Ameren Exhibit 36.0

ILLINOIS COMMERCE COMMISSION

DOCKET Nos. 11-0279, 11-0282 (Cons.)

REBUTTAL TESTIMONY

OF

GARY M. RYGH

BARCLAYS CAPITAL, INC.

Submitted on Behalf Of

AMEREN ILLINOIS COMPANY

d/b/a Ameren Illinois

July 26, 2011

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Gary M. Rygh. My business address is 745 Seventh Avenue - 25th Floor, New York, New York 10019-6801.

Q. By whom are you employed and in what capacity?

A. I am employed as a Managing Director at Barclays Capital Inc. (Barclays Capital).

Q. On behalf of whom are you presenting this rebuttal testimony?

A. I am presenting this rebuttal testimony on behalf of Ameren Illinois Company d/b/a Ameren Illinois (Company or AIC).

Q. Please describe Barclays.

A. Barclays Capital is the investment banking division of Barclays Bank PLC, a leading global financial institution with over $2.5 trillion in total assets. Using a distinctive business model, Barclays Capital provides large companies, institutions and government clients with solutions to their financing and risk management needs. Barclays Bank PLC is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services, with an extensive international presence in Europe, the United States, Africa and Asia. With over 300 years of history and expertise in banking, Barclays Bank PLC operates in over 50 countries with over 145,000 employees.

Q. Please describe your relevant work experience.

A. Prior to joining Barclays Capital, I worked in the power and utility area at Morgan Stanley beginning in 1998; was in the global power and utility group at Lehman Brothers starting in July 2007; and have been with Barclays Capital since September 2008, when Lehman Brothers became a part of Barclays Capital.

Q. Please describe your qualifications, as well as your duties and responsibilities as Managing Director.

A. I am currently a Managing Director in the Global Power and Utility Group. Our group is responsible for the corporate finance analysis of, and strategic and capital markets transactions related to the utility and power sectors. I have been in the utility, power and energy investment banking business for approximately 16 years. I have worked extensively on strategic merger and acquisition assignments, debt and equity capital markets transactions, and other corporate finance related assignments in the electric, water and gas utility sectors. I have a Bachelors of Science degree in Commerce, with a concentration in Finance from the University of Virginia.

II. PURPOSE OF TESTIMONY

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

A. The purpose of my rebuttal testimony is to provide a general response to the recommended revenue requirements developed by the Staff. Overall, the Staff recommends that the Commission increase AIC's revenue by approximately $5 million, in a case in which AIC has requested an increase of over $100 million. Other AIC witnesses address the specific adjustments made by the Staff to the test year that produce Staff's results. I address the overall impact of Staff's recommendation on the investment community, and what this means for AIC and its customers.

Q. Please summarize your rebuttal testimony?

A. My rebuttal testimony focuses on the importance of fair and balanced utility regulation as it pertains to capital and financing related issues, which are increasingly important for AIC and utilities in general, given the large capital needs they face now and in the coming years. I also discuss how the constructive rate orders received by AIC in 2008 had a significant positive impact on the perceived regulatory environment in Illinois and how the subsequent rate order in 2010 had the opposite impact but most importantly the effect those orders had in driving changes in the perception of AIC's overall financial health and credit quality. These financial market and investor perceptions are important to ratepayers because it is these views that drive the overall cost and ability of AIC to access needed capital. My testimony explains:

- The critical importance for investors of a highly diligent regulatory process, as well as the need for AIC to maintain a constructive relationship with the Commission.
- How perceptions of the regulatory process affect access to and the cost of new capital for AIC with investors, underwriters, credit rating agencies and researchers, their keen awareness of the importance of balanced, mainstream

ratemaking policy, and their ability to discern key differences among competing issuers of capital and their associated regulators.

- Why the perceptions of investors, credit rating agencies and other market participants of Illinois regulation are critical and how recent regulatory decisions in Illinois have negatively affected credit rating agency analysis of AIC and their assessments of the regulatory climate in which AIC is operating.
- Why the potential exists for significant and long-term detrimental repercussions to the cost of capital of AIC if the perception exists that AIC is subject to a hostile regulatory environment and has not been provided with the opportunity to adequately recover capital deployed for ratepayers, earn its allowed returns and maintain the financial health of AIC.

Q. Are you sponsoring any exhibits with your rebuttal testimony?

A. Yes, I am sponsoring AIC Ex. 36.1.

Q. How do the actions of the Commission shape the perceptions of financial investors, credit rating agencies and other Wall Street entities regarding the quality of Illinois regulation?

