S&P Global
Ratings

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Summary:

Union Electric Co. d/b/a Ameren Missouri

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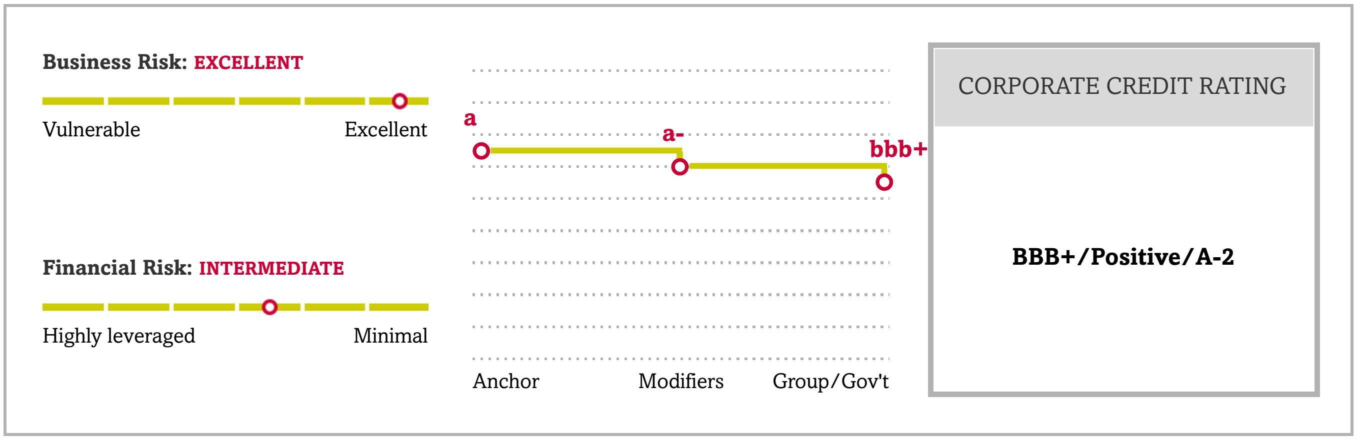

Rationale

Business Risk: Excellent	Financial Risk: Intermediate
• Fully rate-regulated, lower-risk electric and gas utility operations; • Relatively stable operating cash flow; • Economic growth in the service territory; and • Higher operational risk from owning a single nuclear plant.	• Core credit ratios support a significant financial risk profile assessment using relaxed financial benchmarks; • Timely cost recovery through regulatory mechanisms; • Annual capital spending averaging about $800 million; and • Negative discretionary cash flow indicates external funding needs.

Outlook: Positive

The positive outlook on Union Electric Co. d/b/a Ameren Missouri (AM) and parent Ameren Corp. reflects the potential for higher ratings over the next year if the company can maintain its robust financial performance. The positive outlook also incorporates S&P Global Ratings' expectation that management will maintain its strategy of remaining only a regulated utility.

Under our base-case scenario, we expect Ameren would maintain adjusted funds from operations (FFO) to debt of about 20% over the next few years.

Downside scenario

We could affirm the ratings on Ameren and AM and revise the outlook to stable if Ameren's financial risk profile weakens such that FFO to debt is consistently below 20% or if the business risk profile does not strengthen. This could occur if the company does not receive sufficient and timely cost recovery through the regulatory process or if the capital structure weakens.

Upside scenario

We could raise the ratings on Ameren and AM over the next year if Ameren's business risk profile continues to strengthen. We could also raise the ratings if its financial performance remains robust from ongoing prudent capital structure management and from higher operating cash flow, supporting a FFO to debt ratio consistently at or above 20% over the next few years.

Our Base-Case Scenario

Assumptions

- Effective management of regulatory risk and continued cost management, enabling the regulated operations to earn their allowed return on equity;
- Capital spending between $800 million and about $900 million per year through 2018; and
- All debt maturities are refinanced.

Key Metrics

	LTM 9/30/2017	2018E	2019E
FFO to debt (%)	25.9	23-25	23-25
Debt to EBITDA (x)	2.9	3-3.4	3-3.4
OCF to debt (%)	25.7	21.5-23.5	21.5-23.5

LTM--Last 12 months. E--Estimate. FFO--Funds from operations. OCF--Operating cash flow.

Company Description

AM operates in central and eastern Missouri, including the St. Louis metropolitan area, as a vertically integrated electric utility with 1.2 million customers and a natural gas distribution utility with 120,000 customers.

Business Risk: Excellent

Our assessment of AM's business risk profile reflects on the utility's very low risk, rate-regulated electric and natural gas distribution operations that provide essential services. It has a diverse customer base throughout Missouri of about 1.2 million electric customers and 120,000 natural gas distribution customers in portions of central and eastern Missouri, including the St. Louis metropolitan area. We expect ongoing good operational performance and supportive cost recovery through the regulatory process. The utility has an electricity generation fleet that includes low-cost coal-fired assets that are subject to rising air emissions rules and higher operating risk from owning the Callaway nuclear power plant. After factoring in these components, the business risk profile is within the excellent category, but at the comparatively weaker end of the classification.

Financial Risk: Intermediate

Our stand-alone base-case scenario includes adjusted FFO to debt averaging around 24%, at the weaker end of the benchmark range. Adjusted operating cash flow to debt supports this determination because in our base-case scenario we expect this measure to average over 22% through 2019. We expect debt leverage, as measured by total debt to EBITDA, in the 3x-3.5x range, well inside the benchmark range for the financial risk profile assessment. In our base-case forecast, we expect discretionary cash flow to remain negative after taking into account the utility's capital spending and dividend payments leading to need for external funding. AM benefits from various rate mechanisms that allow for the timely recovery of costs and support more stable operating cash flows. We expect AM will continue to fund its investments in a manner that preserves credit quality. We base our financial risk assessment on our more relaxed financial ratio benchmarks, reflecting the company's steady cash flows from its low-risk, rate-regulated electric and gas utility operations and regulatory risk management.

Liquidity: Adequate

We assess AM's liquidity as adequate because we believe its liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and meet cash outflows even with a 10% decline in EBITDA. Our assessment also reflects the company's generally prudent risk management, sound relationships with banks, and a generally satisfactory standing in credit markets.

Principal Liquidity Sources	Principal Liquidity Uses
• Estimated cash FFO of about $1.1 billion; and • Estimated $1 billion credit facility availability.	• Capital spending of about $800 million; • Dividends to parent of about $350 million; • Working capital outflows of roughly $20 million; and • Debt maturities, including outstanding commercial paper, of roughly $380 million.

Other Credit Considerations

The stand-alone credit profile on AM incorporates a one-notch negative adjustment based on our expectation that its financial measures will be near the lower end of the indicative range for an intermediate financial risk profile.

Group Influence

Under our group rating methodology, we assess AM to be a core subsidiary of Ameren Corp., reflecting our view that AM 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 AM from its parent and therefore, our issuer credit rating on AM is in line with Ameren's group credit profile of 'bbb+'.

Ratings Score Snapshot

Corporate Credit Rating

BBB+/Positive/A-2

Business risk: Excellent

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

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 : a-

- **Group credit profile:** bbb+
- **Entity status within group:** Core (-1 notch from SACP)

Issue Ratings

- The 'A-2' short-term rating on AM is based on our issuer credit rating of 'BBB+'.
- We rate the preferred stock two notches below the issuer credit rating to reflect the discretionary nature of the dividend and the deeply subordinated claim if a bankruptcy occurs.

Recovery Analysis

- AM'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.

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, Sept. 21, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria - Corporates - Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 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-