illinois). Although the borrower sub-limits total $1.1 billion, combined credit facility borrowings cannot exceed $800 million. Given Ameren can borrow up to $300 million, the credit facility could at times effectively reduce the Ameren Illinois sub-limit to $500 million, or 62.5% of the $800 million credit facility. On this basis, I allocated 62.5% arrangement, miscellaneous and upfront fees to Ameren Illinois. Since the arrangement, miscellaneous and upfront fees to Ameren Illinois are one-time fees, I annualized the amount over the three-year period for which the credit facility is effective.

There are two annual fees associated with the Illinois Facility: (1) the annual administrative fee of $25,000, for which AIC's share equals $15,625; and (2) the annual facility fee, which is based on AIC's unsecured credit ratings. I calculated the annual facility fee for Ameren Illinois by multiplying its applicable facility fee rate by $500 million, which is the sub-limit reserved exclusively for Ameren Illinois. As a Level IV borrower, Ameren Illinois' credit facility fee rate would equal 0.45%. Therefore, Ameren Illinois' recoverable annual facility fee equals $2,250,000.

[11] 220 ILCS 5/9-230.

I determined annual bank commitment fees (annualized one-time fees, plus the annual fees) of $2,815,432 for Ameren Illinois. To calculate the cost of bank commitment fees that should be added to Ameren Illinois' cost of capital, I divided total bank commitment fees by total capitalization. Thus, I recommend adding 8 basis points to Ameren Illinois' overall cost of capital for bank commitment fees. This calculation is summarized in Table 2, below.

Table 2: Bank Facility Fees Calculation

	Combined Credit Facilities	Illinois Facility	AIC Portion of Illinois Facility (62.5%)
Amount of Credit Facility	$2,100,000,000	$800,000,000	$500,000,000
One Time Fees:			
Arrangement	$1,300,000	$495,238	$309,524
Miscellaneous	$377,562	$143,833	$89,896
Upfront Syndication	$13,968,750	$2,000,000	$1,250,000
Total One-Time Fees			$1,649,420
Annualized One-Time Fees for 3-year Credit Facility			$549,807
Annual Fees:			
Administrative Agency	$75,000	$25,000	$15,625
Facility (based on AIC credit rating)			$2,250,000
Total Annual Fees			$2,265,625
Combined Annualized One-Time Fees and Annual Fees			$2,815,432
AIC Total Capitalization			$3,438,785,246
Total Weighted Bank Facility Fee			**0.08%**

Embedded Cost of Long-Term Debt

Q20. What is your estimate of the Company's embedded cost of long-term debt?

A20. The embedded cost of long-term debt equals 7.39%, as shown on Schedule 7.03.

Q21. Please describe your adjustments to the Company's long-term debt schedule.

A21. First, I changed various dates to conform to Ameren Illinois' 2010 Form 21 annual report and set the annual amortization of expense, premium or discount, and loss or gain for each debt issue using a rate that recovers those debt costs in equal monthly amounts between the embedded cost of debt measurement date and the end of the applicable amortization period.

Second, I reduced the balance of the $400 million 9.75% bonds that AmerenIP issued during October 2008 to $350 million, which recognizes that the Commission's Order from the Ameren Illinois Utilities' most recent rate case, Docket Nos. 09-0306 through 09-0311 (Cons.), concluded that AmerenIP issued $50 million more long-term debt than required for its utility operations during October 2008.[12] In lieu of removing the disallowed $50 million of the 9.75% bonds in conjunction with removing $58 million from AmerenIP's common equity balance, as the Commission authorized in AmerenIP's 2009 rate cases, I set the coupon rate for the remaining $50 million of AmerenIP's 9.975% bonds equal to AIC's embedded cost of long-term debt. This adjustment eliminates the effect

[12] Order, Docket Nos. 09-0360 et al. (Cons.), April 29, 2010, p. 143.

the $50 million of disallowed 9.975% bonds would have on AIC's embedded cost of debt. In contrast, removing $50 million in 9.975% bonds from AIC's balance of long-term debt would have the perverse result of a disallowance that increased AIC's rate of return on rate base due to a shift in the capital structure weights from lower cost debt to higher cost common equity.