A. For this question it is helpful to focus on what many consider to be the most positive development for AIC and Illinois regulation overall in the last several years which was the results of the 2008 rate case. The investor reaction to the results was notably positive. Beyond the financial stability that is inherent in a constructive rate case decision, many in the financial community perceived the 2008 rate case decision as a significant event for AIC as it pertained to the quality of regulation in Illinois and AIC's future prospects in the regulatory process, especially given the tumultuous events of 2007. The long-term credit quality of AIC was enhanced by the Commission in 2008 by sending a strong message to the financial community that the regulatory process in Illinois was rigorous and deliberate, and that the Commission properly balanced its duties to ratepayers and investors. Again, given the backdrop of the events of 2007, this was especially welcomed by the financial community.

The positive reaction to results of the AIC electric and gas rate case in 2008 was based on the perception of the Commission’s willingness to diligently address investor concerns and correctly determine the critical need for rate relief. Upon upgrading the credit rating of AIC, Moody’s Investor Services, Inc. (Moody’s) noted:

> “*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 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.” (Moody’s 8/13/2009).*

This sentiment was echoed in September of 2008 by Standard and Poor’s Financial Services LLP (S&P) in a note titled - Ameren Corp.'s Illinois Subsidiaries Upgraded To Investment Grade:

> *“The upgrades on the Illinois subsidiaries reflect Standard & Poor's assessment that the regulatory and political environment in Illinois will be reasonably supportive of investment grade credit quality with regard to their pending rate cases. The Illinois Commerce Commission's (ICC) administrative law judges (ALJ) have endorsed electric and gas delivery service rate increase of $163.5 million, nearly 80% of the revised amount sought by Ameren's Illinois utilities, and significantly more than the $47 million rate hike recommended by the ICC staff. The ALJ decision is not binding on the ICC, whose final rate order is expected by Sept. 30, 2008. Unlike the significant rate increase requests in 2006-2007 that became so highly politicized, there has been virtually no resurgence of political interference or opposition to higher rates,*

> *other than the Citizens Utility Board, which characteristically opposes the utilities' position for higher rates." (S&P 9/11/2008).*

It was also well understood that 2008 rate case was decided after an exhaustive regulatory review, was sufficiently consistent with those in other regulatory jurisdictions and that in general it appropriately balances the concerns of ratepayers and investors. This is not to say investors only consider a very company friendly decision as a positive outcome and do not understand the perspective of the Commission or its duties to ratepayers. As Moody's has stated:

> *"A utility's regulatory environment and suite of rate recovery mechanisms are among the most critical elements of our credit rating analysis. We believe the existence of regulation (and a utility's corresponding business model) provides relatively predictable and stable revenues and cash flows for years to come. As a result, regulated utilities can attain investment grade ratings with a much weaker financial profile than most of their capital-intensive, industrial peers. Today, we continue to believe regulators will provide timely recovery of prudently incurred costs and investments with a reasonable return. We also believe regulators would prefer to regulate financially healthy utilities. This doesn't mean utilities are likely to receive 100% of their rate relief requests or that we'd view anything but full cost recovery as a negative. We think the vast majority of regulatory outcomes will be, at a minimum, neutral and more likely slightly positive to a utility's credit profile." (Moody's 10/28/10)*

Q. What is the potential downside to ratepayers if there is a continued deterioration in the perception of Illinois utility regulation by investors?

A. The main concern with the Commission adopting a draconian position in this proceeding is that it will communicate several very negative impressions to investors, including: (1) that the Commission is not concerned about the volatility and operational / financial difficulties created for AIC; (2) that the Commission has little regard for regulatory certainty and stability in Illinois; (3) that the Commission does not believe AIC deserves the opportunity to earn a fair return on capital. Moody's outlined in August 2009, the majority of the criteria on which a utility is rated is based on regulatory framework, and the ability to recover prudently incurred costs and to earn fair returns. As stated by Moody's:

> "*For a regulated utility, the predictability and supportiveness of the regulatory framework in which it operates is a key credit consideration and the one that differentiates the industry from most other corporate sectors"…. "These include how developed the regulatory framework is; its track record for predictability and stability in terms of decision making; and the strength of the regulator's authority over utility regulatory issues. The ability to recover prudently incurred costs in a timely manner is perhaps the single most important credit consideration for regulated utilities as the lack of timely recovery of such costs has caused financial stress for utilities on several occasions.*"

The diligent balancing of ratepayer and investor concerns are the cornerstones of investor confidence for utilities. When investors are confident that regulators are balancing these concerns appropriately, they can focus their influence to ensure that the utility performs accordingly and makes good on the regulatory construct. However, those investors who provided the necessary financial capital to AIC regard this cost recovery as necessary to compensate them for the risk of being obligated to incur these costs. The continued call for significant impediments to the timely recovery of capital make it such that investors are hard pressed to rely upon the Commission to allow AIC the opportunity for recovering prudently incurred expenses.

