DIRECT TESTIMONY

of

ROCHELLE PHIPPS

Finance Department

Financial Analysis Division

Illinois Commerce Commission

Ameren Illinois Company

Tariffs and charges submitted pursuant to

Section 16-108.5 of the Public Utilities Act –

Annual Update Filing

Docket No. 12-0293

July 3, 2012

TABLE OF CONTENTS

SCHEDULES

Witness Identification

Q1. Please state your name and business address.

A1. My name is Rochelle Phipps. My business address is 527 East Capitol Avenue, Springfield, IL 62701.

Q2. What is your current position with the Illinois Commerce Commission ("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 Commission since June 2000.

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

A4. I will present the fair rate of return on rate base for Ameren Illinois Company's ("AIC" or the "Company") electric delivery services, pursuant to the provisions of Section 16-108.5 of the Public Utilities Act ("Act").

Capital Structure

Q5. How did you measure the Company's capital structure for setting rates in accordance with Section 16-108.5 of the Act ("formula rates plan")?

A5. I calculated AIC's average 2011 capital structure, which comprises 53.26% common equity, 45.10% long-term debt and 1.64% preferred stock, as shown on page 2 of Schedule 4.01.

Q6. Why did you measure an average capital structure instead of a December 31, 2011, capital structure?

A6. Average capital structures are less sensitive to manipulation than capital structures measured on a single date. For example, delaying a common dividend payment from the end of a year until the beginning of the next year could significantly increase a utility's end of year common equity ratio, which would reduce its earned rate of return for the purpose of reconciliation as set forth in Section 16-108.5(d) of the Act. Further, an average capital structure would produce a more accurate measure of a company's earned rate of return on common equity for a calendar year, which is required for the purpose of determining customer surcharges or refunds under Section 16-108.5(c)(5).

Q7. How did you calculate the average long-term debt balance?

A7. I calculated the average long-term debt balance in accordance with 83 Illinois Administrative Code 285.4000(b). For example, for the Series BB 6.625% bonds that matured on June 15, 2011, I multiplied each of the amortization of expenses and face amount outstanding by the fraction of days in 2011 those bonds were outstanding (*i.e.*, 166 days outstanding ÷ 365 days).[1] Similarly, the weighted average unamortized debt discount, premium and expense balances are based

[1] *See* Schedule 4.04, page 1 of 4, line 1, columns (E), (J) and (K).

on twelve months of average monthly balances that equal the simple average of the beginning and ending monthly balances.[2] In contrast, for debt issues such as the Series AA bonds, whose face amount outstanding did not change during 2011, the unamortized debt discount (premium) and unamortized debt expense are simple averages of the December 31, 2010 and December 31, 2011 balances.

Q8. Did you make any other adjustments to the Company's proposed long-term debt balance?

A8. Yes. I applied straight-line amortization to the unamortized balances of debt discount, premium and expense and removed the portion of long-term debt that is reflected in the Allowance for Funds used During Construction ("AFUDC") rate.

Q9. Why is it necessary to adjust the average long-term debt balance to remove the portion of long-term debt that is reflected in the AFUDC rate?

Q9. The Commission's formula for calculating AFUDC assumes short-term debt is the first source of funds financing construction work in progress ("CWIP"); however, it is not necessarily the only source. That 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, I

[2] *See* Schedule 4.04, page 1 of 4, line 1, columns (F) and (G).

subtracted $31,291,470, from the long-term debt balance, $1,139,903 from the preferred stock balance and $36,947,968 from the common equity balance.

Q10. How did you calculate those amounts?

A10. The Company had a higher balance of CWIP than short-term debt every month from December 2010 through December 2011. Therefore, the AFUDC formula assumes that CWIP is funded with the long-term sources of capital during those months. After removing the portion of short-term debt that is reflected in the AFUDC calculation,[3] any remaining amount of CWIP accruing AFUDC is allocated to long-term sources of capital based on their proportions to total long-term capital.

The average monthly balance of CWIP accruing AFUDC that the AFUDC formula assigns to long-term capital is $69,379,340, as presented in Schedule 4.02, page 1, Column (H). As shown on Schedule 4.03, long-term debt composes 45.102% of long-term capital. Thus, $31,291,470 of long-term debt financing CWIP (*i.e.*, 45.102% × $69,379,340) is subtracted from the $1,666,460,372 carrying value of long-term debt for an average 2011 long-term debt balance of $1,635,168,903.[4]

Preferred stock composes 1.643% of long-term capital. Thus, $1,139,903 of preferred stock financing CWIP (*i.e.*, 1.643% × $69,379,340) is subtracted from

[3] *See* Schedule 4.02, page 1: column (G) = column (D) – [column (B) – column (E)].