Next, I adjusted the interest rate and the issuance expense and premium for the $150 million bonds that the Company expects to issue during October 2012. To estimate the interest rate for those bonds, I added 129 basis points to the current 10-year Treasury bond yield of 3.11%, which equals the current spread over treasuries for 10-year Baa1/BBB+ rated utility bonds.[13]

Finally, consistent with the Commission's Order in Docket Nos. 09-0309 through 09-0311 (Cons.), I adjusted the interest rate on the 8.875% bonds that AmerenCILCO issued during December 2008, to reflect the Commission's conclusion that the 6.24% coupon rate effectively removes the incremental cost resulting from AmerenCILCO's non-utility affiliates, as required by Section 9-230 of the Act.[14]

Q22. Why is adjusting the 8.875% coupon rate of AmerenCILCO's $150 million bonds maturing in 2013 necessary and appropriate in this case?

A22. The Company claims that since Fitch Ratings lowered AmerenCILCO's credit rating in May 2010 and Moody's affirmed AmerenCILCO's Baa3 rating following

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[13] Reuters Corporate Spreads for Utilities, June 14, 2011, and Federal Reserve Bulletin, Selected Interest Rates-H.15, Release date June 15, 2011. The Company's senior secured bond rating is Baa1/BBB+.

[14] Order, Docket Nos. 09-0360 et al. (Cons.), April 29, 2010, pp. 150-151.

the transfer of AERG to another Ameren Corporation subsidiary, that one could conclude AmerenCILCO's ownership of AmerenEnergy Resources Generating Company ("AERG") did not adversely affect AmerenCILCO's credit ratings or increase AmerenCILCO's borrowing cost.[15] However, this adjustment, which the Commission adopted, was based on adjusting the business risk profiles Moody's and S&P assign to AmerenCILCO to remove the effect of its non-utility affiliates, as required by Section 9-230 of the Act, in order to reflect the typical business risk profile for transmission and distribution utilities. Under the Moody's pre-August 2009 rating methodology, the business risk profile was changed from "medium" (the typical business risk profile for integrated utilities) to "low" (the typical business risk profile for less risky transmission and distribution utilities). Similarly, under the S&P rating methodology, AmerenCILCO's S&P business risk profile was changed from "Satisfactory," which S&P stated reflected AmerenCILCO's non-regulated businesses, to "Strong," which was the business risk profile that S&P assigned to AmerenCIPS and AmerenIP.

Moreover, Fitch Ratings acknowledged that the transfer of AERG to Ameren Energy Resources Company lowered the business risk of CILCO and, at the same time it lowered CILCO's issuer default rating to BBB- from BBB, it affirmed the BBB- issuer default ratings of CIPS and IP. Fitch Ratings stated that commingling all the monies of CIPS, IP and CILCO supports equalization of the ratings given bondholders would share in a single pool of cash flow. Importantly, Fitch Ratings explained that CILCO's downgrade reflects the Commission's April

[15] Ameren Ex. 4.0, pp. 14-15.

2010 rate order and the consolidation of CIPS, IP and CILCO, as well as management's plan to transfer AERG to an affiliate that owns other merchant generation assets.[16] Since several factors contributed to the downgrade of CILCO's issuer default rating, it is not possible to separate the net effect of one factor from other factors.

Embedded Cost of Preferred Stock

Q23. Do you agree with the Company's embedded cost of preferred stock calculation?

A23. Yes. The Company's embedded cost of preferred stock equals 4.98%.

Rate of Return on Rate Base

Q24. What is the rate of return on rate base you recommend for Ameren Illinois Company?

A24. I recommend an 8.63% rate of return on rate base for Ameren Illinois Company's electric delivery services, which incorporates the 9.72% rate of return on common equity that Staff witness Janis Freetly recommends for the Company's electric operations.[17] I recommend an 8.20% rate of return on rate base for Ameren Illinois Company's gas delivery services, which incorporates the 8.90%

[16] Fitch Ratings, "Fitch Downgrades Central Illinois Light's IDR to 'BBB-'," May 20, 2010.

[17] ICC Staff Ex. 8.0, Schedule 8.09.

rate of return that Ms. Freetly recommends for the Company's gas operations.[18]

My rate of return recommendations are presented on Schedule 7.01.

Q25. Does this conclude your prepared direct testimony?

A25. Yes, it does.

[18] ICC Staff Ex. 8.0, Schedule 8.09.