Q. Do investors value diligent regulation?

A. Yes, they do. There is a common misperception that investors are looking for lackadaisical and weak regulation. This could not be more incorrect with regard to investing in regulated utilities. Investors who put capital to work at regulated utilities not only appreciate strong regulators, they rely on them. Investors count on regulators and their staffs to ensure the safety of their capital by consistently monitoring utilities to ensure reliability, performance and prudent risk management. Investors not only place a great deal of significance on the quality of regulation, but also on the ability of a utility to maintain a healthy and productive relationship with its regulators, especially in the current challenging economic environment. As stated by S&P in November 2007 when overhauling its rating methodologies for domestic utilities:

> "*Regulated utilities and holding companies that are utility-focused virtually always fall in the upper range of business risk profiles. The defining characteristics of most utilities--a legally defined service territory generally free of significant competition, the provision of an essential or near-essential service, and the presence of regulators that have an abiding interest in supporting a healthy utility financial profile underpin the business risk profiles of the electric, gas, and water utilities.*"

A well-run utility produces the stability of cash flow, earnings and financial performance that investors in utilities prize and need to ensure that the risk inherent in their investment is appropriate for the return they are receiving. Since investors lack the technical expertise and oversight capabilities of regulators, they consider quality regulation critical. In fact, diligent and consistent regulation is essential, as noted in 2009 by Moody's when describing the criteria used to assign utility credit ratings:

> "*A utility operating in a stable, reliable, and highly predictable regulatory environment will be scored higher on this factor than a utility operating in a regulatory environment that exhibits a high degree of uncertainty or unpredictability*."

Q. Do the rating agencies,, investors and other research analysts have existing concerns regarding AIC and Illinois regulation that would be exacerbated by an unwarranted rate case result?

A. AIC’s ability to recover prudently incurred capital and operating expenses is still a major area of concern for the rating agencies and investors Recounted below is a sample of rating agency considerations that could become even more significant risks to the credit quality of AIC:

- *Ameren Illinois' business risk profile is also affected by its ability to manage its regulatory risk. Earlier in 2010, Standard & Poor's revised its assessment of the Illinois regulation to 'less credit supportive' from 'least credit supportive'. The change reflected our view that the Illinois legislative and regulatory environment had returned to relative stability following the disruption during the state's transition to competition. Our revised assessment was partially based on the 13 constructive rate case orders from 2008 until the early 2010. These developments clearly pointed to a decreasing regulatory risk. However, in April 2010, Ameren received a $4.7 million rate case order for its Illinois electric and gas businesses that we viewed as not conducive to credit quality. Since then, based on error corrections and a rehearing, Ameren's net rate order was increased to $44 million. Overall, we view the company's regulatory risk as rising. Should this persist, it could pressure the company's business risk profile, which could harm its credit quality.(S&P 12/29/10)*

- *AIC's Baa3 Issuer Rating reflects improved financial metrics at Ameren's Illinois utilities resulting from higher electric and gas delivery service rates implemented in late 2008 and what Moody's had considered to be an improving political and regulatory environment for the company in Illinois. However, Ameren's most recent Illinois rate case outcomes were unsupportive of credit quality and could put pressure on the utility's financial metrics going forward, although they are expected to remain adequate to support current ratings. The rate case outcomes have also renewed our concern about political and regulatory risk for the company in Illinois and maintenance of AIC's ratings at current levels over the long-term is highly dependent on the outcomes of future rate cases and the overall regulatory environment for utilities in Illinois. (Moody’s 10/6/10)*

- *<u>Recent rate case outcomes were unsupportive of utility credit quality</u>. - The outcomes of the most recent rate cases will do little to decrease this regulatory lag and will constrain the company's financial metrics going forward. The ultimate effect on metrics is largely dependent on the ability of the company to mitigate the impact of the rate case through the delay or cancellation of certain projects and reduced capital expenditures. (Moody's 10/6/10)*