[4] *See* Schedule 4.04, column (H), lines 80-82.

the $60,718,696 net proceeds of preferred stock for an average 2011 preferred stock balance of $59,578,793.[5]

Common equity composes 53.255% long-term capital; thus, $36,947,968 of common equity financing CWIP (*i.e.*, 53.255% × $69,379,340) is subtracted from $1,967,687,467 for an average 2011 common equity balance of $1,930,739,500.[6]

Q11. What is the average balance of long-term debt?

A11. As shown on Schedule 4.04, the Company's average 2011 long-term debt balance is $1,635,168,903.

Q12. What is the average balance of preferred stock?

A12. As shown on Schedule 4.05, the Company's average 2011 preferred stock balance is $59,578,793.

Q13. What is the average common equity balance?

A13. As shown on Schedule 4.06, the Company's average 2011 common equity balance is $1,930,739,500.

Q14. What adjustments did you make to the Company's average common equity balance?

---

[5] *See* Schedule 4.05, column (G), lines 13-15.

[6] Since AIC had no short-term debt during 2011, the 2011 AFUDC rate wholly comprises the costs of long-term debt, preferred stock and common equity, weighted in the same proportions as they compose total capital. Consequently, the AFUDC/CWIP adjustments do not affect the capital structure ratios that will be applied to rate base in 2011. Nevertheless, in Docket No. 12-0001, Staff recommended including the AFUDC-related adjustments to the long-term capital components in the formula rate methodology given that the Company's usage of short-term debt could affect future formula rate measurement periods. *See* ICC Staff Ex. 7.0, p. 6 in Docket No. 12-0001.

A14. I reduced the monthly balances of common equity by the amount of (1) balance sheet purchase accounting adjustments, including goodwill, which are collapsed into ICC Account 114, as identified on page 13 of the Company's ILCC Form 21 annual report; and (2) income statement purchase accounting adjustments, which flowed through retained earnings.[7] Purchase accounting adjustments do not result in a single dollar expenditure on utility plant or service; rather, they represent a revaluation of utility assets and liabilities that were already in place. Such increments to common equity are inconsistent with a rate setting procedure that is based on original cost rather than fair value.

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

A15. Increasing the proportion of common equity in a utility's capital structure reduces financial risk, thereby lowering the cost of each source of capital. However, since common equity is the most costly source of capital, an excessive proportion of common equity unnecessarily raises the overall cost of capital. On the other hand, an inadequate proportion of common equity also unnecessarily raises the cost of capital, since reducing the proportion of common equity in a utility's capital structure increases financial risk, thereby raising the cost of each source of capital. In other words, above a certain common equity ratio, increasing the proportion of common equity increases the overall cost of capital despite reducing the individual component costs; below a certain common equity ratio,

[7] Company response to ICC Staff DR RMP 3.01, Attach 3.

decreasing the proportion of common equity has a smaller effect on the overall cost of capital than the resulting increase in the cost of each source of capital.[8]

Q16. Do rates set in accordance with Section 16-108.5 ("formula rates plan") maintain the risk/return relationship discussed above?

A16. No. The authorized rate of return on common equity under the formula rates plan is a function of only two factors: (1) the average yield on 30-year U.S. Treasury bond yields, plus 580 basis points; and (2) possible performance penalties. Consequently, the authorized rate of return on common equity would not respond to changes in the common equity ratio. That is, Section 16-108.5 severs the inherent link between the rate of return on common equity and the level of financial risk associated with a utility's capital structure. Therefore, absent rigorous Commission oversight of the capital structure, Section 16-108.5 provides an incentive to utilities to increase their respective equity ratios.

Q17. Have credit rating agencies voiced any opinions regarding the effect of the formula rates plan on credit quality?

A17. Yes. They have indicated that the implementation of formula rates will be favorable toward AIC's credit quality, which could result in improved credit ratings. Specifically, Moody's upgraded AIC's credit rating to Baa2 from Baa3, noting the upgrade "reflects strong, stable cash flow coverage metrics and improved clarity on cost recovery following the passage of formula rate plan

[8] Unfortunately, determining the common equity ratio that minimizes cost of capital 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; and (2) the optimal capital structure is a function of dynamic operating risk and investor risk preferences.

legislation in Illinois."[9] Moody's also noted that formula rates plan should result in more timely cost recovery, resilient credit metrics, and better ability to earn returns, while helping to substantially offset lingering concerns about the regulatory framework.[10] In addition S&P states the new law improves regulatory risk and provides a "streamlined process" for rate setting expected to improve the stability of the utilities' cash flows and ultimately reduce regulatory lag.[11]

Q18. Does the capital structure presented by AIC in this proceeding reflect the effects of the application of formula rates?

A18. No. AIC's current capital structure was developed under a traditional regulatory framework. Thus, the capital structure presented was developed under a higher degree of operating risk than would be expected for a utility operating under a formula rate.

Q19. What capital structure does the Company propose for setting rates?

A19. The Company proposes using a December 31, 2011 capital structure comprising 54.85% common equity, 43.50% long-term debt and 1.65% preferred stock, as shown on Schedule 4.01, p. 1.[12]

[9] Moody's Investors Service, "Rating Action: Moody's upgrades Ameren Illinois," June 12, 2012.

