# BEFORE THE PUBLIC SERVICE COMMISSION
# OF THE STATE OF MISSOURI

| | | |
|---|---|---|
| In the Matter of the Application of Union<br>Electric Company, d/b/a AmerenUE, for an<br>Order Authorizing the Issue and Sale of up to<br>to $350,000,000 Aggregate Principal<br>Amount of Additional Long-Term Indebtedness. | )<br>)<br>)<br>)<br>) | **Case No. EF-2009-0266** |

## STAFF RECOMMENDATION

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its *Staff Recommendation* in Case No. EF-2009-0266 states as follows:

1. On January 16, 2009, Union Electric Company, d/b/a AmerenUE (AmerenUE or the Company) filed an *Application* with the Missouri Public Service Commission (the Commission) in which the Company seeks permission and authority to issue and sell up to $350,000,000 aggregate principal amount of long-term indebtedness.

2. In order to provide the Company with flexibility in respect to the issuance of the indebtedness, AmerenUE requests that the Commission grant the Company the authority requested its *Application*, to continue for a period of one year, beginning upon the issuance of an order effective no later than March 13, 2009.

3. On January 22, 2009, the Commission issued its *Order Directing Staff Recommendation*, ordering Staff to file a recommendation in this matter no later than February 19, 2009.

4. On January 29, 2009, the Company filed a *Request for Extension of Time for Staff to File its Recommendation*, in order to allow Staff sufficient time to review financial information which could not be submitted until February 18, 2009.

5. On February 3, 2009, the Commission issued its *Order Granting Extension of Time for Filing of Staff Recommendation* in which it extended the time by which Staff must file its recommendation until February 27, 2009.

6. The Commission has jurisdiction over AmerenUE's issuance of debt pursuant to Sections 393.180 and 393.200 RSMo (2000).

7. Commission Rule 4 CSR 240-3.120, with which the Company's *Application* complies, outlines the filing requirements for electric utility applications for authority to issue indebtedness.

8. In the attached Memorandum (Appendix A), Staff recommends the Commission conditionally approve AmerenUE's *Application* and grant the Company the authority to issue and sell up to $350,000,000 aggregate principal amount of long-term indebtedness, subject to the following eight (8) conditions:

A. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded the financing transaction and its impact on cost of capital, in any later proceeding;

B. That the Company shall file with the Commission within ten (10) days of issuance of any financing authorized pursuant to a Commission order in this proceeding, a report including the amount of secured indebtedness issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, use of proceeds, estimated expenses, and loan or indenture agreement concerning each issuance;

C. That the interest rate for any debt issuance covered by the Application is not to exceed the greater of (i) ten (10) percent or (ii) a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers;

D. That the Company shall file with the Commission any information concerning communication with credit rating agencies concerning this issuance;

E. That the funds acquired through issuance of securities under this application shall be used to refinance AmerenUE short-term debt as represented in the Application;

F. That AmerenUE shall first refinance any inter-company affiliate debt if the cost of this debt is higher than other short-term debt AmerenUE has outstanding, unless AmerenUE has a valid reason for not doing so. In such case, AmerenUE shall be required to file with the Commission an explanation for not doing so. AmerenUE shall report in its Cost Allocation Manual each affiliate transaction event when it borrowed money at interest rates higher than available from non-affiliated lenders or pays off non-affiliated debt with lower interest rates than is charged for affiliate debt. Each such transaction shall contain the justification for AmerenUE entering into such a transaction.

G. That AmerenUE shall be required to file a five-year capitalization expenditure schedule in future cases involving the refinancing of short-term debt;

H. That the Commission's grant of authority shall expire one year from the effective date of the order in this proceeding.

**WHEREFORE,** Staff recommends the Commission conditionally authorize AmerenUE to issue and sell up to $350,000,000 aggregate principal amount of additional long-term indebtedness, subject to the eight (8) conditions contained in Staff's Memorandum and restated above.

