Ameren Illinois Company

Subsidiary of Ameren Corp.

Full Rating Report

Ratings

Long-Term IDR	BBB
Short-Term IDR	F2
Commercial Paper	F2
Secured Debt	A–
Senior Unsecured Debt	BBB+
Preferred Stock	BBB–

IDR – Issuer Default Rating.

Rating Outlook

Long-Term IDR	Stable

Financial Data

Ameren Illinois Company

($ Mil.)	12/31/13	12/31/12
Revenue	2,311	2,525
Gross Margin	1,483	1,412
Operating EBITDA	658	598
Net Income	160	141
CFO	651	519
Total Adjusted Debt	1,949	1,788
Total Capitalization	4,360	4,152
Capex/Depreciation (x)	2.8	2.0

Related Research

2014 Outlook: Utilities, Power, and Gas (Electricity Sales Unplugged) (December 2013)

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Key Rating Drivers

Increased Regulatory Predictability: The implementation in May 2013 of new Illinois legislation (S.B. 9) provides greater regulatory predictability and improves Ameren Illinois Co.'s (AIC) credit profile, in Fitch Ratings' view. S.B. 9 clarified certain formula rate plan (FRP)-related provisions that had been the subject of material disagreement in previous proceedings. The FRP, applicable to the electric business, recognizes forward-looking rate base additions and includes an annual true-up mechanism minimizing, albeit not eliminating, regulatory lag.

Solid Financial Performance: Fitch forecasts the ratios of adjusted debt/EBITDAR, FFO lease-adjusted leverage, and FFO fixed-charge coverage to average 3.1x, 3.4x, and 4.5x, respectively, over 2014–2016. Fitch's projections assume AIC receives timely recovery of planned capital investments in the context of its FRP proceedings. Adjusted debt/EBITDAR, FFO lease-adjusted leverage, and FFO fixed-charge coverage were 2.9x, 2.9x, and 3.9x, respectively, for the fiscal year ended Dec. 31, 2013.

Rising Capex: Capex is projected to total approximately $3.5 billion over 2014–2018, significantly higher than historical norms. Capital spending is primarily driven by the Illinois Energy Infrastructure Modernization Act (IEIMA), under which AIC plans to spend an incremental $640 million of capital investments in its electric business over 10 years. Projected capex also includes approximately $850 million of transmission investments planned over 2014–2018, which should enjoy credit-supportive Federal Energy Regulatory Commission (FERC) regulatory treatment.

Ample Liquidity: AIC has ample liquidity, with a total of $800 million of credit capacity under a $1.1 billion bank credit facility that expires in November 2017. AIC shares the credit facility with its parent, Ameren Corp. (AEE), which has a sub-borrowing limit of $300 million. There were no borrowings outstanding under the facility at Dec. 31, 2013. AIC had $1 million of cash and cash equivalents. Long-term debt maturities are considered manageable, with $129 million due in 2016 and $250 million due in 2017.

Rating Outlook: The Stable Rating Outlook is supported by expectations that AIC is able to timely and adequately recover projected large capex via balanced FRP regulatory decisions.

Rating Sensitivities

Positive Rating Action: Adjusted debt/EBITDAR below 3.5x and FFO lease-adjusted leverage below 4x on a sustained basis could lead to positive rating actions.

Negative Rating Action: The inability to timely recover a sizeable $2.27 billion of capex over the forecast period via FRP and FERC proceedings could pressure the ratings.

Financial Overview

Liquidity and Debt Structure

AIC has $800 million of credit capacity under a $1.1 billion bank credit facility that expires in November 2017. AIC shares the credit facility with its parent, AEE, which has a sub-borrowing limit of $300 million. There were no borrowings outstanding under the facility at Dec. 31, 2013. AIC had $1 million of cash and cash equivalents. The bank credit facility includes a financial covenant that state the debt-to-capitalization ratio should be no greater than 65%. AIC's debt-to-capitalization ratio was 45% at Dec. 31, 2013, well in line with the covenant. Further supporting AIC's short-term funding requirements is the availability of an intercompany money pool. AIC did not have any borrowings outstanding under the money pool at Dec. 31, 2013. Under the money pool arrangement, AEE only participates as a lender.