Ameren Illinois Company
Cost of Capital Summary
Average 2012

AIC Electric Delivery Services

Capital Component	Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$ 6,473,198	0.19%	2.24%	0.00%
Long-Term Debt	1,591,640,159	46.28%	7.39%	3.42%
Preferred Stock	59,161,705	1.72%	4.98%	0.09%
Common Equity	1,781,510,184	51.81%	9.72%	5.04%
Bank Facility Fees				0.08%
Total	$ 3,438,785,246	100.00%		8.63%

AIC Gas Delivery Services

Capital Component	Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$ 6,473,198	0.19%	2.24%	0.00%
Long-Term Debt	1,591,640,159	46.28%	7.39%	3.42%
Preferred Stock	59,161,705	1.72%	4.98%	0.09%
Common Equity	1,781,510,184	51.81%	8.90%	4.61%
Bank Facility Fees				0.08%
Total	$ 3,438,785,246	100.00%		8.20%

Ameren Illinois Company
Short-Term Debt Balance
Average 2012

	End of Month Balance						
Date (A)	Gross Short-term Debt Outstanding (B)	CWIP (C)	CWIP Accruing AFUDC (D)	Net Short-term Debt Outstanding (E)	Monthly Average of Net Short-term Debt Outstanding (F)	Remaining CWIP Accruing AFUDC (G)	Monthly Average of Remaining CWIP Accruing AFUDC (H)
Dec-11	$ 55,446,000	$ 97,241,000	$ 96,154,317	$ 619,618		$ 41,327,935	
Jan-12	-	113,225,000	77,942,699	$ -	309,809	$ 77,942,699	59,635,317
Feb-12	-	129,417,000	93,612,102	$ -	-	$ 93,612,102	85,777,401
Mar-12	-	144,512,000	109,632,907	$ -	-	$ 109,632,907	101,622,505
Apr-12	-	160,603,000	124,369,528	$ -	-	$ 124,369,528	117,001,218
May-12	-	176,578,000	140,955,117	$ -	-	$ 140,955,117	132,662,323
Jun-12	54,486,188	149,256,000	156,551,870	$ -	-	$ 102,065,682	121,510,400
Jul-12	104,503,385	160,999,000	126,545,144	$ 22,363,770	11,181,885	$ 44,405,529	73,235,605
Aug-12	93,753,583	173,622,000	137,869,492	$ 19,305,881	20,834,826	$ 63,421,790	53,913,660
Sep-12	154,000,781	184,158,000	150,136,970	$ 28,449,838	23,877,859	$ 24,586,027	44,003,908
Oct-12	12,937,979	189,856,000	160,141,288	$ 2,024,947	15,237,392	$ 149,228,256	86,907,141
Nov-12	39,753,177	189,929,000	164,969,628	$ 5,224,133	3,624,540	$ 130,440,584	139,834,420
Dec-12	154,110,375	148,819,000	164,007,046	$ -	2,612,066	$ 9,896,671	70,168,627
					$ 6,473,198		$ 90,522,710