Respectfully submitted,

/s/ Eric Dearmont

Eric Dearmont
Assistant General Counsel
Missouri Bar No. 60892

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-5472 (Telephone)
(573) 751-9285 (Fax)
eric.dearmont@psc.mo.gov

## Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 27th day of February, 2009.

/s/ Eric Dearmont

**MEMORANDUM**

TO: Missouri Public Service Commission Official Case File
Case No. EF-2009-0266, Union Electric Company, d/b/a AmerenUE

FROM: Shana Atkinson, Financial Analysis Department

/s/ Shana Atkinson 02/27/09 /s/ Eric Dearmont 2/27/2009

Project Coordinator / Date General Counsel's Office / Date

SUBJECT: Staff Recommendation concerning the Application of Union Electric Company, d/b/a AmerenUE ("AmerenUE," "Company," or "Applicant"), for Authority to issue and sell of up to $350,000,000 aggregate principal amount of additional long-term indebtedness.

DATE: February 27, 2009

1. (a) **Type of Issue:** Secured indebtedness issued under indentures previously filed with the Missouri Public Service Commission ("the Commission"). See Paragraph 6, c. and d. in the Application.

(b) **Amount:** Up to $350,000,000.

(c) **Rate:** Fixed or variable rate not to exceed the greater of (i) ten percent (10%), or (ii) a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers considering prevailing financial market conditions at the time.

(d) **Other Provisions:** The price to be paid to Applicant for the various series of the New Indebtedness (as defined in the Application) will not be less than 95% nor more than 105% of the aggregate principal amount thereof; the terms of maturity for the various series of the secured indebtedness will not exceed 40 years.

2. **Proposed Date of Transaction:** Anytime during the one-year period after the effective date of the order or orders resulting from the Company's Application.

3. (a) **Statement of Purpose of the Issue:** The Application states: "Applicant proposes to use the proceeds from the issuance and sale of the New Indebtedness [secured indebtedness] to refinance short-term debt consisting of borrowing under credit agreements with various financial institutions under which Applicant is a borrower and to pay expenses related to the financing transactions including, but not limited to, commissions, discounts or concessions paid to the initial purchasers, underwriters, dealers or agents of the New Indebtedness."

Appendix A

(b) **From a financial perspective, does Staff deem this Statement of Purpose of the Issue reasonable?:**

Yes _X_ No

4. **Copies of executed instruments defining terms of the proposed securities:**

___ (a) If such instruments have been previously filed with the Commission, a reference to the Case Number in which the instruments were furnished.

_X_ (b) If such instruments have not been executed at the time of filing, a statement of the general terms and conditions to be contained in the instruments, which are proposed to be executed.

___ (c) If no such instruments are either executed or to be executed, a statement of how the securities are to be sold.

5. **Certified copy of resolution of the directors of applicant, or other legal documents authorizing the issuance of the securities reviewed:**

Yes _X_ No

6. **Pro-forma Balance Sheet and Income Statement reviewed:**

Yes _X_ No

7. **Capital expenditure schedule reviewed:**

Yes ____ No __X___

8. **Journal entries required to be filed by AmerenUE to allow for the Fee Schedule to be applied:**

Yes ____No __X_

9. **Recommendation of the Staff:**

_____ Grant by session order (see Comments)

__X__ Conditional Approval granted pending receipt of definite terms of issuance (see Comments)

____ Require additional and/or revised data before approval can be granted (see Comments)

____ Formal hearing required (see Comments)

____ Recommend dismissal (see Comments)

**COMMENTS:**

Union Electric Company d/b/a AmerenUE (Union Electric, AmerenUE, Company or Applicant) is a public utility engaged in providing electric and gas utility services in portions of Missouri under the jurisdiction of this Commission.