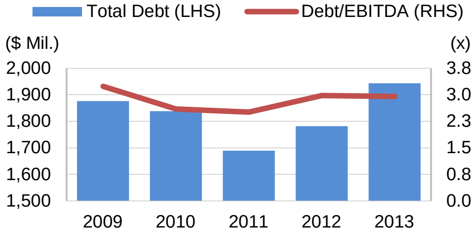
Debt Maturities and Liquidity

($ Mil., As of Dec. 31, 2013)

Debt Maturities	
2014	0
2015	0
2016	129
2017	250
Cash and Cash Equivalents	1
Undrawn Committed Facilities	1,100

Source: Fitch Ratings.

Total Debt and Leverage

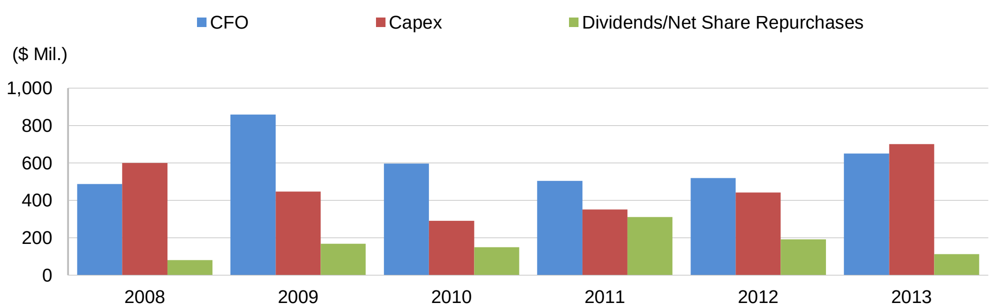


Source: Fitch Ratings.

Cash Flow Analysis

AIC plans to spend a total of approximately $3.5 billion on capital investments over 2014–2018. Comparatively, AIC spent approximately $2.23 billion over 2009–2013. Projected capex is primarily driven by IEIMA, under which AIC plans to spend an incremental $640 million in its electric business over 10 years. Fitch forecasts AIC to be FCF negative during the period of elevated capex. However, AIC has ample liquidity and should continue to enjoy ample access to the debt capital markets to meet financing requirements, in Fitch's view. Fitch has not modeled any parent equity support over the forecast period.

CFO and Cash Use



Source: Company data, Fitch Ratings.

Related Criteria

Rating U.S. Utilities, Power and Gas Companies (Sector Credit Factors) (March 2014)

Peer and Sector Analysis

Peer Group

Issuer	Country
BBB	
Atlantic City Electric Company	U.S.
Commonwealth Edison Co.	U.S.
PPL Electric Utilities Corporation	U.S.
Potomac Edison Co.	U.S.

Source: Fitch Ratings.

Issuer Rating History

Date	LT IDR (FC)	Outlook/ Watch
March 14, 2014	BBB	Stable
March 15, 2013	BBB–	Stable
Jan. 28, 2013	BBB–	Stable
Jan. 27, 2012	BBB–	Positive
May 23, 2011	BBB–	Stable
May 20, 2010	BBB–	Stable
Oct. 16, 2008	BBB–	Stable
Aug. 1, 2007	BB+	RWP
April 2, 2007	BB+	RWN
Oct. 10, 2006	BBB+	RWN
May 17, 2006	BBB+	Negative
Dec. 6, 2005	BBB+	Stable
May 29, 2003	A–	Stable
Nov. 28, 2001	A–	Stable
Oct. 10, 2000	A	Stable
March 24, 1998	AA–	Stable

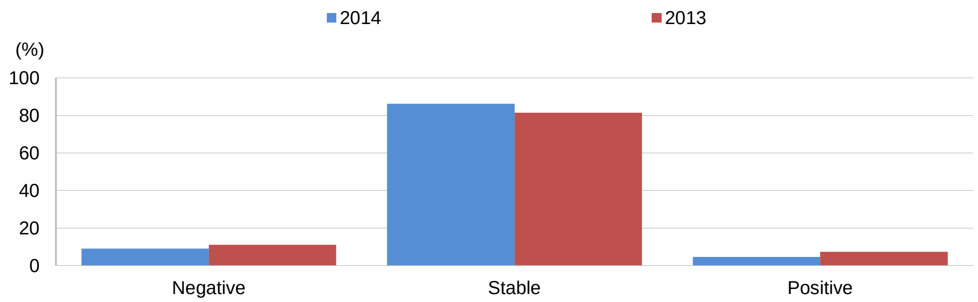
LT IDR – Long-term Issuer Default Rating.
FC – Foreign currency.
RWP – Rating Watch Positive.
RWN – Rating Watch Negative.
Source: Fitch Ratings.