Sources:
Schedules D-2 and WPD-2

Ameren Illinois Company
Embedded Cost of Long-Term Debt
Average 2012

	Debt Issue Type, Coupon Rate (A)	Date Issued (B)	Maturity Date (C)	Principal Amount (D)	Face Amount Outstanding (E)	Unamortized Debt Discount or (Premium) (F)	Unamortized Debt Expense (G)	Carrying Value (H)	Coupon Interest Expense (I)	Amortization of Debt Discount or (Premium) (J)	Amortization of Debt Expense (K)	Annual Interest Expense (L)
First Mortgage Bonds												
AIC												
4.400%	New Issue	10/15/12	10/15/22	31,250,000	31,250,000	244,510	262,747	30,742,743	1,375,000	1,648	1,771	1,378,419
CIPS												
6.125%	Series AA	12/15/98	12/15/28	60,000,000	60,000,000	222,310	316,122	59,461,568	3,675,000	13,473	19,159	3,707,632
6.700%	Series CC	06/14/06	06/15/36	61,500,000	61,500,000	271,008	492,192	60,736,800	4,120,500	11,292	20,508	4,152,300
CILCO												
6.200%	Senior Secured Notes	06/14/06	06/15/16	54,000,000	54,000,000	76,224	235,152	53,688,624	3,348,000	19,288	59,505	3,426,793
6.700%	Senior Secured Notes	06/14/06	06/15/36	42,000,000	42,000,000	184,981	463,104	41,351,915	2,814,000	7,708	19,296	2,841,004
6.240%	Series CC	12/09/08	12/15/13	150,000,000	150,000,000	1,350	387,918	149,610,732	9,360,000	941	270,367	9,631,308
IP												
6.250%	Senior Sec Notes	06/14/06	06/15/16	75,000,000	75,000,000	57,264	420,140	74,522,596	4,687,500	14,491	106,316	4,808,306
6.125%	Senior Sec Notes	11/20/07	11/15/17	250,000,000	250,000,000	148,915	1,353,235	248,497,850	15,312,500	27,492	249,828	15,589,820
6.250%	Senior Sec Notes	04/08/08	04/01/18	337,000,000	337,000,000	451,398	1,412,430	335,136,172	21,062,500	78,504	245,640	21,386,644
9.750%	Senior Sec Notes	10/23/08	11/15/18	350,000,000	350,000,000	3,516,369	2,206,801	344,276,831	34,125,000	548,006	343,917	35,016,923
7.390%	Senior Sec Notes	10/23/08	11/15/18	50,000,000	50,000,000	-	-	50,000,000	3,695,000	-	-	3,695,000
Pollution Control Bonds												
CIPS												
5.500%	Series 2000A	03/09/00	03/01/14	51,100,000	51,100,000	-	116,880	50,983,120	2,810,500	-	70,128	2,880,628
5.950%	Series C1	08/15/93	08/15/26	35,000,000	35,000,000	-	443,200	34,556,800	2,082,500	-	31,285	2,113,785
5.700%	Series C2	08/15/93	08/15/26	25,000,000	7,500,000	-	40,800	7,459,200	427,500	-	2,880	430,380
CILCO												
6.200%	PCB Series G	08/01/92	11/01/12	833,333	833,333	100	1,350	831,883	43,056	144	1,944	45,144
5.900%	PCB Series H	08/01/93	08/01/23	32,000,000	32,000,000	-	148,029	31,851,971	1,888,000	-	13,356	1,901,356
IP												
5.700%	PCB Series 1994 A	02/01/94	02/01/24	35,615,000	35,615,000	2,576,782	706,676	32,331,542	2,030,055	222,456	61,008	2,313,519
5.400%	PCB Series 1998 A	03/06/98	03/01/28	18,700,000	18,700,000	-	305,500	18,394,500	1,009,800	-	19,500	1,029,300
5.400%	PCB Series 1998 B	03/06/98	03/01/28	33,755,000	33,755,000	-	308,696	33,446,304	1,822,770	-	19,704	1,842,474
	Total Mortgage and Pollution Control Bonds			$ 1,692,753,333	$ 1,675,253,333	$ 7,751,210	$ 9,620,971	$ 1,657,881,152	$ 115,689,181	$ 945,442	$ 1,556,111	$ 118,190,734