On January 16, 2009, AmerenUE filed an Application with the Missouri Public Service Commission (Commission) requesting approval for authority to issue and sale of up to $350,000,000 aggregate principal amount of secured indebtedness under indentures previously filed with the Commission (see Paragraph 6 c. and d.). AmerenUE states in its Application:

> The series of the New Indebtedness will be offered to the public or privately placed (or a combination of both) through commercial or investment banking firms or groups of firms selected through negotiation and/or competitive bidding. Sales of the series of the New Indebtedness could be through underwriters or dealers, directly to a limited number of purchasers or to a single purchaser, or through agents designated by Applicant. Compensation to be paid for underwriting or privately placing the New Indebtedness will be determined based on prevailing financial market conditions.

The Applicant further states that it:

> …proposes to issue the New Indebtedness under existing authority from the Securities and Exchange Commission under new authority to be obtained in the form of a registration statement, filed with that agency for such securities issued in public transactions or pursuant to private placement with or without registration rights.

Although under Paragraph 4 of the Application the Company states its intent is to use the funds for purposes of refinancing "short term debt consisting of borrowing under credit agreements with various financial institutions under which Applicant is a borrower…", Staff notes that the pro forma financial statements show that a portion of the requested indebtedness may be used to refinance an intercompany notes payable. While Staff is not necessarily concerned if AmerenUE ultimately uses the requested financing for this purpose, Staff does note that this use was not requested in the Application. In fact, because the intercompany notes payable was carrying a higher interest rate than that from the third-party credit facility, Staff may even consider it to be prudent for AmerenUE to borrow from the credit facility if the cost of this financing is cheaper than that available from the parent company. Staff will propose a condition to alleviate its concerns about AmerenUE being charged a higher interest rate by its parent company.

AmerenUE provided to Staff actual and pro forma financial statements. Assuming AmerenUE issued the entire $350,000,000 of long term-debt as of December 31, 2008, the financing would cause the Company's capital structure to become more heavily weighted in long term debt. The actual and pro forma capital structure ratios are as follows (See Also Schedule 1 from Supplementary Information filed as of February 18, 2009):

| | As of December 31, 2008 | Pro Forma |
|---|---|---|
| Common Equity | 47.53% | 47.42% |
| Preferred Stock | 1.56% | 1.56% |
| Long-Term Debt | 46.18% | 51.02% |
| Short-Term Debt | 4.73% | 0.00% |

Although the Company's long-term debt to total capital ratio would increase by 484 basis points to 51.02 percent from 46.18 percent, the total debt (inclusive of short-term debt) to total capital ratio increases by a lesser 11 basis points. The pro forma common equity ratio decreases by 11 basis points to 47.42 percent from 47.53 percent.

Staff also evaluated the impact of the proposed financing on three (3) financial ratios in which benchmarks were published in the November 30, 2007 Standard and Poor's article, "U.S. Utilities Ratings Analysis Now Portrayed in the S & P Corporate Ratings Matrix," which discusses the change to assigning business risk profiles to utility companies (see Attachment 1). These three (3) ratios are the Funds From Operations (FFO) Interest Coverage ratio, FFO to Total Debt ratio and the Total Debt to Total Capital ratio. AmerenUE's current credit rating is BBB- and S&P has assigned AmerenUE a Business Risk Profile of "Excellent" and a Financial Risk Profile (FRP) of "Aggressive". Using S&P's Corporate Ratings Matrix, Staff determined that AmerenUE's pro-forma FFO Interest Coverage of 3.85 times is within the FRP range of Intermediate and because AmerenUE has a business risk profile of Excellent, this is consistent with the benchmark for an A credit rating under S&P's rating scale. The pro-forma FFO to

Total Debt of 17.46 percent is within the FRP range of Aggressive and because AmerenUE has a business risk profile of Excellent, this is consistent with the benchmark for a BBB credit rating under S&P's rating scale. The pro-forma Total Debt to Total Capital of 51.02 percent is within the FRP range of Aggressive to Highly Leveraged, and because AmerenUE has a business risk profile of Excellent, this is consistent with a BBB to BB credit rating under S&P's rating scale. (See Schedule 1)