Peer Group Analysis

	Ameren Illinois Company	Atlantic City Electric Company	Commonwealth Edison Co.	PPL Electric Utilities Corporation
LTM as of	12/31/13	9/30/13	12/31/13	9/30/13
Long-Term IDR	BBB	BBB	BBB	BBB
Outlook	Stable	Stable	Stable	Stable
Financial Statistics ($ Mil.)				
EBITDA	658	198	1,623	572
Total Adjusted Debt	1,943	977	5,962	2,315
Funds Flow from Operations	496	123	1,236	516
Capex	(701)	(274)	(1,433)	(905)
Credit Metrics (x)				
FFO Adjusted Leverage	2.9	7.9	3.9	4.5
Debt/EBITDAR	2.9	3.7	3.7	4.1
FFO Fixed Charge Coverage	3.9	3.2	2.6	5.9
Capex/Depreciation (%)	288.5	294.6	214.2	523.1

IDR – Issuer Default Rating.
Source: Fitch Ratings.

Sector Outlook Distribution



Source: Company data, Fitch Ratings.

Key Rating Issues

Illinois Regulatory Predictability

The Illinois legislation (S.B. 9) implemented in May 2013 clarified certain FRP-related provisions that had been the subject of material disagreement in previous proceedings. S.B. 9 provides increased regulatory predictability and is more supportive of AIC's credit quality, in Fitch's opinion. The FRP, implemented in October 2011, recognizes forward-looking rate base additions and includes a true-up mechanism minimizing, albeit not eliminating, regulatory lag. Fitch viewed the first two FRP rate decisions that resulted in $53 million of total rate reduction as less than favorable, suggesting Illinois regulation continued to be challenging. The new legislation requires the Illinois Commerce Commission (ICC) to use a year-end rate base and capital structure in all FRP proceedings. The ICC relied on an average rate base and capital structure in previous FRP decisions, which essentially lowered the revenue requirement.

Rising Capex

Capex is projected to total approximately $3.5 billion over 2014–2018. The elevated capital spending is primarily driven by IEIMA, under which AIC plans to spend an incremental $640 million of capital investments in its electric business over 10 years, including $265 million on distribution infrastructure upgrades and $375 million on smart grid- and smart meter-related projects. FRP legislation provides for recovery through annual filings. AIC also plans to spend incremental amounts in its gas business. Fitch expects AIC to recover gas investments via an infrastructure rider. Projected capex also includes approximately $850 million of transmission investments planned over the next five years, which should enjoy credit supportive FERC regulatory treatment.

Organizational Structure — Ameren Corp.

($ Mil., As of Dec. 31, 3013)

Ameren Corp.
IDR — BBB+

8.875% Sr. Unsecured Notes due 2014	425
Consolidated Adjusted EBITDA	1,890

Ameren Illinois Co.
IDR — BBB

Adjusted EBITDA	658
6.200% Sr. Secured Notes due 2016	54
6.250% Sr. Secured Notes due 2016	75
6.125% Sr. Secured Notes due 2017	250
6.250% Sr. Secured Notes due 2018	144
9.750% Sr. Secured Notes due 2018	313
2.700% Sr. Secured Notes due 2022	400
6.125% Sr. Secured Notes due 2028	60
6.700% Sr. Secured Notes due 2036	61
6.700% Sr. Secured Notes due 2036	42
4.800% Sr. Secured Notes due 2043	280
5.900% Pollution Control Revenue Bonds due 2023	32
5.700% Pollution Control Revenue Bonds due 2024	36
5.950% Pollution Control Revenue Bonds due 2026	35
5.700% Pollution Control Revenue Bonds due 2026	8
Pollution Control Revenue Bonds due 2028	17
5.400% Pollution Control Revenue Bonds due 2028	19
5.400% Pollution Control Revenue Bonds due 2028	33

