STANDARD & POOR'S
RATINGS SERVICES

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Summary:

Ameren Corp.

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Summary:

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Credit Rating:	BBB-/Stable/A-3

Rationale

Standard & Poor's Ratings Services' ratings on Ameren Corp. are based on the company's consolidated credit profile. The ratings also reflect Ameren's "strong" business risk profile and "significant" financial risk profile. Ameren's subsidiaries include rate-regulated utilities Ameren Illinois Co. and Ameren Missouri and competitive merchant energy company AmerenEnergy Generating Co. (GenCo). Based on the combination of future earnings, cash flow, capital expenditures, and credit risk exposure, we view Ameren as about 80% regulated and 20% merchant generation.

The consolidated strong business risk profile reflects the combination of the excellent business risk profiles of Ameren's regulated electric and gas utility businesses offset by the fair business risk profile of Ameren's competitive merchant energy businesses.

The utilities' excellent business risk profiles reflect their lower-risk, monopolistic, rate-regulated utility businesses that provide an essential service.

Ameren Illinois took the initiative in engaging state legislators and regulators to effect reform in the utility regulatory process. As a result, at the end of 2011, Illinois' governor signed into law House Bill 3036 that allowed for a formula process for determining rates, including the recovery of actual costs and a formula for calculating return on equity. However, since the new law took effect, the company received its first commission order, which reduced rates by $48 million. The company originally filed for an approximate $19 million rate decrease. We view the commission's order as reflective of the continuous challenges that Ameren must meet in order to successfully manage regulatory risk.

The competitive energy businesses' fair business risk profile reflects their ultimate dependence on the market price of electricity, which has remained weak. While we view the Illinois Pollution Control Board's recent decision to allow the company until 2020, instead of 2015, to comply with the Illinois sulfur dioxide limit, as providing some flexibility for the company's remaining environmental capital spending, weak market pressures continue to materially weigh on the company's fair business risk profile.

Ameren's significant financial risk profile is based on our expectation that the company will mostly sustain its improved financial measures, which have been maintained since 2009. Cash flow measure sustainability is the result of management's proactive decisions, including a dividend reduction, equity issuance, operation and maintenance cost reductions, and effective management of capital spending. For the 12 months ended June 30, 2012, adjusted funds from operations (FFO) to total debt decreased to 19.9% from 21% at the end of 2011, adjusted debt to EBITDA improved to 3.7 from 3.8x, and adjusted debt to total capital weakened to 51.8% from 51% at year-end 2011. Although Ameren's financial measures should remain at these improved levels for the shorter term, we expect that they will weaken somewhat over the next three years, reflecting the termination of bonus depreciation and continued weak market electricity prices.

We expect Ameren's historical positive discretionary cash flow to turn negative as consolidated capital expenditures increase and decreasing margins at the competitive businesses pressure FFO. We expect that Ameren will continue to meet its cash needs in a credit-neutral manner.

Liquidity

Our short-term rating on Ameren is 'A-3'. The company has adequate liquidity and can more than cover its needs for the next year, even if cash flow decreases.

We base our liquidity assessment on the following factors and assumptions:

- We expect the company's consolidated liquidity sources (including cash, FFO, and credit facility availability) to exceed its uses by about 1.8x over the next 12 months.
- Consolidated long-term debt maturities are manageable, with $355 million and $585 million maturing in 2013 and 2014, respectively.
- Even if consolidated EBITDA decreases by 15%, we believe net sources will be well in excess of liquidity requirements.
- The company has good relationships with its banks, in our assessment, and has a good standing in the credit markets, having access to the capital markets during the 2009 credit crisis.

In our analysis, we assumed consolidated liquidity of about $3.7 billion over the next 12 months, primarily consisting of cash, FFO, and availability under the credit facilities. We estimate the company will use about $2 billion over the same period for capital spending, debt maturities, working capital needs, and shareholder dividends.

Ameren's credit agreement includes a financial covenant requiring a consolidated ratio of total debt to total capital of no more than 65%. As of June 30, 2012, the debt to capital ratio, as defined in the credit agreement, was 48%, demonstrating sufficient cushion with respect to the facility's financial covenant.

Outlook

The stable outlook assumes continued weakness at the nonrate-regulated business and Ameren's willingness to provide cash to shore up its liquidity. We expect that parent Ameren will continue to support the merchant business on a limited basis even over the longer term. Our ratings on Ameren also reflect Standard & Poor's baseline forecast that consolidated FFO to debt will, over the intermediate term, approximate 18% to 21%. Fundamental to our forecast is the outcome of the company's rate-case filings and market electricity prices. We could raise the ratings if Ameren decides to stop supporting its merchant business while minimally maintaining FFO to debt of 17%. Although significantly less likely, we could downgrade Ameren if consolidated FFO to debt is consistently less than 15%.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011

- 2008 Corporate Ratings Criteria: Analytical Methodology, April 15, 2008