Staff reviewed the actual and pro forma financial statements of Ameren, which AmerenUE provided in its response to Data Request No. 0002. The actual and pro forma capital structures for Ameren are as follows (See Also Schedule 1 from Data Request No. 0002 Response):

| | As of December 31, 2008 | Pro Forma |
|---|---|---|
| Common Equity | 46.61% | 46.56% |
| Preferred Stock | 1.31% | 1.31% |
| Long-Term Debt | 44.23% | 46.57% |
| Short-Term Debt | 7.86% | 5.56% |

If AmerenUE were to issue the proposed refinancing, Ameren's long-term debt to total capital ratio would increase by 234 basis points to 46.57 percent from 44.23 percent, the total debt (inclusive of short-term debt) to total capital ratio increases by a lesser 4 basis points. The pro forma common equity ratio decreases by 5 basis points to 46.56 percent from 46.61 percent.

Ameren's current credit rating is BBB- and S&P has assigned Ameren a Business Risk Profile of "Satisfactory" and a FRP of "Aggressive". Staff determined the actual and pro forma results of the three (3) financial ratios for Ameren. Staff then compared these results to S&P's Corporate Ratings Matrix to determine the relative impact AmerenUE's proposed financing would have on Ameren's consolidated financials. Staff determined that Ameren's pro-forma FFO Interest Coverage of 4.18 times is within the FRP range of Intermediate to Modest and because Ameren has a business risk profile of Satisfactory, this is consistent with the benchmark for a BBB to BBB+ credit rating under S&P's rating scale. The pro-forma FFO to Total Debt ratio of 19.22 percent is within the FRP range of Aggressive and because Ameren has a business risk profile of Satisfactory, this is consistent with the benchmark for a BB+ credit rating under S&P's rating scale. The pro-forma Total Debt to Total Capital of 52.06 percent is within the FRP range of Aggressive to Highly Leveraged, and because Ameren has a business risk profile of Satisfactory, this is consistent with the benchmark for a BB+ to B+ credit rating under S&P's rating scale. Although the pro-forma FFO to Total Debt and Total Debt to Total Capital ratios are below the S&P benchmarks for an investment grade credit rating, this was also true for the ratios before they were adjusted for the proposed financing (see Schedule 2). Consequently, it is not the impact of the proposed financing that is causing these ratios to fall below these benchmarks.

The ratios calculated for AmerenUE for the period ending December 31, 2008 are within or above the S&P benchmarks for a BBB credit rating assuming the use of an "Excellent" business risk profile. The same would be true on a pro forma basis even considering the fact that there has been a slight deterioration in coverage ratios.

AmerenUE's current credit rating should not be negatively affected by this transaction if the funds are used for refinancing existing securities. However, AmerenUE's current Standard & Poor's credit rating is impacted based on the risk profile of Ameren. This fact is noted in the following portions of an August 12, 2008, Standard & Poor's Rating's Direct Research report concerning AmerenUE's BBB- credit rating:

> The ratings on Union Electric Co., Ameren's largest subsidiary, are based on the consolidated credit profile of the entire Ameren family of companies. Ameren's utility subsidiaries also include Central Illinois Public Service Co. (CIPS), Central Illinois Light Co. (CILCO), and Illinois Power Co., which account for roughly 55% of operating income. Ameren's units also consist of unregulated AmerenEnergy Generating Co. (AEGC), CILCORP Inc., the intermediate holding company of CILCO, and AmerenEnergy resources Generating Co. (AERG), CILCO's unregulated generation subsidiary. Ameren's unregulated businesses represent about 45% of operating income.
>
> Ameren's satisfactory business profile reflects the highly politicized environment in Illinois, a restrictive regulatory climate in Missouri and the current lack of a fuel adjustment clause [no longer the case], the challenges of owning and operating a nuclear facility whose performance has been mixed, and ownership of a riskier unregulated generating fleet. These factors are partially offset by Ameren's position as one of the lowest-cost power producers in the Midwest, strong transmission ties, and unlimited industrial exposure.
>
> Union Electric is in healthier financial condition on a stand-alone basis, than its parent owing to a lower debt burden. In addition, the company has a better business position of 'strong' [since, has been upgraded to 'excellent'], reflecting the absence of the unregulated generation businesses but encompassing many of the aforementioned attributes and weaknesses.

