MOODY'S
INVESTORS SERVICE

CREDIT OPINION
6 December 2017

Update

Rate this Research

RATINGS

Union Electric Company

Domicile	St. Louis, Missouri, United States
Long Term Rating	Baa1
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Robert Petrosino CFA +1.212.553.1946
VP-Senior Analyst
robert.petrosino@moodys.com

Jairo Chung +1.212.553.5123
AVP-Analyst
jairo.chung@moodys.com

Gidon Eydelnant +1.212.553.1775
Associate Analyst
gidon.eydelnant@moodys.com

Jim Hempstead +1.212.553.4318
MD-Utilities
james.hempstead@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

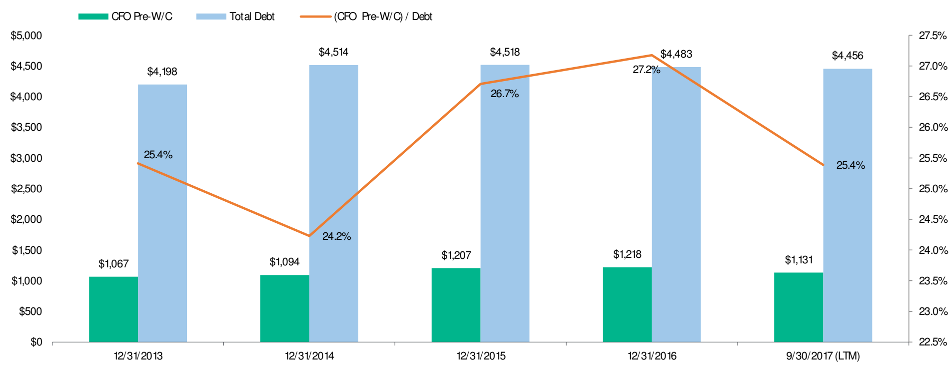
Union Electric Company

Update to Credit Analysis

Summary

Union Electric (UE) Company's (d/b/a Ameren Missouri) credit profile reflects a challenging Missouri regulatory environment and management's success in maintaining relative stability in key credit measures. While the recent rate settlement in MO is a positive sign, regulatory lag remains from the use of a historical test year necessitating the need for frequent rate cases. Importantly, the fuel adjustment clause rider and expense trackers including pension and OPEB, uncertain taxes, environmental and renewable energy standard costs remains in place. Management continues to exercise scrutiny over its capital spend and expenses while maintaining reliability and importantly, a fiscal policy resulting in near free cash flow neutrality.

Exhibit 1
Historical CFO Pre-WC, Total Debt, and CFO Pre-WC to Debt



Source: Moody's Investors Service

Credit Strengths

» Relative stability in key credit measures

» Fiscal policy and financial profile is consistent through various regulatory cycles

Credit Challenges

» Missouri's regulatory environment is challenging but stable.

» Transitioning its predominantly coal generation fleet.

Rating Outlook

The stable outlook reflects Ameren Missouri's consistent financial and credit profile, offset by a challenging regulatory environment in Missouri. Ameren Missouri continues to have a longer regulatory lag for recovering investment capital and expenses. In addition, the stable outlook reflects our expectation that Ameren Missouri's financial metrics will be maintained at the current levels, including cash flow from operations pre-working capital (CFO pre-WC) to debt in the mid-20% range. This financial ratio is strong for similarly rated peers, reflecting the cushion needed for the less than favorable regulatory environment in Missouri.

Factors that Could Lead to an Upgrade

» The rating of Ameren Missouri could be upgraded if the regulatory environment in Missouri improves and the regulatory lag is materially shortened on a sustained basis. Also, if Ameren Missouri is able to maintain strong key credit metrics, such as CFO pre-WC to debt ratio in the high 20% range on a sustained basis, an upgrade is a possibility even without an improvement in the regulatory environment.