Ameren Illinois Company
Embedded Cost of Long-Term Debt
Average 2012

Debt Issue Type, Coupon Rate (A)		Date Issued (B)	Maturity Date (C)	Principal Amount (D)	Face Amount Outstanding (E)	Unamortized Debt Discount or (Premium) (F)	Unamortized Debt Expense (G)	Carrying Value (H)	Coupon Interest Expense (I)	Amortization of Debt Discount or (Premium) (J)	Amortization of Debt Expense (K)	Annual Interest Expense (L)
Net (Gain)/Loss on Reacquired Debt												
Central Illinois Public Service Company Legacy Reacquired Debt:												
7.610%	Series 97-2	9/15/10	6/1/17	-	-	-	$ 543,095	$ (543,095)	-	-	$ 110,460	$ 110,460
Variable	2004 Series	4/17/08	7/1/25	-	-	-	700,752	(700,752)	-	-	53,904	53,904
13.625%	FMB Series U	3/31/86	1/1/16	-	-	-	204,576	(204,576)	-	-	58,450	58,450
9.000%	FMB Series D	3/31/90	2/1/14	-	-	-	33,719	(33,719)	-	-	21,296	21,296
Variable	FMB Series A	3/31/90	4/1/13	-	-	-	5,843	(5,843)	-	-	7,790	7,790
9.125%	FMB Series T	5/31/92	5/1/22	-	-	-	616,210	(616,210)	-	-	62,665	62,665
8.500%	FMB Series W	12/15/98	4/1/21	-	-	-	915,317	(915,317)	-	-	104,608	104,608
6.375%	PCB Series B	1/1/93	5/1/28	-	-	-	201,605	(201,605)	-	-	12,733	12,733
6.750%	PCB Series C	6/1/93	6/1/28	-	-	-	88,856	(88,856)	-	-	5,583	5,583
5.850%	PCB Series A	8/1/93	8/1/26	-	-	-	69,491	(69,491)	-	-	4,934	4,934
6.375%	PCB Series 1993A	12/22/04	6/1/25	-	-	-	299,788	(299,788)	-	-	23,209	23,209
5.900%	PCB Series B-2	12/20/04	5/1/28	-	-	-	279,879	(279,879)	-	-	17,677	17,677
5.700%	PCB Series C-2	12/20/04	8/1/26	-	-	-	209,661	(209,661)	-	-	14,887	14,887
Central Illinois Light Company Legacy Reacquired Debt:												
Variable	PCB Series 2004	4/17/08	10/1/39	-	-	-	$ 322,422	$ (322,422)	-	-	$ 11,832	$ 11,832
Variable	PCB Series 2004	4/17/08	10/1/26	-	-	-	91,314	(91,314)	-	-	6,408	6,408
7.730%	FMB	7/17/06	6/1/16	-	-	-	205,400	(205,400)	-	-	52,443	52,443
7.730%	FMB	7/17/06	6/1/36	-	-	-	319,614	(319,614)	-	-	13,364	13,364
9.625%	FMB	2/20/92	1/1/22	-	-	-	256,158	(256,158)	-	-	26,964	26,964
9.250%	FMB	3/2/92	1/1/22	-	-	-	247,836	(247,836)	-	-	26,088	26,088
9.250%	FMB	2/20/92	1/1/22	-	-	-	167,466	(167,466)	-	-	17,628	17,628
11.375%	PCB Series C	9/1/92	2/1/18	-	-	-	111,756	(111,756)	-	-	20,016	20,016
10.800%	PCB Series D	11/2/92	11/1/12	-	-	-	913	(913)	-	-	1,314	1,314
6.125%	PCB Series B	9/12/93	8/1/23	-	-	-	44,023	(44,023)	-	-	3,972	3,972
6.200%	PCB Series A	10/1/93	8/1/23	-	-	-	38,038	(38,038)	-	-	3,432	3,432
8.200%	FMB	4/30/03	1/1/22	-	-	-	1,327,479	(1,327,479)	-	-	139,735	139,735
7.800%	FMB	4/30/03	2/1/23	-	-	-	247,312	(247,312)	-	-	23,368	23,368
6.500%	PCB Series E	12/22/04	10/1/39	-	-	-	230,208	(230,208)	-	-	8,448	8,448
6.500%	PCB Series F	12/22/04	10/1/26	-	-	-	24,282	(24,282)	-	-	1,704	1,704