Standard & Poor's went on to provide the following Outlook for AmerenUE:

> Ratings stability for Ameren, Union Electric and AEGC reflect the elimination of a rate-freeze threat and the manageable rate-relief package established in Illinois. The stable outlook also incorporates expectations for sufficient future rate relief in both Illinois and Missouri and management's continuing credit-supportive actions. Downside ratings momentum would result from a weakening of consolidated financial metrics beyond current expectations or if rising power prices were again to become a high priority target of the executive and legislative branches in Illinois. In light of accelerating capital outlays, rising operating costs, higher fuel and transportation costs, and expected slippage in the company's overall financial condition, any upward ratings action in the near-term unlikely. The positive outlook on the Illinois subsidiaries reflects a concession package that is clearly a more positive credit outcome than the alternative of an electric rate freeze and rollback of rates to 2006 levels and possibly adequate rate relief in the fall of 2008.

Standard & Poor's above comments explain that Ameren's business activities, other than those of AmerenUE's, can affect its credit rating and resulting cost of debt. As a result, while Staff believes that the pro forma credit metrics for AmerenUE on a stand-alone basis are consistent with the benchmarks for a BBB credit rating for a utility with an "Excellent" business risk profile, because AmerenUE's credit rating is based on the consolidated credit profile of Ameren, it is the impact that the proposed financing would have on Ameren's credit metrics that affects AmerenUE's credit rating. However, because the relative impact of the proposed financing on Ameren's credit metrics is small, the proposed transaction should not have a negative impact on Ameren and AmerenUE's credit rating, and therefore, its ability to attract capital.

## OTHER ISSUES:

Paragraph 12 of AmerenUE's Application indicates that it did not file a five-year capital expenditure schedule because the secured indebtedness will be used to "discharge, refund or retire outstanding indebtedness." While Staff agrees that the proposed debt will be used to refinance outstanding indebtedness, because this indebtedness is short-term debt, AmerenUE was not required to request Commission authority for the initial use of these funds, which may have involved certain capital expenditures. As a result, Staff requested information about AmerenUE's recent capital expenditures through a data request and was able to review at least recent capital expenditures. However, Staff believes the 5-year capital expenditure schedule should be provided in AmerenUE's future finance cases requesting authority to refinance short-term debt. Staff will propose a condition to address this matter.

## RECOMMENDED CONDITIONS:

Although Staff recognizes that AmerenUE listed several conditions from its last finance case that it would accept in this finance case, Staff does not believe some of those conditions are necessarily applicable in this case given the fairly narrow scope of AmerenUE's request in this case. Therefore, Staff has modified this list and added a condition to address its concerns about decisions related to what short-term debt should be refinanced. Staff recommends that the Commission approve the Application submitted by AmerenUE in this case subject to the following conditions:

1. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded the financing transaction and its impact on cost of capital, in any later proceeding;
2. That the Company shall file with the Commission within 10 days of issuance of any financing authorized pursuant to a Commission order in this proceeding, a report including the amount of secured indebtedness issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, use of proceeds, estimated expenses, and loan or indenture agreement concerning each issuance;
3. That the interest rate for any debt issuance covered by the Application is not to exceed the greater of (i) 10 percent or (ii) a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers;
4. That the Company shall file with the Commission any information concerning communication with credit rating agencies concerning this issuance;
5. That the funds acquired through issuance of securities under this Application shall be used to refinance AmerenUE short-term debt as represented in the Application;
6. That AmerenUE shall first refinance any inter-company affiliate debt if the cost of this debt is higher than other short-term debt AmerenUE has outstanding, unless AmerenUE has a valid reason for not doing so. In such case, AmerenUE shall be required to file with the Commission an explanation for not doing so. AmerenUE shall report in its Cost Allocation Manual each affiliate transaction event when it borrowed money at interest rates higher than available from non-affiliated lenders or pays off non-affiliated debt with lower interest rates than is charged for affiliate debt. Each such transaction shall contain the justification for AmerenUE entering into such a transaction;
7. That AmerenUE shall be required to file a five-year capitalization expenditure schedule in future cases involving the refinancing of short-term debt;
8. That the Commission's authority shall expire one year from the effective date of the order in this proceeding.