Factors that Could Lead to a Downgrade

» A downgrade could be considered if there are any adverse regulatory developments or unsupportive rate case outcomes. Separately, Ameren Missouri's rating could be downgraded if its financial metrics deteriorate and remain weak for the rating, such that CFO pre-WC to debt declined to low 20% range on a sustained basis.

Key Indicators

Exhibit 2

KEY INDICATORS [1]
Union Electric Company

	12/31/2013	12/31/2014	12/31/2015	12/31/2016	9/30/2017(L)
CFO pre-WC + Interest / Interest	5.3x	5.6x	5.9x	6.1x	5.7x
CFO pre-WC / Debt	25.4%	24.2%	26.7%	27.2%	25.4%
CFO pre-WC – Dividends / Debt	14.4%	11.9%	13.9%	19.2%	16.3%
Debt / Capitalization	39.2%	39.9%	39.5%	38.7%	38.3%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Profile

Union Electric Company (d/b/a Ameren Missouri: Baa1 stable) is a vertically integrated utility with a regulated electric generation, transmission and distribution system and a regulated natural gas transmission and distribution system. Ameren Missouri serves more than 1.3 million customers in and around the city of St. Louis, Missouri. Ameren Missouri has generation capacity of about 10,200 MW, comprised of approximately 50% coal, 30% gas, 12% nuclear and 8% renewables. Ameren Missouri is the largest subsidiary of Ameren

Corporation (Ameren: Baa1 Stable), an energy-holding company with regulated utility operations in Missouri and Illinois. Ameren Missouri contributed approximately 58.6% of revenue and 59.9% of earnings in the last twelve months ending September 30, 2017. Ameren Missouri's operations are subject to the purview of the Missouri Public Service Commission (MoPSC).

Detailed Credit Considerations

Stable financial metrics over various regulatory outcomes

We consider the Missouri regulatory environment to be more challenging as regulatory lag continues to weigh on returns. The MoPSC authorizes limited interim base rate recovery mechanisms and requires the use of a historical test year. In UE's rate construct, there are no capital trackers nor does it allow for the inclusion of Construction Work In Process (CWIP) in rate base. The commission has 11 months from the initial rate filing to render a decision. Allowed ROEs are lower than average for integrated electric utilities which is further compounded with the added risk of owning and operating the Callaway nuclear facility. Moreover, the regulatory environment is more contentious than other states due to an active intervener base in Missouri which has led to the seven of the last 10 rate cases for UE being litigated and three settled. To mitigate Missouri's longer regulatory lag, Ameren Missouri has filed frequent rate cases over the last several years.

Exhibit 3

Union Electric's Past Rate Cases

	Increase Requested					Increase Authorized					
Segment	Date	Rate Increase ($M)	Return on Equity (%)	Common Equity to Total Capital (%)	Rate Base ($M)	Date	Decision Type	Rate Increase ($M)	Return on Equity (%)	Common Equity to Total Capital (%)	Rate Base ($M)
Electric	7/1/2016	206.4	9.9	51.80	7,195.26	3/8/2017	Settled	92.0	NA	NA	NA
Electric	7/3/2014	181.2	10.4	51.76	6,976.39	4/29/2015	Fully Litigated	121.5	9.5	51.8	6,976.3
Natural Gas	7/16/2013	1.3	NA	NA	8.03	10/3/2013	Fully Litigated	1.3	NA	NA	NA
Electric	2/3/2012	322.9	10.5	52.3	6,913.0	12/12/2012	Fully Litigated	259.6	9.8	52.3	6,847.0
Electric	9/3/2010	211.2	10.7	52.2	6,709.7	7/13/2011	Fully Litigated	173.2	10.2	52.2	6,620.0
Natural Gas	6/11/2010	11.9	10.5	51.3	244.9	1/19/2011	Settled	9.0	NA	NA	NA
Electric	7/24/2009	286.9	10.8	51.3	6,000.0	5/28/2010	Fully Litigated	229.6	10.1	51.3	6,000.0
Electric	4/4/2008	242.7	10.9	50.9	5,954.2	1/27/2009	Fully Litigated	161.7	10.8	52.0	5,786.8
Electric	7/7/2006	245.4	12.0	52.2	5,637.4	5/22/2007	Fully Litigated	41.8	10.2	52.2	5,637.4
Natural Gas	7/7/2006	10.9	11.5	52.4	218.1	3/15/2007	Settled	6.0	NA	NA	NA