Ameren Illinois Company
Embedded Cost of Long-Term Debt
Average 2012

		Date	Maturity	Principal	Face Amount	Unamortized Debt		Carrying	Coupon	Amortization of Debt		Annual
Debt Issue Type, Coupon Rate		Issued	Date	Amount	Outstanding	Discount or (Premium)	Expense	Value	Interest Expense	Discount or (Premium)	Expense	Interest Expense
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Illinois Power Company Legacy Reacquired Debt:												
Refunded by 6.25% Senior Secured Notes												
	Series 1997 A,B,C	5/28/08	3/1/18		-	-	1,682,964	(1,682,964)	-	-	296,994	296,994
	Series 2001 Non-AMT	5/20/08	3/1/18		-	-	1,620,915	(1,620,915)	-	-	286,044	286,044
	Series 2001 AMT	5/20/08	3/1/18		-	-	656,745	(656,745)	-	-	115,896	115,896
Refunded by 5.4% PCB Series A												
6.000%	PCB B due 5/2007	3/6/98	3/1/28		-	-	99,862	(99,862)	-	-	6,374	6,374
Refunded by 5.4% PCB Series B												
8.300%	PCB I due 4/2017	3/6/98	3/1/28		-	-	180,258	(180,258)	-	-	11,506	11,506
Refunded by variable rate Series P,Q & R PCB due 4/2032												
7.625%	PCB F,G & H due 2016	6/2/97	4/1/32		-	-	1,367,016	(1,367,016)	-	-	69,216	69,216
Refunded by 9.875% MB due 7/1/2016												
9.875%	MB due 2004	7/1/86	7/1/16		-	-	54	(54)	-	-	13	13
12.625%	MB due 2010	8/4/86	7/1/16		-	-	23,427	(23,427)	-	-	5,857	5,857
9.875%	MB due 2016	11/25/90	7/1/16		-	-	416	(416)	-	-	104	104
9.875%	MB due 2016	11/26/90	7/1/16		-	-	2,647	(2,647)	-	-	662	662
Refunded by 9.375% Series MB due 9/1/2016												
14.500%	IPF Deb due 1989	9/8/86	9/1/16		-	-	34,320	(34,320)	-	-	8,237	8,237
12.000%	MB due 2012	9/12/86	9/1/16		-	-	539,040	(539,040)	-	-	129,370	129,370
14.500%	MB due 1990	9/12/86	9/1/16		-	-	352,240	(352,240)	-	-	84,538	84,538
Refunded by Series I PCB due 4/1/2017												
8.300%	PCB E due 3/1/2015	7/29/87	4/1/17		-	-	379,392	(379,392)	-	-	79,872	79,872
12.000%	MB due 11/15/2012	1/4/88	11/15/12		-	-	4,084	(4,084)	-	-	4,860	4,860
Refunded by $200 million 7.5% NMB due 7/15/2025												
8.250%	MB due 2007	8/16/93	7/1/25		-	-	264,368	(264,368)	-	-	20,336	20,336
10.000%	MB due 1998	8/16/93	7/1/25		-	-	106,692	(106,692)	-	-	8,207	8,207
7.500%	MB due 2025	4/1/96	7/1/25		-	-	(172,692)	172,692	-	-	(13,284)	(13,284)
Refunded by $111,770,000 Variable PCB Series A,B & C due 11/1/2028												
10.750%	PCB C due 2013	12/15/93	11/1/28		-	-	1,209,908	(1,209,908)	-	-	74,076	74,076

Ameren Illinois Company
Embedded Cost of Long-Term Debt
Average 2012

Debt Issue Type, Coupon Rate (A)		Date Issued (B)	Maturity Date (C)	Principal Amount (D)	Face Amount Outstanding (E)	Unamortized Debt Discount or (Premium) (F)	Unamortized Debt Expense (G)	Carrying Value (H)	Coupon Interest Expense (I)	Amortization of Debt Discount or (Premium) (J)	Amortization of Debt Expense (K)	Annual Interest Expense (L)
Refunded by $235 million 8% NMB due 2/15/2023												
9.375%	MB due 2016	3/22/93	2/1/23		-	-	1,423,642	(1,423,642)	-	-	134,517	134,517
8.875%	MB due 2008	3/22/93	2/1/23		-	-	717,767	(717,767)	-	-	67,821	67,821
Refunded by $35,615,000 5.7% FMB due 2/1/2024												
11.625%	FMB due 2014	5/1/94	2/1/24		-	-	293,568	(293,568)	-	-	25,344	25,344
Refunded by $84,150,000 7.4% FMB due 12/1/2024												
10.750%	FMB due 2015	3/1/95	12/1/24		-	-	500,491	(500,491)	-	-	40,308	40,308
Refunded by $111,770,000 Variable PCB Series Non-AMT 2001 due 11/1/2028												
Variable	FMB due 2028	5/1/01	11/1/28		-	-	836,724	(836,724)	-	-	51,228	51,228
Refunded by $75 million Variable PCB Series due 3/1/2017												
Variable	PCB due 2017	5/1/01	3/1/17		-	-	161,448	(161,448)	-	-	34,596	34,596
IP Capital MIPS		5/30/00	12/1/43		-	-	2,070,484	(2,070,484)	-	-	65,904	65,904
IP Financing I TOPRS		9/30/01	1/1/45		-	-	2,188,290	(2,188,290)	-	-	67,332	67,332
	Total Net (Gain)/Loss on Reacquired Debt				$ -	$ -	$ 24,347,083	$ (24,347,083)	$ -	$ -	$ 2,530,838	$ 2,530,838
	Total Long-Term Debt			$ 1,692,753,333	$ 1,675,253,333	$ 7,751,210	$ 33,968,054	$ 1,633,534,069	$ 115,689,181	$ 945,442	$ 4,086,950	$ 120,721,572
	Embedded Cost of Long-Term Debt											7.39%

