



Rating Action: Moody's assigns Prime-3 short-term rating for commercial paper to Ameren Illinois

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New York, October 06, 2011 -- Moody's Investors Service assigned a Prime-3 short-term rating for commercial paper to Ameren Illinois Company (Baa3 Issuer Rating, stable outlook), a regulated electric and natural gas transmission and distribution subsidiary of Ameren Corporation (Baa3 senior unsecured, stable outlook). The rating has been assigned in conjunction with the institution of a \$500 million commercial paper program at Ameren Illinois, the company formed last year by the merger of

Ameren's three transmission and distribution utility subsidiaries in Illinois.

RATINGS RATIONALE

The commercial paper program will be supported by a three year \$800 million unsecured bank credit agreement currently in place at Ameren Illinois that expires on September 10, 2013. The credit agreement is shared with the Ameren parent company, whose maximum borrowing amount is \$300 million. The credit agreement includes a financial covenant requiring that Ameren and Ameren Illinois maintain consolidated indebtedness of not more than 65% of consolidated

capitalization. At June 30, 2011, these ratios were 49% and 40% for Ameren and Ameren Illinois, respectively. Ameren is also 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, 2011, Ameren was in compliance with this financial covenant with a ratio of 5.0 to 1.

For the first six months of 2011, neither Ameren nor Ameren Illinois borrowed under the credit agreement and there were no outstandings as of June 30, 2011. Ameren Illinois had \$253 million of cash on hand as of June 30, 2011, down from \$322 million as of December 31, 2011. The company paid off \$150 million of first mortgage bonds that were due in the second quarter of 2011 and has no additional long-term debt due until 2013. In addition to this credit facility, Ameren Illinois also participates in a utility money pool arrangement with the parent company, giving it access to additional funds if needed. Ameren reduced its dividend in 2009, which has reduced system negative free cash flow and external financing requirements on a consolidated basis and has helped maintain overall system liquidity.

Ameren Illinois' Baa3 Issuer Rating reflects a below average regulatory framework in Illinois, particularly following an unsupportive rate case outcome in 2010, financial metrics that are expected to remain adequate for a rating in the mid-Baa rating range, and a large capital spending program for transmission and distribution system improvements. The outcome of the company's pending 2011 rate case will be important to the maintenance of its current credit profile, with a

decision required by the Illinois Commerce Commission by January 2012.

The stable outlook on the ratings of Ameren Illinois reflects Moody's expectation that the outcome of the company's pending rate case will be supportive enough to support metrics at investment grade levels and that political and regulatory risk for the company will not increase. While its unfavorable 2010 rate case outcome has been somewhat mitigated by management actions to reduce costs and capital expenditures, a second adverse rate case outcome could pressure ratings. Maintenance of the stable outlook is contingent on future rate case outcomes that are more supportive of credit quality than the 2010 outcome.

Ratings could be raised if there is an improvement in the regulatory and political framework for Ameren Illinois, if there are future credit supportive rate case outcomes, or if financial metrics improve and are sustained at levels that are strong for the Baa rating category, including CFO preworking capital interest coverage above 4.0x and CFO pre-W/C to debt above 20%.

Ratings could be lowered if future rate cases do not provide sufficient rate relief to maintain financial metrics, or there is political intervention in the Illinois regulatory process, or if rising costs, insufficient rate relief, or other factors put pressure on financial metrics such that CFO-preworking capital interest coverage falls below 3.0x and CFO pre-working capital to debt falls below 15% for an extended period.

The principal methodology used in this rating was Regulated Electric and Gas Utilities published in August 2009. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

Ameren Illinois is a transmission and distribution utility headquartered in Peoria, Illinois and a subsidiary of Ameren Corporation, headquartered in St. Louis, Missouri.

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