The McGraw·Hill Companies

STANDARD & POOR'S RatingsDirect®

**RESEARCH**

# U.S. Utilities Ratings Analysis Now Portrayed In The S&P Corporate Ratings Matrix


**Publication date:** 30-Nov-2007

**Primary Credit Analysts:** Todd A Shipman, CFA, New York (1) 212-438-7676; todd_shipman@standardandpoors.com
William Ferara, New York (1 212-438-1776; bill_ferara@standardandpoors.com
John W Whitlock, New York (1) 212-438-7678; john_whitlock@standardandpoors.com

**Secondary Credit Analyst:** Michael Messer, New York (1) 212- 438-1618; michael_messer@standardandpoors.com


The electric, gas, and water utility ratings ranking lists published today by Standard & Poor's U.S. Utilities & Infrastructure Ratings practice are categorized under the business risk/financial risk matrix used by the Corporate Ratings group. This is designed to present our rating conclusions in a clear and standardized manner across all corporate sectors. Incorporating utility ratings into a shared framework to communicate the fundamental credit analysis of a company furthers the goals of transparency and comparability in the ratings process. Table 1 shows the matrix.

**Table 1**

**Business Risk/Financial Risk**

| | Financial Risk Profile | | | | |
|---|---|---|---|---|---|
| **Business Risk Profile** | **Minimal** | **Modest** | **Intermediate** | **Aggressive** | **Highly leveraged** |
| Excellent | AAA | AA | A | BBB | BB |
| Strong | AA | A | A- | BBB- | BB- |
| Satisfactory | A | BBB+ | BBB | BB+ | B+ |
| Weak | BBB | BBB- | BB+ | BB- | B |
| Vulnerable | BB | B+ | B+ | B | B- |

The utilities rating methodology remains unchanged, and the use of the corporate risk matrix has not resulted in any changes to ratings or outlooks. The same five factors that we analyzed to produce a business risk score in the familiar 10-point scale are used in determining whether a utility possesses an "Excellent," "Strong," "Satisfactory," "Weak," or "Vulnerable" business risk profile:

- Regulation,
- Markets,
- Operations,
- Competitiveness, and
- Management.

Regulated utilities and holding companies that are utility-focused virtually always fall in the upper range ("Excellent" or "Strong") of business risk profiles. The defining characteristics of most utilities--a legally defined service territory generally free of significant competition, the provision of an essential or near-essential service, and the presence of regulators that have an abiding interest in supporting a healthy utility financial profile--underpin the business risk profiles of the electric, gas, and water utilities.

As the matrix concisely illustrates, the business risk profile loosely determines the level of financial risk appropriate for any given rating. Financial risk is analyzed both qualitatively and quantitatively, mainly with financial ratios and other metrics that are calculated after various analytical adjustments are performed on financial statements prepared under GAAP. Financial risk is assessed for utilities using, in part, the indicative ratio ranges in table 2.

