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Summary:

Ameren Illinois Co.

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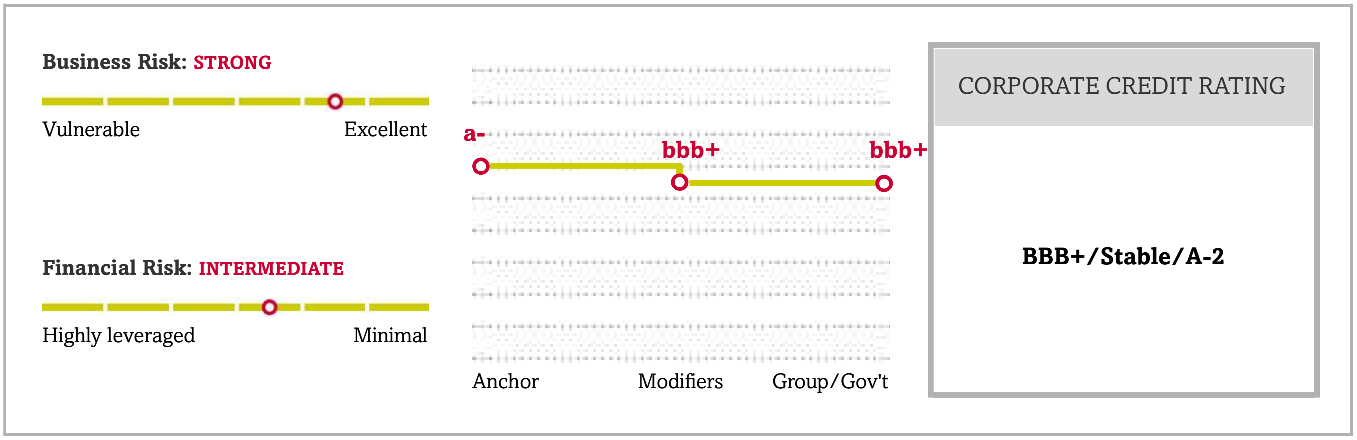

Rationale

Business Risk: Strong	Financial Risk: Intermediate
• Fully rate-regulated lower-risk electric and gas utility businesses. • Relatively stable operating cash flow from utilities. • Greater volatility of profitability compared with the regulated utility industry average. • Slower-than-average economic growth within the company's service territory. • Regulatory framework in Illinois provides cash flow support.	• Ongoing cost recovery of incremental capital spending and operating expenses. • Capital spending that is expected to be greater than annual historical amounts. • Financial measures that continue to perform in line with our assessment of the financial risk profile. • Negative discretionary cash flow indicating a need for external funding.

Outlook: Stable

The stable rating outlook on utility Ameren Illinois Co. (AI) reflects that of parent Ameren Corp. This outlook reflects our base-case forecast level of Ameren's adjusted funds from operations (FFO) to debt of about 22% over the next two years. Fundamental to our forecast is our expectation that the company will continue to manage its regulatory risk, enabling some of the regulated companies to earn their allowed return on equity. We also expect that the company will disproportionately invest in lower-risk rate-regulated electric transmission assets that will gradually strengthen the company's business risk profile.

Downside scenario

We could lower the ratings over the next two years if the company's ability to manage its regulatory risk weakens or if its financial performance unexpectedly deteriorates such that the core financial measures are consistently below 13%. This could occur if rate case outcomes are consistently weaker than expected, regulatory lag increases, or if there is a material increase to capital spending that is primarily funded with debt.

Upside scenario

We could raise the ratings over the next two years if the company's business risk profile improves such that the regulatory lag consistently diminishes and that the economic growth in the company's service territory strengthens. We could also raise the ratings if the company's financial measures improve above our base-case forecast, such that the core financial ratio of FFO to debt consistently exceeds 23%. This could occur when the company completes its large capital projects while also effectively managing costs.

Standard & Poor's Base-Case Scenario

Assumptions

- The economic conditions in the utility's service territory continue to improve incrementally resulting in improving cash flow measures.
- Annual EBITDA growth over the forecast period.
- Adequate regulatory outcomes in Illinois.
- Current rate surcharges are retained.