Source: SPGMI

In March 2017, MoPSC issued an order approving a unanimous stipulation and agreement to Ameren Missouri's July 2016 filing. The company requested a rate increase of $206.4 million based on a 9.9% return on equity (ROE) and a 7.71% overall return on an average rate base valued at $7.195 billion. The order authorized a $92mn base revenue increase and the continued use of a Fuel Adjustment Clause which continues the 95%/5% sharing mechanism between customers and shareholders as well as other tracking mechanisms including Pension/OPEB and Renewable Energy Standard Trackers. The MoPSC implicit ROE in the settlement is in the range of 9.2% and 9.7%.

The previous rate case was concluded in April 2015, when the MoPSC authorized a $121.5 million base rate increase based on a 9.53% ROE, which became effective May 2015.

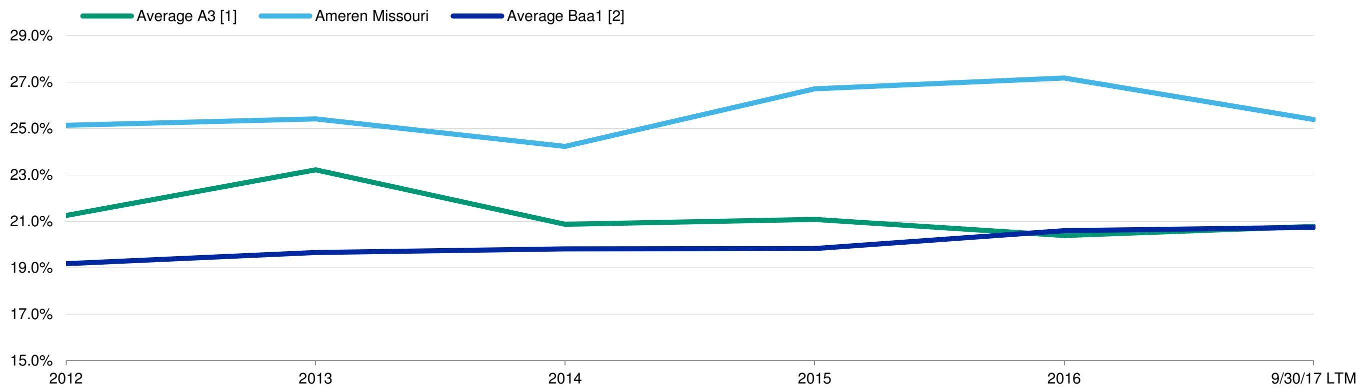
The 2017 legislative session ended May 2017 without any enabling legislation to address the regulatory lag and possible improvements in the state's electric utility framework despite efforts by utilities and legislators as well as recognition by the commission that changes may be warranted. It is expected that these efforts will continue in January 2018's legislative session. Management believes it could invest up to an incremental $1.0 billion in grid modernization capital over the next 5 years under a more constructive regulatory environment.

The exhibit below depicts the strength in Ameren Missouri's key credit measure of CFO pre-WC to Debt as compared to similarly rated vertically integrated peers.