Notes: Column (H) = Columns (E) + (F) + (G)
Column (L) = Columns (I) + (J) + (K)
Embedded Cost of Long-Term Debt = Column (L) ÷ (H)

Ameren Illinois Company
Embedded Cost of Preferred Stock
Average 2012

Stock Issue Type, Dividend Rate (A)		Date Issued (B)	Shares Outstanding (C)	Amount Outstanding (D)	Premium or (Discount) (E)	Issue Expense (F)	Net Proceeds (G)	Annual Dividends (H)
$ 5.160	Series, Perpetual, $100 Par	1-Nov-59	50,000	$ 5,000,000	$ 9,709	$ 34,665	$ 4,975,044	$ 258,000
$ 4.920	Series, Perpetual, $100 Par	1-Oct-52	49,289	4,928,900	123,223	116,416	4,935,707	242,502
$ 4.900	Series, Perpetual, $100 Par	1-Nov-62	73,825	7,382,500			7,382,500	361,743
$ 4.250	Series, Perpetual, $100 Par	1-May-54	50,000	5,000,000			5,000,000	212,500
$ 4.000	Series, Perpetual, $100 Par	1-Nov-46	144,275	14,427,500		493,719	13,933,781	577,100
$ 6.625	Series, Perpetual, $100 Par	1-Oct-93	124,274	12,427,375		490,787	11,936,588	823,314
$ 4.080	Series, Perpetual, $100 Par	24-Apr-50	45,224	4,522,400	89,734		4,612,134	184,514
$ 4.260	Series, Perpetual, $100 Par	1-Nov-50	16,621	1,662,100	3,317		1,665,417	70,805
$ 4.700	Series, Perpetual, $100 Par	10-Mar-52	18,429	1,842,900			1,842,900	86,616
$ 4.420	Series, Perpetual, $100 Par	11-Feb-53	16,190	1,619,000			1,619,000	71,560
$ 4.200	Series, Perpetual, $100 Par	23-Sep-54	23,655	2,365,500			2,365,500	99,351
$ 7.750	Series, Perpetual, $100 Par	21-Jun-94	4,542	454,200	(4,075)		450,125	35,201
			616,324	$ 61,632,375	$ 221,908	$ 1,135,587	$ 60,718,696	$ 3,023,205

Embedded Cost of Preferred Stock = 4.98%

Notes:

Column (G) = Columns (D) + (E) - (F)

Embedded Cost of Preferred Stock = Column (H) / Column (G)

Sources:

Company responses to ICC Staff data requests RMP 1.03, 1.14 and 2.07; and December 31, 2010 Form 21 ILCC annual report, pp. 45-46.

Ameren Illinois Company
Common Equity Balance (in thousands)
Average 2012

	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
Common Stock	306,943	306,943	306,943	306,943	306,943	306,943	306,943	306,943	306,943	306,943	306,943	306,943	306,943
Paid In Capital	1,712,697	1,712,697	1,712,697	1,712,697	1,712,697	1,712,697	1,712,697	1,712,697	1,712,697	1,712,697	1,712,697	1,712,697	1,712,697
Retained Earnings	311,829	324,546	236,885	240,870	169,217	172,828	187,984	217,728	174,176	189,480	152,793	160,074	171,964
Effects of Rate Increase	-	2,344	4,688	7,032	9,376	11,720	14,063	16,407	18,751	21,095	23,439	25,783	28,127
Goodwill	(411,000)	(411,000)	(411,000)	(411,000)	(411,000)	(411,000)	(411,000)	(411,000)	(411,000)	(411,000)	(411,000)	(411,000)	(411,000)
Total Common Equity	1,920,469	1,935,530	1,850,213	1,856,542	1,787,233	1,793,188	1,810,687	1,842,775	1,801,567	1,819,215	1,784,872	1,794,497	1,808,731
Monthly Averages		1,927,999	1,892,871	1,853,377	1,821,887	1,790,210	1,801,938	1,826,731	1,822,171	1,810,391	1,802,044	1,789,685	1,801,614

Average Balance = 1,828,410