[10] Moody's Investors Service, "Rating Action: Moody's upgrades Commonwealth Edison's ratings," March 2, 2012, p. 1; Moody's Investors Service, "Credit Opinion: Commonwealth Edison Company," March 5, 2012, pp. 2-3; Moody's Investors Service, "Rating Action: Moody's Downgrades Ameren Genco to Ba2; Places Ameren Illinois on Review for Possible Upgrade," February 29, 2012, p. 1.

[11] Standard & Poor's, "Ameren Illinois Co.," March 16, 2012, p. 2.

[12] Ameren Ex. 2.0, p. 3.

Q20. Is the Company's average 2011 capital structure appropriate for setting rates?

A20. No. Using this equity ratio could produce a rate of return that would violate Section 9-230 of the Act.[13] AIC's parent company, Ameren Corp. ("Ameren"), had an average 2011 common equity ratio of 51.05%,[14] while the equity ratio of AIC was 53.26% over the same measurement period. As the Appellate Court found, when a larger corporation owns a utility, the corporation is generally not motivated to establish the optimal, lowest-cost capital structure for the utility, but to instead use a capital structure with a greater percentage of equity than is optimal, thereby allowing the parent corporation to realize a greater return. In other words, the capital structure of the regulated utility can be manipulated to include excessive equity to inflate the rate of return.[15]

Q21. What capital structure do you propose for setting rates?

A21. As shown on page 1 of Schedule 4.01, I propose using an imputed capital structure that comprises 51.00% common equity, 1.64% preferred stock and 47.36% long-term debt.

Q22. How did you derive the imputed capital structure for AIC?

---

[13] Section 9-230 of the Act states, "[i]n determining a reasonable rate of return upon which investment for any public utility in any proceeding to establish rates or charges, the Commission shall not include any (1) incremental risk, [or] (2) increased cost of capital…which is the direct or indirect result of the public utility's affiliation with unregulated or non-utility companies." 220 ILCS 5/9-230

[14] Ameren Corporation, Form 10-K for year ending December 31, 2011.

[15] Citizens Utility Board v. Commerce Commission, 276 Ill. App. 3d 730, 744, N.E. 2d 1194, 1205 (1st Dist. 1995).

A22. The imputed capital structure that I used for AIC substitutes Ameren's average 2011 common equity ratio of 51.00% for AIC's average 2011 common equity ratio. I used the actual proportion of preferred stock in the Company's average 2011 capital structure. To calculate AIC's long-term debt ratio, I added my average 2011 preferred stock ratio and the imputed 51.00% common equity ratio (1.64% + 51.00% = 52.64%) and then subtracted that from 100.00% to derive the long-term debt ratio of 47.36% (100.00% - 52.64% = 47.36%).

Q23. How did you evaluate the proposed capital structure for AIC?

A23. As described previously, first I compared AIC's capital structure to that of its parent, Ameren. S&P indicates that AIC's regulated operating risk is lower than that of Ameren, which includes significantly riskier generation operations. Given that AIC has lower operating risk than Ameren, AIC should be able to maintain more financial risk (*i.e.*, have a lower common equity ratio) than Ameren to achieve the same stand-alone credit rating as Ameren. Thus, Ameren's common equity ratio represents an upper bound for AIC's equity ratio. However, AIC's average 2011 common equity ratio of 53.26% is greater than Ameren's 51.05% common equity ratio. Thus, adoption of AIC's average 2011 capital structure violates Section 9-230 of the Act, which precludes the Commission from including in rates or charges any incremental risk or increased cost of capital that is the direct or indirect result of the public utility's affiliation with unregulated or non-utility companies.

Second, I compared AIC's capital structure to those of other electric companies. Moody's categorizes debt securities on the basis of the risk that a company will default on its interest and principal payment obligations. The resulting credit rating reflects both the operating and financial risks of a utility.[16] AIC has a Moody's corporate credit rating of Baa2.[17] Moody's states, "[o]bligations rated Baa are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics."[18] Based on data from the S&P *Utility Compustat* database, the average common equity ratio equals 47.02% for utilities in the electric industry with an S&P credit rating in the BBB range.[19] Staff's proposed common equity ratio of 51.00% indicates a lower degree of financial risk than the average BBB rated electric utility company.

Cost of Short-Term Debt

Q24. What is the cost of the Company's credit facilities?

A24. Using the costs of the September 10, 2010 credit facility that the Commission authorized in Docket No. 11-0282, which were adjusted pursuant to Section 9-230 of the Act,[20] AIC's total annual credit facility commitment fees are $2,815,432. To calculate the weighted cost of credit facility fees that should be added to the Company's cost of capital, I divided the Company's total bank commitment fees by total capitalization, as shown on Schedule 4.02, page 2.