Union Electric
IDR — BBB+

Adjusted EBITDA	1,257
5.500% Sr. Secured Notes due 2014	104
4.750% Sr. Secured Notes due 2015	114
5.400% Sr. Secured Notes due 2016	260
6.400% Sr. Secured Notes due 2017	425
6.000% Sr. Secured Notes due 2018	179
5.100% Sr. Secured Notes due 2018	199
6.700% Sr. Secured Notes due 2019	329
5.100% Sr. Secured Notes due 2019	244
5.000% Sr. Secured Notes due 2020	85
5.500% Sr. Secured Notes due 2034	184
5.300% Sr. Secured Notes due 2037	300
8.450% Sr. Secured Notes due 2039	350
3.900% Sr. Secured Notes due 2042	485
Pollution Control Revenue Bonds due 2022	47
5.450% Pollution Control Revenue Bonds due 2028	[a]
Pollution Control Revenue Bonds due 2033	60
Pollution Control Revenue Bonds due 2033	50
Pollution Control Revenue Bonds due 2033	50
City of Bowling Green Capital Lease	59
Audrain County Capital Lease	240

Other Subsidiaries

Ameren Transmission Co. of Illinois	NR
Ameren Services Company	NR

[a]Less than $1 million outstanding. IDR – Issuer Default Rating. NR – Not rated.
Source: Company filings, Bloomberg, Fitch Ratings.

Definitions

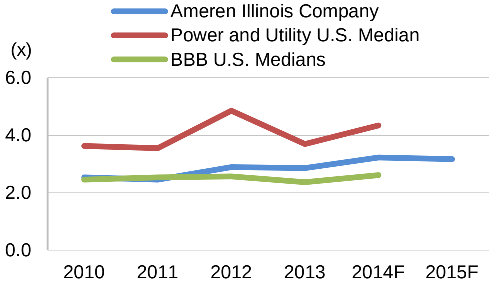
- Leverage: Gross debt plus lease adjustment minus equity credit for hybrid instruments plus preferred stock divided by FFO plus gross interest paid plus preferred dividends plus rental expense.
- Interest Cover: FFO plus gross interest paid plus preferred dividends divided by gross interest paid plus preferred dividends.
- FCF/Revenue: FCF after dividends divided by revenue.
- FFO/Debt: FFO divided by gross debt plus lease adjustment minus equity credit for hybrid instruments plus preferred stock.

Fitch's expectations are based on the agency's internally produced, conservative rating case forecasts. They do not represent the forecasts of rated issuers individually or in aggregate. Key Fitch forecasts assumptions include:

- Electric retail rates reset annually via FRP proceedings.
- Earned returns on equity in the 9.0%–9.5% range.
- $32 million gas rate increase effective in 2014.
- Capex amounting to approximately $2.28 billion over 2014–2016.

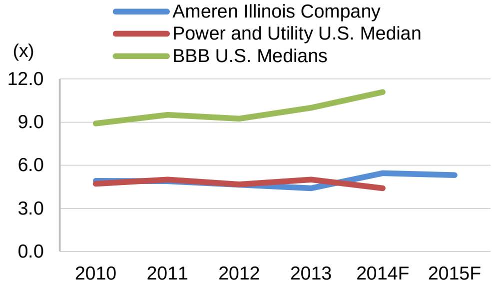
Key Metrics

Leverage: Total Adjusted Debt/ Operating EBITDAR



F – Forecast.
Source: Company data, Fitch Ratings.

Interest Coverage: Operating EBITDA/Gross Interest Expense



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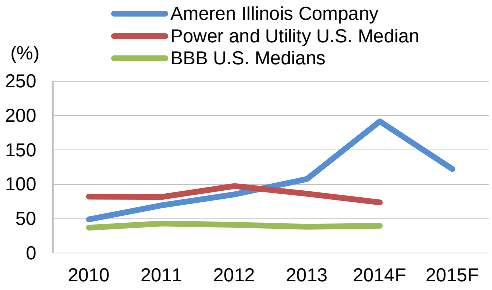
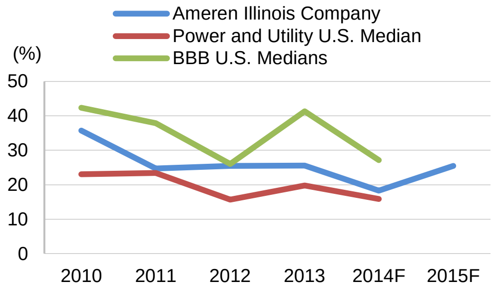
Source: Company data, Fitch Ratings.

Capex/CFO



F – Forecast.
Source: Company data, Fitch Ratings.

