Ameren Exhibit 5.0

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 12-_____

DIRECT TESTIMONY

OF

DARRELL E. HUGHES

Submitted On Behalf

Of

AMEREN ILLINOIS COMPANY

d/b/a Ameren Illinois

February 29, 2012

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I. INTRODUCTION AND WITNESS QUALIFICATIONS

Q. Please state your name and business address.

A. Darrell E. Hughes, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

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

A. I am employed by Ameren Services Company ("Ameren Services"). I hold the position of Supervisor Valuation and Cost of Capital – Corporate Finance for Ameren Corporation ("Ameren") and its affiliates, including Ameren Illinois Company ("AIC").

Q. Please summarize your educational background and professional experience.

A. I graduated with a Bachelor of Science degree in electrical engineering from Washington University in St. Louis, Missouri in 1975. Upon graduation, I was employed by Union Electric Company in the engineering services division of the information technology group. I held a variety of positions providing specialized support for transmission and distribution system analysis and design. I was promoted to Staff Assistant, Computer Services in 1982. I subsequently earned a Masters of Business Administration from Webster University in St. Louis, Missouri in 1991. I was promoted to Key Account Executive in 1995. In 2000, I accepted the position of Senior Corporate Development Specialist in Corporate Finance for Ameren Services. I provided financial review and guidance to senior management regarding business initiatives proposed by all Ameren business lines. I completed financial projections and due diligence for Ameren's subsidiaries in the acquisition of new long term debt in 2002. In 2003, I assumed additional responsibilities as Supervisor Valuation and Cost-of-Capital. In this role, I support Ameren's capital budgeting and project evaluation activities.

Q. What are your responsibilities in your current position with Ameren Services?

A. In my current position, I also have additional responsibilities for supporting the development of financial projections provided to the rating agencies, long term cash forecasting, asset valuations and financial due diligence related to proposed new business initiatives and financing activities.

II. PURPOSE AND SCOPE

Q. Are you familiar with the transmission project described in the Petition filed in this proceeding?

A. Yes. I am familiar with the project at issue. AIC is seeking a Certificate of Public Convenience and Necessity ("Certificate") authorizing it to construct a new 345 kilovolt (“kV”) electric line (the “Transmission Line”), in an area southeast of Bloomington, Illinois, connecting the Brokaw and South Bloomington substations. Substation modifications (which, together with the Transmission Line, constitute the “Project”) will also be required.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss the financing required for the Project and to explain why AIC can finance the Project without adverse financial consequences for AIC or its customers. Based on current financial considerations, my analysis indicates that AIC will be able to support all of the financing for the Project during its construction phase without experiencing significant adverse financial consequences for itself or its customers as a result of the financial requirements imposed by construction of the proposed Transmission Line.

Q. In addition to your direct testimony, are you sponsoring any additional exhibits?

A. Yes. I am sponsoring the following:

- Ameren Exhibit 5.1: Moody's October 2011 Credit Opinion
- Ameren Exhibit 5.2: S&P November 2011 Credit Report

III. FINANCING OF THE PROJECT

Q. Please describe the expected cash flow required to finance the Project.

A. The expected cost of the Project (without AFUDC) is between $25.5 million (for the Primary Route) and $27.5 million (Alternate Route), depending on the selected route. The forecasted completion date is 2015. The following alternative construction costs (without AFUDC) are estimated by year:

Year	Primary Route	Alternative Route
Prior	$ 1.0 million	$ 1.0 million
2011	$ 0.5 million	$ 0.4 million
2012	$ 4.0 million	$ 3.2 million
2013	$ 4.6 million	$ 4.6 million
2014	$ 8.7 million	$ 9.3 million
2015	$ 6.7 million	$ 9.0 million

By comparison, AIC's historical level of capital expenditures from 2008 to 2010 has averaged $329 million per year. It is a reasonable expectation that future capital expenditures will be the same order of magnitude and will grow in subsequent years.

Q. Please describe AIC's current financial situation.

A. AIC renewed its short-term credit facilities in September of 2010, which provide direct borrowing capability for up to $800 million, the maximum size of this credit facility. This facility is in place through 2013, and AIC fully expects to renew and/or renegotiate these facilities throughout the construction timeframe of the Project. Further, AIC has ability to draw from an Ameren corporate money pool and Ameren Corporation could provide additional liquidity as needed.