**Table 2**

**Financial Risk Indicative Ratios - U.S. Utilities**

Attachment 1-A

**(Fully adjusted, historically demonstrated, and expected to consistently continue)**

| | Cash flow | | Debt leverage |
|---|---|---|---|
| | **(FFO/debt) (%)** | **(FFO/interest) (x)** | **(Total debt/capital) (%)** |
| Modest | 40 - 60 | 4.0 - 6.0 | 25 - 40 |
| Intermediate | 25 - 45 | 3.0 - 4.5 | 35 - 50 |
| Aggressive | 10 - 30 | 2.0 - 3.5 | 45 - 60 |
| Highly leveraged | Below 15 | 2.5 or less | Over 50 |

The indicative ranges for utilities differ somewhat from the guidelines used for their unregulated counterparts because of several factors that distinguish the financial policy and profile of regulated entities. Utilities tend to finance with long-maturity capital and fixed rates. Financial performance is typically more uniform over time, avoiding the volatility of unregulated industrial entities. Also, utilities fare comparatively well in many of the less-quantitative aspects of financial risk. Financial flexibility is generally quite robust, given good access to capital, ample short-term liquidity, and the like. Utilities that exhibit such favorable credit characteristics will often see ratings based on the more accommodative end of the indicative ratio ranges, especially when the company's business risk profile is solidly within its category. Conversely, a utility that follows an atypical financial policy or manages its balance sheet less conservatively, or falls along the lower end of its business risk designation, would have to demonstrate an ability to achieve financial metrics along the more stringent end of the ratio ranges to reach a given rating.

Note that even after we assign a company a business risk and financial risk, the committee does not arrive by rote at a rating based on the matrix. The matrix is a guide--it is not intended to convey precision in the ratings process or reduce the decision to plotting intersections on a graph. Many small positives and negatives that affect credit quality can lead a committee to a different conclusion than what is indicated in the matrix. Most outcomes will fall within one notch on either side of the indicated rating. Larger exceptions for utilities would typically involve the influence of related unregulated entities or extraordinary disruptions in the regulatory environment.

We will use the matrix, the ranking list, and individual company reports to communicate the relative position of a company within its business risk peer group and the other factors that produce the ratings.

# Union Electric Company d/b/a AmerenUE
# Case No. EF-2009-0266

## Selected Financial Ratios
## for AmerenUE

| **RATIO ANALYSIS** | 2008 Actual | Pro Forma |
|---|---|---|
| Funds From Operations Interest Coverage: | 4.09 x | 3.85 x |
| Funds from Operations to Total Debt: | 17.74% | 17.46% |
| Total Debt to Total Capital: | 50.91% | 51.02% |

Notes:

1. Source: Standard & Poor's RatingsDirect, "U.S. Utilities Ratings Analysis Now Portrayed In The S&P Corporate Ratings Matrix", November 30, 2007.
2. Source: Standard & Poor's Ratings Services-Utility Financial Ratio Definitions, May 31, 2005.
3. Source: Response to Data Request No.0002

# Union Electric Company d/b/a AmerenUE
# Case No. EF-2009-0266

## Selected Financial Ratios
## for Ameren Corporation

| RATIO ANALYSIS | 2008 Actual | Pro Forma |
|---|---|---|
| Funds From Operations Interest Coverage: | 4.28 x | 4.18 x |
| Funds from Operations to Total Debt: | 19.33% | 19.22% |
| Total Debt to Total Capital: | 52.02% | 52.06% |

Notes:

1. Source: Standard & Poor's RatingsDirect, "U.S. Utilities Ratings Analysis Now Portrayed In The S&P Corporate Ratings Matrix", November 30, 2007.
2. Source: Standard & Poor's Ratings Services-Utility Financial Ratio Definitions, May 31, 2005.
3. Source: Response to Data Request No. 0002

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

| | | |
|---|---|---|
| In the Matter of the Application of Union Electric Company d/b/a AmerenUE for an Order Authorizing the Issue and Sale of Up to $350,000,000 Aggregate Principal Amount of Additional Long-Term Indebtedness. | ) ) ) ) ) ) | Case No. EF-2009-0266 |

AFFIDAVIT OF SHANA ATKINSON

STATE OF MISSOURI )
) ss.
COUNTY OF COLE )

Shana Atkinson, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of her knowledge and belief.

Shana Atkinson

Shana Atkinson

Subscribed and sworn to before me this 27th day of February, 2009.

NIKKI SENN
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: October 01, 2011
Commission Number: 07287016

Nikki Senn

Notary Public