Exhibit 4

Ameren Missouri vs. Average A3 and Baa1 rated Vertically Integrated peers

CFO pre-WC / Debt (%)



[1] A3 peers include Black HIlls Power, Cleco Power, Portland General, Public Service Co of Colorado, Idaho Power, and Public Service Co. of Oklahoma
[2] Baa1 peers include Appalachian Power Co., El Paso Electric, Indiana Michigan Power, KCP&L, Puget Sound, Westar, and Southwest Public Service Co.
Source: Moody's Investors Service

Relative stability in key credit measures and managing to free cash flow neutrality

Although the regulatory outcomes were not all credit supportive, Ameren Missouri's credit metrics have been consistent and stable over the last three years on average with historically little investment disallowed based on prudency, a credit positive. The company generated around $1.1 billion of CFO pre-WC annually between 2014 and LTM 30 September 2017, on average. Its annual capital expenditures ranged $690 million to $854 million during the same period. The company's three-year metrics for the last twelve months (LTM) ending 30 September 2017 are strong for the rating, including 26.8% CFO pre-WC to debt and debt to EBITDA of 3.2x, after Moody's adjustments. Importantly, UE has maintained a strong balance sheet and interest coverage, as well as a balanced dividend policy and capital spend resulting in near free cash flow neutrality. We expect Ameren Missouri to continue to implement a fiscal policy maintaining credit metrics that are appropriate for its rating.

Exhibit 5

Cash Flow and Credit Measures

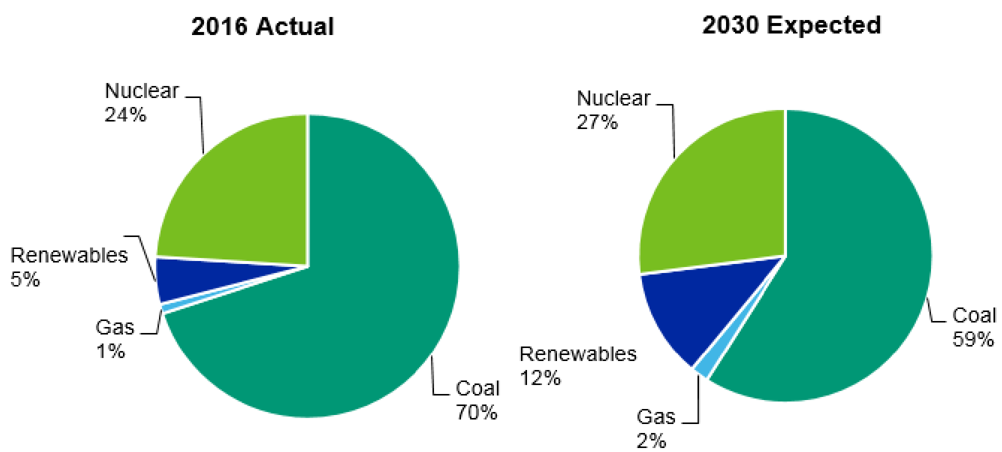
CF Metrics	2012	2013	2014	2015	2016	LTM (09/17)
As Adjusted						
FFO	**1,189**	**964**	**1,151**	**1,082**	**1,138**	**1,062**
- Div	403	463	558	578	358	405
RCF	**786**	**501**	**593**	**504**	**780**	**657**
FFO	**1,189**	**964**	**1,151**	**1,082**	**1,138**	**1,062**
+/- ΔWC	(115)	117	(122)	67	(32)	(14)
+/- Other	(37)	103	(57)	125	80	69
CFO	**1,037**	**1,184**	**972**	**1,274**	**1,186**	**1,117**
- Div	403	463	558	578	358	405
- Capex	696	701	833	691	810	854
FCF	**(62)**	**20**	**(419)**	**5**	**18**	**(142)**
Debt / EBITDA	3.2x	3.0x	3.2x	3.3x	3.2x	3.1x
EBITDA / Interest	5.4x	5.6x	5.8x	5.7x	5.9x	5.9x
FFO / Debt	25.9%	23.0%	25.5%	24.0%	25.4%	23.8%
RCF / Debt	17.1%	11.9%	13.1%	11.2%	17.4%	14.7%

Source: Moody's Investors Service

Transitioning from predominantly coal generation - Increasing investment in renewables