With respect to permanent financings, AIC has access to the bond markets with stable credit ratings that have been recently sustained by Moody's Investor Service on October 5th, 2011 and by S&P on December 12th, 2011. Moody's senior secured rating is Baa1 with a stable outlook. This rating reflects upgrades that were made by Moody's in August of 2009. S&P senior secured rating is BBB with a positive outlook. This rating reflects upgrades that were made by S&P on September of 2008, and an improvement in ratings outlook (from stable to positive) made on November 22, 2011. If these ratings continue, AIC will have the ability to access long term credit markets with terms and conditions that compare favorably with other similarly rated companies.

In summary, the above described resources are more than sufficient to support the financing requirements of the Project as needed.

Q. What is the current outlook for AIC credit ratings?

A. Moody's provides conditions that would change ratings, either up or down, in their October 5th report, included as Ameren Exhibit 5.1. Ratings could go down if future rate cases do not provide sufficient rate relief to maintain financial metrics as well as other conditions described in their opinion, which principally concern availability of liquidity to meet debt obligations on an ongoing basis. To state generally, in my opinion, currently credit ratings agencies rating utilities are concerned with the ability of utilities to recover costs in order to support operations and liquidity necessary to meet operational requirements. I believe that both of these conditions are currently and prospectively favorable from the AIC standpoint. It is noteworthy that Moody's states if there is an improvement in the regulatory and political framework for AIC and evidence of credit supportive rate case outcomes, the ratings could improve. Additionally, Moody's specifically mentions the Illinois regulatory effort to move to formula rate plans as a credit positive event. Since formula rate making was approved for electrical distribution service as part of the passage of SB 1652 on October 26th, 2011, it is reasonable to assume this will positively influence AIC's future credit ratings.

In a similar manner, S&P cites recent passage of the Energy Infrastructure Modernization Act (SB 1652) in their November 22, 2011 report that moved AIC ratings outlook from stable to positive. S&P comments: “We view the Illinois General Assembly’s … enactment of the Energy Infrastructure Modernization Act into law as potentially reducing the regulatory lag and enhancing credit quality over the intermediate period.” The full S&P report is included as Attachment 5.2 to my testimony. Thus both S&P and Moody’s note positive credit trends for AIC.

In summary, AIC’s improving outlook for credit ratings ensures competitive interest costs for long term financings and enhances the ability to renew short term credit facilities. Further, the liquidity perspective is not affected by changes in my review of this project’s prospective financial requirements.

Q. How does the timeframe and magnitude of this Project affect costs of prospective financings and future credit ratings?

A. The expected completion date of this Project is 2015. This Project has only modest construction needs between now and 2013 that should be fully supported by the existing lines of credit. Any interest expense incurred between now and 2013 will be minimal. After 2013, there is increased funding, but it remains a small portion of AIC's total capital expenditures and of the expected borrowing capacity when AIC renews the Illinois credit facilities. With respect to financing costs, AIC will have retained earnings which will supply financing for this Project. As an example, assume 50% of the accumulated construction costs for the alternative project will be financed with equity (in the form of retained earnings) and 50% will be financed with debt. 50% of $27.5 million would mean $13.8 million of debt could accumulate by the time the Project is in service. Assume that the costs of debt would be no greater than 6%. This means a maximum of $0.83 million in annual interest expense would be possible by 2015 when the Project is placed in-service. The $0.83 million can be contrasted to the $143 million of interest expense incurred for AIC in 2010. Thus the interest expense by 2015 (even to fund the more costly alternative route at 6% interest) would be less than 0.6% of 2010's expense, not enough to cause any concern from a financing, ratings, or liquidity standpoint. In addition, the beneficial effect of short term debt rates would decrease the prospective interest costs by the time the project nears completion.

Q. What about any impact on credit ratings after this Project goes in-service?

A. Increased transmission revenue would provide adequate cash flow to fully support the amount of debt and equity. Other costs like depreciation, maintenance and operations would also be recovered via the transmission rates. This revenue would have a beneficial sustaining effect on credit metrics and ratings.

Q. Will AIC be reimbursed by any individual customer or group of customers for its actual or estimated costs for the Project?

A. No. This project is being done for reliability purposes, and not in response to the specific needs of any individual customer or group of customers.

IV. CONCLUSION

Q. What is your conclusion regarding AIC's ability to finance the Project?

A. I conclude that AIC can finance the Project without adverse financial consequences to the utility or its customers.

Q. Does this conclude your testimony?

A. Yes, it does.