---

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

[17] Moody's Investors Service, "Credit Opinion: Ameren Illinois Company," June 13, 2012. AIC had a Moody's corporate credit rating of Baa3 from August 2009 to June 2012.

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

[19] Standard & Poor's BBB credit rating is equivalent to Moody's Baa credit rating.

[20] Orders, Docket No. 11-0282, January 10, 2012, p. 63.

Thus, I added 8 basis points to the Company's overall cost of capital, as shown on page 1 of Schedule 4.01.

Cost of Long-Term Debt

Q25. What is the Company's embedded cost of long-term debt?

A25. AIC's embedded cost of long-term debt equals 7.49%, as shown on Schedule 4.04.

Cost of Preferred Stock

Q26. What is the Company's embedded cost of preferred stock?

A26. AIC's average embedded cost of preferred stock equals 4.98%, as shown on Schedule 4.05.

Rate of Return on Common Equity

Q27. What is the Company's rate of return on common equity?

A27. AIC's rate of return on common equity is 9.71%, which equals the monthly average 3.91% 30-year U.S. Treasury bond yield, plus 580 basis points, as set forth in Section 16-108.5(c)(3) of the Act.

Rate of Return on Rate Base

Q28. What is the Company's rate of return on rate base?

A28. I recommend an 8.66% rate of return on rate base for AIC's electric delivery services, based on a capital structure comprising 51.00% common equity, 1.64%

preferred stock and 47.36% long-term debt, as shown on page 1 of Schedule 4.01.

Conclusion

Q29. Does this conclude your prepared direct testimony?

A29. Yes, it does.

Ameren Illinois Company

Rate of Return Summary

Staff Proposal

Average 2011

	Capital Component	Weight	Cost	Weighted Cost
1	Short-Term Debt	0.00%	0.00%	0.00%
2	Long-Term Debt	47.36%	7.49%	3.55%
3	Preferred Stock	1.64%	4.98%	0.08%
4	Common Equity	51.00%	9.71%	4.95%
5	Credit Facility Fees			0.08%
6	Total	100.00%		8.66%

Company Proposal

December 31, 2011

	Capital Component	Weight	Cost	Weighted Cost
7	Short-Term Debt	0.00%	0.00%	0.00%
8	Long-Term Debt	43.50%	7.53%	3.27%
9	Preferred Stock	1.65%	4.98%	0.08%
10	Common Equity	54.85%	9.71%	5.33%
11	Credit Facility Fees			0.18%
12	Total	100.00%		8.86%

Ameren Illinois Company

Capital Structure before Section 9-230 Adjustment to Common Equity Ratio

Staff Calculation

Average 2011

	Capital Component	Balance	Weight
1	Short-Term Debt	$ -	0.00%
2	Long-Term Debt	1,635,168,903	45.10%
3	Preferred Stock	59,578,793	1.64%
4	Common Equity	1,930,739,500	53.26%
5	Total	$ 3,625,487,196	100.00%

Company Calculation

December 31, 2011

	Capital Component	Balance	Weight
6	Short-Term Debt	$ -	0.00%
7	Long-Term Debt	1,599,550,344	43.50%
8	Preferred Stock	60,718,696	1.65%
9	Common Equity	2,016,959,906	54.85%
10	Total	$ 3,677,228,946	100.00%

Ameren Illinois Company

Short-Term Debt Balance

Average 2011

End of Month Balances

	Date (A)	Gross Short-Term Debt Outstanding (B)	CWIP (C)	CWIP Accruing AFUDC (D)	Net Short-Term Debt Outstanding (E)	Monthly Average (F)	Remaining CWIP Accruing AFUDC (G)	Monthly Average (H)
1	Dec-10	$ -	$ 42,842,436	$ 43,871,843	$ -		$ 43,871,843	
2	Jan-11	-	44,111,413	36,643,299	-	$ -	36,643,299	$ 40,257,571
3	Feb-11	-	43,816,667	37,298,758	-	-	37,298,758	36,971,029
4	Mar-11	-	68,696,632	45,480,943	-	-	45,480,943	41,389,851
5	Apr-11	-	74,196,825	61,131,702	-	-	61,131,702	53,306,323
6	May-11	-	79,255,004	64,604,750	-	-	64,604,750	62,868,226
7	Jun-11	-	80,440,040	68,410,586	-	-	68,410,586	66,507,668
8	Jul-11	-	85,683,803	73,690,500	-	-	73,690,500	71,050,543
9	Aug-11	-	94,127,010	80,882,558	-	-	80,882,558	77,286,529
10	Sep-11	-	106,173,053	89,378,288	-	-	89,378,288	85,130,423
11	Oct-11	-	102,895,154	94,494,153	-	-	94,494,153	91,936,221
12	Nov-11	-	117,077,486	102,552,261	-	-	102,552,261	98,523,207
13	Dec-11	-	82,707,996	112,096,721	-	-	112,096,721	107,324,491
14	Average					$ -		$ 69,379,340