- *<u>Renewed political and regulatory risk for Ameren in Illinois</u> - Moody's had viewed Ameren's Illinois regulatory and political environment as having improved since a 2007 electric rate settlement narrowly averted a potentially devastating extension of a rate freeze that had been in place at all of Ameren's Illinois utility subsidiaries. However, the most recent rate case outcome has renewed our concerns about Ameren's political and regulatory relationships in Illinois and the credit supportiveness of the company's overall political and regulatory environment. The rate case was characterized by a high degree of both special interest and political involvement, including public opposition from the state's attorney general as well as several state representatives. (Moody's 10/6/10)*

- *Following the 2007 electric rate settlement and a reasonably supportive rate case outcome in 2008, Moody's returned the senior unsecured and Issuer Rating of Ameren's Illinois utilities to investment grade, indicating that we believed that the company would be able to obtain sufficient regulatory relief to maintain investment grade credit quality. The unexpectedly negative rate case outcome has raised concerns that the state may be returning to a less supportive regulatory environment. As a result, the first two factors in our rating methodology, Regulatory Framework and Ability to Recover Costs and Earn Returns, are both scored at a below average Ba for AIC, representing a significant constraint on the company's ratings and credit quality. Additional political intervention in the regulatory process or further unsupportive rate case outcomes could lead to negative rating actions on the company, as occurred between 2005 and 2007. (Moody's 10/6/10)*

- *The stable outlook reflects Moody's expectation that financial metrics will remain adequate to support the low investment grade of the merged Ameren Illinois Company, and that political and regulatory risk for Ameren in Illinois will not increase further. The most recent rate case outcome should be sufficiently mitigated by management actions to reduce costs and capital expenditures and will not result in a material degradation of these financial metrics. Nevertheless, the stable outlook is highly contingent on future rate case outcomes that are more supportive of credit quality than the most recent one. regulatory relief to maintain investment grade credit quality. The unexpectedly negative rate case outcome has raised concerns that the state may be returning to a less supportive regulatory environment. As a result, the first two factors in our rating methodology, Regulatory Framework and Ability to Recover Costs and Earn Returns, are both scored at a below average Ba for AIC, representing a significant constraint on the company's ratings and credit quality. Additional political intervention in the regulatory process or further unsupportive rate case outcomes could lead to negative rating actions on the company, as occurred between 2005 and 2007. (Moody’s 10/6/10)*

- *<u>What Could Change the Rating Down</u> - The ratings could be lowered if future distribution rate cases do not provide sufficient rate relief to maintain ratios; if there is additional political intervention in the regulatory process. (Moody’s 10/6/10)*

- *Ameren's rate-regulated earnings profile had appeared to be improving. For example, in 2008 regulators in Illinois approved a much-needed $160 million rate increase that exceeded our expectations, with an approximate 10.7% allowed return on equity in line with industry averages However, this apparent shift to more constructive regulation in Illinois did not last. In 2009, Ameren requested a $130 million increase in annual revenue for its Illinois electric and natural gas delivery utilities, but regulators approved just a $15 million net revenue increase, including a $20 million cut in natural gas rates. (Morningstar 2/23/11)*

- *<u>Last rate case did not go smoothly</u> - IL continues to be a tough regulatory environment for utilities. In May 2010, the ICC granted Ameren Illinois a $15m rate increase and recovery of $13m in supply-related costs, considerably less than the company's $130m request, which was based on an 11.5% weighted average authorized ROE and $3.3 billion rate base. In November 2010, Ameren Illinois received an additional $25m in its rate case rehearing at the ICC. The ICC authorized ~10% allowed ROE and ~$3 billion rate base. However, the total $53m is still meaningfully below Ameren Illinois' initial request. (Bank of America Merrill Lynch 2/23/11)*

- *The Illinois regulatory climate continues to be restrictive from an investor perspective. Authorized equity returns over the past year or so have ranged from markedly below prevailing industry averages to slightly above average. That being said, the overall impacts of the rate decisions have largely been negative, as even in cases where the authorized ROE was constructive, the ICC imposed rate base and/or net operating income disallowances that rendered it unlikely that the utilities would be able to earn the authorized returns.(Regulatory Research Associates 7/5/11)*

Q. What are the main criteria applied when a utility is reviewed by the credit rating agencies and how does the regulatory environment affect the application of those key criteria for AIC?