FFO/Debt



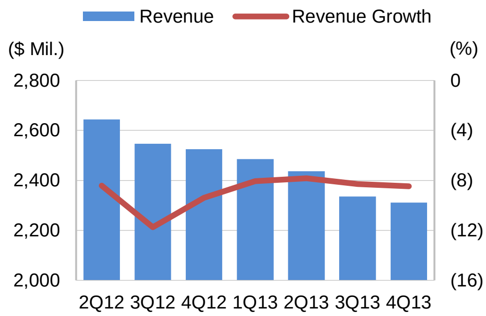
F – Forecast.
Source: Company data, Fitch Ratings.

Company Profile

AIC operates a rate-regulated electric and natural gas transmission and distribution business in Illinois. The company supplies electric and natural gas service to approximately 1.2 million electric customers and 806,000 natural gas customers in portions of central and southern Illinois. AIC's electric sales mix in 2013 was 33% residential, 33% commercial and 34% industrial. AIC's natural gas sales mix was 35% residential, 12% commercial, 3% industrial, and 49% transportation and other. In 2013, AIC represented 33% of AEE's consolidated operating EBITDA.

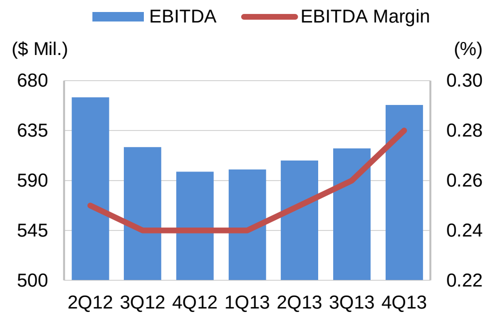
Business Trends

Revenue Dynamics



Source: Fitch Ratings.

EBITDA Dynamics



Source: Fitch Ratings.

Financial Summary — Ameren Illinois Company

($ Mil., Fiscal Years Ended Dec. 31)	2010	2011	2012	2013
Fundamental Ratios (%)				
Operating EBITDAR/(Gross Interest Expense + Rents) (x)	4.5	4.5	4.2	4.0
FFO Fixed-Charge Coverage (x)	4.9	3.6	4.0	3.9
Total Adjusted Debt/Operating EBITDAR (x)	2.5	2.5	2.9	2.9
FFO/Total Adjusted Debt	44.7	33.9	33.8	34.4
FFO — Adjusted Leverage (x)	2.2	3.0	3.0	2.9
Common Dividend Payout	53.6	169.4	134.0	68.8
Internal Cash/Capex	157.5	49.6	74.0	76.8
Capex/Depreciation	139.1	163.3	200.0	288.5
Return on Equity	9.1	7.9	6.0	6.8
Profitability				
Revenues	3,014	2,787	2,525	2,311
Revenue Growth (%)	1.01	(7.53)	(9.40)	(8.48)
Net Revenues	1,471	1,442	1,412	1,483
Operating and Maintenance Expense	635	640	684	693
Operating EBITDA	708	673	598	658
Operating EBITDAR	727	690	617	679
Depreciation and Amortization Expense	210	215	221	243
Operating EBIT	498	458	377	415
Gross Interest Expense	144	138	129	150
Net Income for Common	248	193	141	160
Operating Maintenance Expense % of Net Revenues	43.2	44.4	48.4	46.7
Operating EBIT % of Net Revenues	33.9	31.8	26.7	28.0
Cash Flow				
CFO	597	504	519	651
Change in Working Capital	(60)	87	65	155
Funds from Operations	**657**	**417**	**454**	**496**
Dividends	(137)	(330)	(192)	(113)
Capex	(292)	(351)	(442)	(701)
FCF	**168**	**(177)**	**(115)**	**(163)**
Net Other Investment Cash Flow	35	55	5	6
Net Change in Debt	(40)	(150)	67	128
Net Equity Proceeds	(13)	19	—	—
Capital Structure				
Short-Term Debt	—	—	24	56
Total Long-Term Debt	1,838	1,689	1,758	1,887
Total Debt with Equity Credit	1,838	1,689	1,782	1,943
Total Adjusted Debt with Equity Credit	1,844	1,695	1,788	1,949
Total Hybrid Equity and Minority Interest	31	31	31	31
Total Common Shareholder's Equity	2,514	2,390	2,339	2,386
Total Capital	**4,383**	**4,110**	**4,152**	**4,360**
Total Debt/Total Capital (%)	41.9	41.1	42.9	44.6
Total Hybrid Equity and Minority Interest/Total Capital (%)	0.7	0.8	0.8	0.7
Common Equity/Total Capital (%)	57.4	58.2	56.3	54.7

Source: Fitch Ratings.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.