15 Notes:

Column (E) = the greater of [Column (B) - Column (D)] or [Column (B) - Column (B) / Column (C) × Column (D)]

Column (G) - Column (D) - [Column (B) - Column (E)]

Ameren Illinois Company

Cost to Maintain Credit Facilities

	Description (A)		Total AIC Amount (B)
1	*Credit Facility - Entered into September 2010*		
2	Annual amortization of upfront fees	$	549,807
3	Facility commitment fees		2,265,625
4	Line of credit drawn fees		-
5	Total	$	2,815,432
6	Total capital (see Schedule 4.01, page 2, line 5)	$	3,625,487,196
7	Credit facility cost of capital (Line 5 / Line 6)		0.08%

Ameren Illinois Company
Remaining CWIP Accruing AFUDC Adjustment Calculation
Average 2011

Unadjusted Capital Structure

		Balance	Weight
1	Short-Term Debt	$ -	0.000%
2	Long-Term Debt	1,666,460,372	45.102%
3	Preferred Stock	60,718,696	1.643%
4	Common Equity	1,967,687,467	53.255%
5	Total	$ 3,694,866,535	100.000%

Capital Structure without Short-Term Debt

		Balance	Weight
6	Long-Term Debt	$ 1,666,460,372	45.102%
7	Preferred Stock	60,718,696	1.643%
8	Common Equity	1,967,687,467	53.255%
9	Total	$ 3,694,866,535	100.000%

Remaining CWIP Accruing AFUDC Adjustment to Long-Term Capital Components

10	Remaining CWIP Accruing AFUDC : (per Schedule 4.02, p. 1, column (H))	$ 69,379,340

		Weight	Reduction to Long-Term Capital Components
11	Long-Term Debt	45.102%	$ 31,291,470
12	Preferred Stock	1.643%	1,139,903
13	Common Equity	53.255%	36,947,968
14	Total	100.000%	$ 69,379,340

Ameren Illinois Company

Embedded Cost of Long-Term Debt

Average 2011

	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												
	CIPS												
1	6.625%	Series BB	06/13/01	06/15/11	150,000,000	68,219,178	14,773	4,851	68,199,554	4,519,521	63,972	20,916	4,604,409
2	6.125%	Series AA	12/15/98	12/15/28	60,000,000	60,000,000	235,772	335,264	59,428,963	3,675,000	13,496	19,191	3,707,687
3	6.700%	Series CC	06/14/06	06/15/36	61,500,000	61,500,000	282,294	512,690	60,705,016	4,120,500	11,304	20,529	4,152,332
	CILCO												
4	6.200%	Sen. Sec. Note	06/14/06	06/15/16	54,000,000	54,000,000	95,211	293,726	53,611,063	3,348,000	19,195	59,216	3,426,410
5	6.700%	Sen. Sec. Note	06/14/06	06/15/36	42,000,000	42,000,000	192,596	482,390	41,325,014	2,814,000	7,712	19,316	2,841,028
6	6.760%	Series CC	12/09/08	12/15/13	150,000,000	150,000,000	2,244	644,734	149,353,022	10,140,000	913	262,204	10,403,116
	IP												
7	6.250%	Sen. Sec. Note	06/14/06	06/15/16	75,000,000	75,000,000	71,528	525,038	74,403,434	4,687,500	14,420	105,849	4,807,769
8	6.125%	Sen. Sec. Note	11/20/07	11/15/17	250,000,000	250,000,000	176,333	1,602,387	248,221,280	15,312,500	27,641	251,179	15,591,320
9	6.250%	Sen. Sec. Note	04/08/08	04/01/18	337,000,000	337,000,000	529,928	1,658,151	334,811,921	21,062,500	78,452	245,478	21,386,430
10	9.750%	Sen. Sec. Note	10/23/08	11/15/18	350,000,000	350,000,000	4,063,080	2,549,906	343,387,014	34,125,000	550,594	345,541	35,021,135
11	7.490%	Sen. Sec. Note	10/23/08	11/15/18	50,000,000	50,000,000	-	-	50,000,000	3,745,000	-	-	3,745,000
	Pollution Control Bonds												
	CIPS												
14	5.500%	Series 2000A	03/09/00	03/01/14	51,100,000	51,100,000	-	187,013	50,912,987	2,810,500	-	70,118	2,880,618
15	5.950%	Series C1	08/15/93	08/15/26	35,000,000	35,000,000	-	474,451	34,525,549	2,082,500	-	31,352	2,113,852
16	5.700%	Series C2	08/15/93	08/15/26	25,000,000	7,500,000	-	43,677	7,456,323	427,500	-	2,886	430,386
	CILCO												
17	6.200%	PCB Series G	08/01/92	11/01/12	1,000,000	1,000,000	384	5,189	994,426	62,000	287	3,877	66,165
18	5.900%	PCB Series H	08/01/93	08/01/23	32,000,000	32,000,000	-	161,389	31,838,611	1,888,000	-	13,347	1,901,347
	IP												
19	5.700%	PCB Series 1994 A	02/01/94	02/01/24	35,615,000	35,615,000	2,799,345	767,713	32,047,942	2,030,055	222,243	60,950	2,313,247
20	5.400%	PCB Series 1998 A	03/06/98	03/01/28	18,700,000	18,700,000	-	325,006	18,374,994	1,009,800	-	19,487	1,029,287
21	5.400%	PCB Series 1998 B	03/06/98	03/01/28	33,755,000	33,755,000	-	328,407	33,426,593	1,822,770	-	19,691	1,842,461
22		Total Mortgage and Pollution Control Bonds			$ 1,811,670,000	$ 1,712,389,178	$ 8,463,487	$ 10,901,983	$ 1,693,023,708	$ 119,682,646	$ 1,010,227	$ 1,571,127	$ 122,263,999