A. The combination of Moody's evaluation of the regulatory framework and ability to recover costs and earn returns account for 50% of the total rating assessment of a utility. Currently AIC is rated Baa3 by Moody's on a senior unsecured basis while its "scorecard" results in a rating one notch below of Ba1. This implies that Moody's is already factoring in future improvements to the regulatory paradigm and related financial metrics for AIC. Moody's currently scores the *regulatory framework and ability to recover costs and earn returns for AIC* *as below investment grade*, at Ba. By examining how Moody's assigns ratings to these criteria and assessing the implications associated with unsupported regulatory action, it is obvious that if such modifications were implemented there is strong possibility that AIC will be scored lower in these two critical categories. The table below provides additional information on the various rating categories.

Regulatory Framework (25% of Rating)			
A	***Baa***	***Ba***	***B***
Regulatory framework is fully developed, has above average predictability and reliability, although is sometimes less supportive of utilities. Utility regulatory body may be a state commission or national, state, provincial or independent regulator.	Regulatory framework is a) well-developed, with evidence of some inconsistency or unpredictability in the way framework has been applied, or framework is new and untested, but based on well-developed and established precedents, or b) jurisdiction has history of independent and transparent regulation in other sectors. Regulatory environment may sometimes be challenging and politically charged.	Regulatory framework is developed, but there is a high degree of inconsistency or unpredictability in the way the framework has been applied. Regulatory environment is consistently challenging and politically charged. There has been a history of difficult or less supportive regulatory decisions, or regulatory authority has been or may be challenged or eroded by political or legislative action.	Regulatory framework is less developed, is unclear, is undergoing substantial change or has a history of being unpredictable or adverse to utilities. Utility regulatory body lacks a consistent track record or appears unsupportive, uncertain, or highly unpredictable. May be high risk of nationalization or other significant government intervention in utility operations or markets.
Ability to Recover Costs and Earn Returns (25% of Rating)			
A	***Baa***	***Ba***	***B***
Rate/tariff reviews and cost recovery outcomes are fairly predictable (with automatic fuel and purchased power recovery provisions in place where applicable), with a generally fair return on investments. Limited instances of regulatory challenges; although efficiency tests may be more challenging; limited delays to rate or tariff increases or cost recovery.	Rate/tariff reviews and cost recovery outcomes are usually predictable, although application of tariff formula may be relatively unclear or untested. Potentially greater tendency for regulatory intervention, or greater disallowance (e.g. challenging efficiency assumptions) or delaying of some costs (even where automatic fuel and purchased power recovery provisions are applicable).	Rate/tariff reviews and cost recovery outcomes are inconsistent, with some history of unfavorable regulatory decisions or unwillingness by regulators to make timely rate changes to address market volatility or higher fuel or purchased power costs. AND/OR Tariff formula may not take into account all cost components; investment are not clearly or fairly remunerated.	Difficult or highly uncertain rate and cost recovery outcomes. Regulators may engage in second-guessing of spending decisions or deny rate increases or cost recovery needed by utilities to fund ongoing operations, or high likelihood of politically motivated interference in the rate/tariff review process. AND/OR Tariff formula may not cover return on investments; only cash operating costs may be remunerated.

Note - Moody's definition of Baa: Obligations rated Baa are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics. Moody's definition of Ba is: Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.

Q. What would be the likely result of a poorly designed rate case decision from a cost of capital perspective?

A. It would become even more challenging for AIC to earn the return on equity granted by the Commission and it would be a far worse signaling event to the investors whose capital is needed to ensure the continued safe and reliable operations of AIC. As previously stated, equity and fixed income investors that evaluate allocating capital to AIC are not at odds with the overall goals of the Commission. The financial and operational characteristics that create a safe, reliable and low-cost electric power provider are largely the same as those that produce cash flow stability, prudent risk management and strong regulatory relationships that investors are attracted to. Given today's uncertain economic outlook and AIC's need to attract capital, supportive regulation is more critical to the financial health and credit quality of AIC than ever.

The likely result would be that ratepayers would be burdened with significantly higher costs each time AIC accesses the capital markets. The reason for this is that investors will be unable to rely on the two most important tenets of utility regulation: fairness and consistency. Fairness and consistency are the foundation of investors' evaluation of regulators. Any criteria used to judge the level of risk and associated capital cost assumes that these core principles exist. From an investor perspective, any investment in a utility that lacks the benefit of regulatory fairness and consistency is a risky investment that requires an additional return. An order in this rate case that does not provide AIC with the timely recovery of prudently incurred expenses and capital without a significant basis in fact supporting the decision would create further negative perceptions of the regulatory climate in Illinois and jeopardize the financial stability of the AIC, thereby causing significant harm to the ratepayers over the long term.

III. CONCLUSION

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.