Key Metrics

	2014A	2015E	2016E
FFO/total debt (%)	28.7	27-28.5	24-25.5
Debt/EBITDA (x)	3.2	3-3.5	2.8-3.3
OCF/total debt (%)	19.3	25-27	24-25

Note: Standard & Poor's adjusted figures. A--Actual. E--Estimate. FFO--Funds from operations. OCF--Operating cash flow.

Business Risk: Strong

We base our assessment of AI's business risk profile on what we view as the company's "satisfactory" competitive position, "very low" industry risk stemming from the regulated utility industry, and "very low" country risk of the U.S.

where the utility operates. AI's competitive position reflects the company's fully regulated electric transmission and distribution and natural gas distribution operations and our expectation for continued operational performance and a generally credit supportive cost recovery. The utility, which is regulated by the Illinois Commerce Commission, is relatively large with 1.2 million electric customers and about 800,000 gas customers in central and southern Illinois. Additional customer and cash flow diversification is through the Federal Energy Regulatory Commission-regulated electric transmission operation, which constitutes roughly 15% of rate base. Somewhat moderating these strengths, over the past few years, the utility's profitability had more volatility compared to the regulated utility industry average.

Financial Risk: Intermediate

Based on our medial volatility financial ratio benchmarks, our assessment of AI's stand-alone financial risk profile is "intermediate". This reflects the lower-risk regulated utility operations and the recurring cash flow from providing electric and natural gas. As a utility, capital spending is ongoing for maintenance purposes and for new projects. Recovery of these costs through rates has mostly been authorized. External funding needs exist over the next few years since our base-case scenario reflects discretionary cash flow that we expect to remain negative. Steady cost recovery through the regulatory process will be required to maintain cash flow measures, including FFO to total debt above 25% on average and operating cash flow to debt greater than 24%. We expect debt to EBITDA to remain around 3.2x on average, in line with the range for an "intermediate" financial risk profile.

Liquidity: Adequate

AI's liquidity reflects that of parent Ameren, which has "adequate" liquidity, as our criteria define the term. We believe the company's liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and to meet cash outflows even with a 10% decline in EBITDA.

There are sizable debt maturities over the next three years, with $395 million due in 2016 and $681 million in 2017. We expect the company to refinance these maturities given its satisfactory standing in the credit markets.

Principal Liquidity Sources	Principal Liquidity Uses
• We estimate FFO of about $1.9 billion in 2015. • Credit facility availability of an estimated $2.1 billion in 2015.	• Capital spending of approximately $1.4 billion expected in 2015. • Working capital outflows of $150 million in 2015. • Dividends of about $400 million in 2015. • Debt maturities, including short-term debt issuances, of roughly $400 million in 2015.

Other Credit Considerations

The stand-alone credit profile on AI reflects our application of a one-notch negative adjustment for our "comparable rating analysis". This negative adjustment reflects our expectations that the financial measures will approximate the lower end of the range for the "intermediate" financial risk profile category.

Group Influence

Under our group rating methodology, we assess AI to be a core subsidiary of Ameren, reflecting our view that AI is highly unlikely to be sold and has a strong long-term commitment from senior management. There are no meaningful insulation measures in place that protect AI from its parent and therefore, AI's issuer credit rating is in line with Ameren's group credit profile of 'bbb+'.

Ratings Score Snapshot

Corporate Credit Rating

BBB+/Stable/A-2

Business risk: Strong

- **Country risk:** Very low
- **Industry risk:** Very low
- **Competitive position:** Satisfactory

Financial risk: Intermediate

- **Cash flow/Leverage:** Intermediate

Anchor: a-

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Negative (-1 notch)

Stand-alone credit profile : bbb+

- **Group credit profile:** bbb+
- **Entity status within group:** Core (no impact)

Recovery Analysis

AI's first mortgage bonds benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating two notches above the issuer credit rating (ICR).

Issue Ratings

We rate the preferred stock two notches below the ICR to reflect the discretionary nature of the dividend and the deeply subordinated claim if a bankruptcy occurs.

The short-term rating on AI is 'A-2' based on on our ICR on the company and our assessment of its liquidity as at least adequate.

Related Criteria And Research

Related Criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- Notching Of U.S. Investment-Grade Investor-Owned Utility Unsecured Debt Now Better Reflects Anticipated Absolute Recovery, Nov. 10, 2008
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	**a-/bbb+**	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-