Ameren Illinois Company

Embedded Cost of Long-Term Debt
Average 2011

	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:												
23	Variable	2004 Series	4/17/08	7/1/25	$ -	$ -	$ -	$ 754,674	$ (754,674)	$ -	$ -	$ 53,868	$ 53,868
24	13.625%	FMB Series U	3/31/86	1/1/16	-	-	-	263,058	(263,058)	-	-	58,386	58,386
25	9.000%	FMB Series D	3/31/90	2/1/14	-	-	-	55,040	(55,040)	-	-	21,248	21,248
26	Variable	FMB Series A	3/31/90	4/1/13	-	-	-	13,636	(13,636)	-	-	7,783	7,783
27	9.125%	FMB Series T	5/31/92	5/1/22	-	-	-	678,893	(678,893)	-	-	62,630	62,630
28	8.500%	FMB Series W	12/15/98	4/1/21	-	-	-	1,019,963	(1,019,963)	-	-	104,531	104,531
29	6.375%	PCB Series B	1/1/93	5/1/28	-	-	-	214,342	(214,342)	-	-	12,724	12,724
30	6.750%	PCB Series C	6/1/93	6/1/28	-	-	-	94,441	(94,441)	-	-	5,578	5,578
31	5.850%	PCB Series A	8/1/93	8/1/26	-	-	-	74,427	(74,427)	-	-	4,931	4,931
32	6.375%	PCB Series 1993A	12/22/04	6/1/25	-	-	-	323,006	(323,006)	-	-	23,192	23,192
33	5.900%	PCB Series B-2	12/20/04	5/1/28	-	-	-	297,562	(297,562)	-	-	17,664	17,664
34	5.700%	PCB Series C-2	12/20/04	8/1/26	-	-	-	224,554	(224,554)	-	-	14,877	14,877
35	7.610%	Series 97-2	10/15/10	6/1/17	-	-	-	653,600	(653,600)	-	-	110,370	110,370
	Central Illinois Light Company Legacy Reacquired Debt:												
36	Variable	PCB Series 2004	4/17/08	10/1/39	-	-	-	334,258	(334,258)	-	-	11,824	11,824
37	Variable	PCB Series 2004	4/17/08	10/1/26	-	-	-	97,724	(97,724)	-	-	6,403	6,403
38	7.730%	FMB	7/17/06	6/1/16	-	-	-	257,868	(257,868)	-	-	52,392	52,392
39	7.730%	FMB	7/17/06	6/1/36	-	-	-	332,983	(332,983)	-	-	13,354	13,354
40	9.625%	FMB	2/20/92	1/1/22	-	-	-	283,135	(283,135)	-	-	26,937	26,937
41	9.250%	FMB	3/2/92	1/1/22	-	-	-	273,937	(273,937)	-	-	26,062	26,062
42	9.250%	FMB	2/20/92	1/1/22	-	-	-	185,103	(185,103)	-	-	17,610	17,610
43	11.375%	PCB Series C	9/1/92	2/1/18	-	-	-	131,786	(131,786)	-	-	19,988	19,988
44	10.800%	PCB Series D	11/2/92	11/1/12	-	-	-	3,508	(3,508)	-	-	2,621	2,621
45	6.125%	PCB Series B	9/12/93	8/1/23	-	-	-	47,996	(47,996)	-	-	3,969	3,969
46	6.200%	PCB Series A	10/1/93	8/1/23	-	-	-	41,471	(41,471)	-	-	3,430	3,430
47	8.200%	FMB	4/30/03	1/1/22	-	-	-	1,467,283	(1,467,283)	-	-	139,596	139,596
48	7.800%	FMB	4/30/03	2/1/23	-	-	-	270,692	(270,692)	-	-	23,344	23,344
49	6.500%	PCB Series E	12/22/04	10/1/39	-	-	-	238,659	(238,659)	-	-	8,442	8,442
50	6.500%	PCB Series F	12/22/04	10/1/26	-	-	-	25,987	(25,987)	-	-	1,703	1,703

Ameren Illinois Company

Embedded Cost of Long-Term Debt
Average 2011

						Unamortized Debt			Coupon	Amortization of Debt		Annual
	Debt Issue Type, Coupon Rate (A)	Date Issued (B)	Maturity Date (C)	Principal Amount (D)	Face Amount Outstanding (E)	Discount or (Premium) (F)	Expense (G)	Carrying Value (H)	Interest Expense (I)	Discount or (Premium) (J)	Expense (K)	Interest Expense (L)
	Illinois Power Company Legacy Reacquired Debt:											
51	Refunded by 6.25% Senior Secured Notes											
52	Series 1997 A,B,C	5/28/08	3/1/18		-	-	1,980,024	(1,980,024)	-	-	296,861	296,861
53	Series 2001 Non-AMT	5/20/08	3/1/18		-	-	1,907,023	(1,907,023)	-	-	285,916	285,916
54	Series 2001 AMT	5/20/08	3/1/18		-	-	772,667	(772,667)	-	-	115,844	115,844
	Refunded by 5.4% PCB Series A											
55	6.000% PCB B due 5/2007	3/6/98	3/1/28		-	-	106,242	(106,242)	-	-	6,370	6,370
	Refunded by 5.4% PCB Series B											
56	8.300% PCB I due 4/2017	3/6/98	3/1/28		-	-	191,775	(191,775)	-	-	11,499	11,499
	Refunded by variable rate Series P,Q & R PCB due 4/2032											
57	7.625% PCB F,G & H due 201	6/2/97	4/1/32		-	-	1,436,258	(1,436,258)	-	-	69,165	69,165
	Refunded by 9.875% MB due 7/1/2016											
58	9.875% MB due 2004	7/1/86	7/1/16		-	-	67	(67)	-	-	13	13
59	12.625% MB due 2010	8/4/86	7/1/16		-	-	29,289	(29,289)	-	-	5,853	5,853
60	9.875% MB due 2016	11/25/90	7/1/16		-	-	520	(520)	-	-	104	104
61	9.875% MB due 2016	11/26/90	7/1/16		-	-	3,309	(3,309)	-	-	661	661
	Refunded by 9.375% Series MB due 9/1/2016											
62	14.500% IPF Deb due 1989	9/8/86	9/1/16		-	-	42,570	(42,570)	-	-	8,228	8,228
63	12.000% MB due 2012	9/12/86	9/1/16		-	-	668,621	(668,621)	-	-	129,228	129,228
64	14.500% MB due 1990	9/12/86	9/1/16		-	-	371,380	(371,380)	-	-	71,778	71,778
	Refunded by Series I PCB due 4/1/2017											
65	8.300% PCB E due 3/1/2015	7/29/87	4/1/17		-	-	459,295	(459,295)	-	-	79,811	79,811
66	12.000% MB due 11/15/2012	1/4/88	11/15/12		-	-	13,667	(13,667)	-	-	9,927	9,927
	Refunded by $200 million 7.5% NMB due 7/15/2025											
67	8.250% MB due 2007	8/16/93	7/1/25		-	-	28,461	(28,461)	-	-	2,032	2,032
68	10.000% MB due 1998	8/16/93	7/1/25		-	-	114,865	(114,865)	-	-	8,199	8,199
69	7.500% MB due 2025	4/1/96	7/1/25		-	-	(185,980)	185,980	-	-	(13,275)	(13,275)
	Refunded by $111,770,000 Variable PCB Series A,B & C due 11/1/2028											
70	10.750% PCB C due 2013	12/15/93	11/1/28		-	-	1,284,017	(1,284,017)	-	-	74,010	74,010

Ameren Illinois Company
Embedded Cost of Long-Term Debt
Average 2011

Line	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											
71	9.375% MB due 2016	3/22/93	2/1/23		-	-	1,558,229	(1,558,229)	-	-	134,378	134,378
72	8.875% MB due 2008	3/22/93	2/1/23		-	-	785,623	(785,623)	-	-	67,750	67,750
	Refunded by $35,615,000 5.7% FMB due 2/1/2024											
73	11.625% FMB due 2014	5/1/94	2/1/24		-	-	318,924	(318,924)	-	-	25,320	25,320
	Refunded by $84,150,000 7.4% FMB due 12/1/2024											
74	10.750% FMB due 2015	3/1/95	12/1/24		-	-	540,817	(540,817)	-	-	40,273	40,273
	Refunded by $111,770,000 Variable PCB Series Non-AMT 2001 due 11/1/2028											
75	Variable FMB due 2028	5/1/01	11/1/28		-	-	887,975	(887,975)	-	-	51,182	51,182
	Refunded by $75 million Variable PCB Series due 3/1/2017											
76	Variable PCB due 2017	5/1/01	3/1/17		-	-	196,053	(196,053)	-	-	34,578	34,578
77	IP Capital MIPS	5/30/00	12/1/43		-	-	2,136,411	(2,136,411)	-	-	65,858	65,858
78	IP Financing I TOPRS	9/30/01	1/1/45		-	-	2,255,649	(2,255,649)	-	-	67,278	67,278
79	Total Net (Gain)/Loss on Reacquired Debt			$ -	$ -	$ -	$ 26,563,335	$ (26,563,335)	$ -	$ -	$ 2,504,297	$ 2,504,297
80	Total Long-Term Debt			$ 1,811,670,000	$ 1,712,389,178	$ 8,463,487	$ 37,465,318	$ 1,666,460,372	$ 119,682,646	$ 1,010,227	$ 4,075,424	$ 124,768,297

81 Less: Remaining CWIP Accruing AFUDC (See Schedule 4.03, line 11) $ 31,291,470

82 **Average Adjusted Long-Term Debt Balance $ 1,635,168,903**

83 **Average Embedded Cost of Long-Term Debt = 7.49%**

84 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 2011

	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)
1	$ 5.160 Series, Perpetual, $100 par	1-Nov-59	50,000	5,000,000	$ 9,709	$ 34,665	4,975,044	258,000
2	$ 4.920 Series, Perpetual, $100 par	1-Oct-52	49,289	4,928,900	123,223	116,416	4,935,707	242,502
3	$ 4.900 Series, Perpetual, $100 par	1-Nov-62	73,825	7,382,500			7,382,500	361,743
4	$ 4.250 Series, Perpetual, $100 par	1-May-54	50,000	5,000,000			5,000,000	212,500
5	$ 4.000 Series, Perpetual, $100 par	1-Nov-46	144,275	14,427,500		493,719	13,933,781	577,100
6	$ 6.625 Series, Perpetual, $100 par	1-Oct-93	124,274	12,427,375		490,787	11,936,588	823,314
7	$ 4.080 Series, Perpetual, $100 par	24-Apr-50	45,224	4,522,400	89,734		4,612,134	184,514
8	$ 4.260 Series, Perpetual, $100 par	1-Nov-50	16,621	1,662,100	3,317		1,665,417	70,805
9	$ 4.700 Series, Perpetual, $100 par	10-Mar-52	18,429	1,842,900			1,842,900	86,616
10	$ 4.420 Series, Perpetual, $100 par	11-Feb-53	16,190	1,619,000			1,619,000	71,560
11	$ 4.200 Series, Perpetual, $100 par	23-Sep-54	23,655	2,365,500			2,365,500	99,351
12	$ 7.750 Series, Perpetual, $100 par	21-Jun-94	4,542	454,200	(4,075)		450,125	35,201
13			$ 616,324	$ 61,632,375	$ 221,908	$ 1,135,587	$ 60,718,696	$ 3,023,205
14		Less: Remaining CWIP Accruing AFUDC (See Schedule 4.03, line 12)					$ 1,139,903	
15		**Average Adjusted Preferred Stock Balance =**					**$ 59,578,793**	
16		**Average Embedded Cost of Preferred Stock =**					**4.98%**	

17 Notes:

Column (G) = Columns (D) + (E) - (F)
Embedded Cost of Preferred Stock = Column (H) / Column (G)

Ameren Illinois Company

Common Equity Balance
Average 2011

End of Month Balances

	Date	Common Equity	Purchase Accounting Adjusments, including Goodwill	Investment in Subsidiary Companies	Adjusted Common Equity	Monthly Average
	(A)	(B)	(C)	(D)	(E)	(F)
1	Dec-10	$ 2,493,731,357	$ 451,758,260	$ -	$ 2,041,973,097	
2	Jan-11	2,507,371,322	451,758,260	-	2,055,613,062	$ 2,048,793,080
3	Feb-11	2,449,463,829	451,758,260	-	1,997,705,569	2,026,659,316
4	Mar-11	2,463,800,670	451,758,260	-	2,012,042,410	2,004,873,990
5	Apr-11	2,378,979,280	451,758,260	-	1,927,221,020	1,969,631,715
6	May-11	2,387,294,294	451,758,260	-	1,935,536,034	1,931,378,527
7	Jun-11	2,413,672,716	451,758,260	-	1,961,914,456	1,948,725,245
8	Jul-11	2,458,557,213	451,758,260	-	2,006,798,953	1,984,356,705
9	Aug-11	2,404,142,113	451,758,260	-	1,952,383,853	1,979,591,403
10	Sep-11	2,423,457,952	451,758,260	-	1,971,699,692	1,962,041,773
11	Oct-11	2,345,005,835	451,758,260	-	1,893,247,575	1,932,473,634
12	Nov-11	2,369,929,614	451,758,260	-	1,918,171,354	1,905,709,465
13	Dec-11	2,373,633,993	455,775,831	-	1,917,858,162	1,918,014,758
14					Average Common Equity Balance	$ 1,967,687,467
15					Less: Remaining CWIP Accruing AFUDC (See Schedule 4.03, line 13)	$ 36,947,968
16					**Average Adjusted Common Equity Balance**	**$ 1,930,739,500**