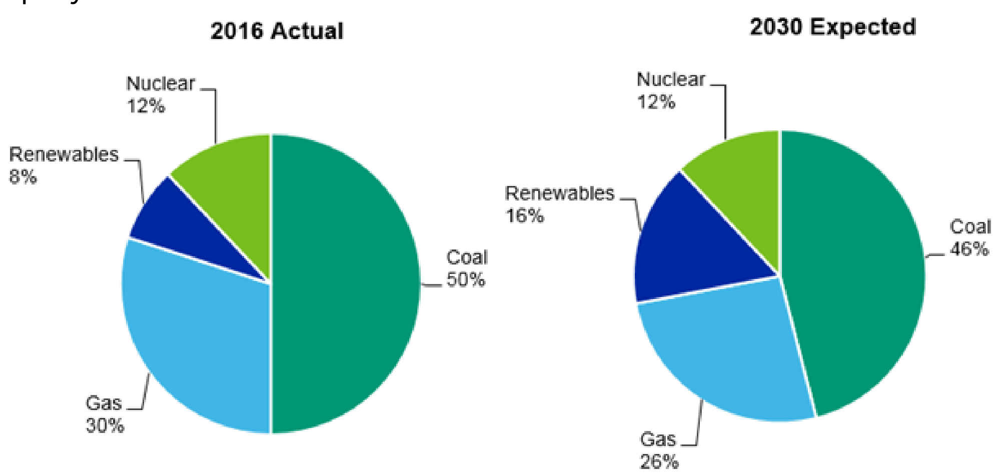
In September 2017, Ameren Missouri filed an updated Integrated Resource Plan (IRP) with the MoPSC. Due to the improvements in technology and lower costs, UE announced that it is planning to expand its portfolio of wind and solar generation in order to service customers and meet the state renewable portfolio standard (RPS) of 15% by 2021. The company plans to add at least 700 MW of wind generation by 2020, as well as 100 MW of solar generation by 2025. This represents a 60% growth in renewables from its previous IRP filed in 2014. While the IRP has no formal approval process, ownership of these resources requires a Certificate of Convenience and Necessity from the MoPSC as well as RTO interconnects. This potential investment in renewable wind resources represents an approximate $1.0 billion capital investment. If UE moves forward, we anticipate it will be financed in concert with its MO regulated capital structure. Importantly, management believes that such investment will comply with the average annual 1% increase cap on rates over a 10-year period and the use of the MO renewable energy rider can mitigate regulatory lag for these potential investments. While these renewable investment considerations are currently under full evaluation, the lower cost of wind and solar investment aides in UE meeting the state's RPS, a positive from a credit perspective.

Exhibit 6
Electricity Produced



Source: Ameren Missouri's 2017 Integrated Resource Plan

Exhibit 7
Capacity Mix



Source: Ameren Missouri's 2017 Integrated Resource Plan

Liquidity Analysis

Ameren Missouri's short-term commercial paper rating is Prime-2 (P-2), and we expect the company will maintain adequate liquidity over the next 12 months.

Ameren Missouri maintains a joint $1.0 billion bank credit facility with the parent under its Missouri Credit Agreement maturing in December 2021, under which it has a borrowing sublimit of $800 million. The credit facility has a financial covenant stating that Ameren and Ameren Missouri must each maintain a total debt to capitalization ratio under 65%. As of 30 September 2017, both companies had debt to capitalization ratios of 51% and 47% (as defined in the credit agreement), respectively, comfortably in compliance with the covenant. There is no material adverse change clause for new borrowings under the facility.

Ameren Missouri had no short-term borrowings under the facility as of 30 September 2017, with the full amount available under its $800 million borrowing sublimit. As of the same period, Ameren Missouri had no commercial paper outstanding, while the parent had $162 million of commercial paper outstanding. In June 2017, Ameren Missouri repaid $425 million of maturing senior secured notes with cash on hand and issued $400 million of long-term debt to pay down the remainder.

Over the next 12 months, we expect Ameren Missouri to generate similar levels of cash flow from operations as it did in the LTM ending third quarter 2017 when it generated approximately $1.1 billion. We also expect its capex to be manageable and funded in concert with its regulated capital structure. Furthermore, the dividend to Ameren, the parent, we expect to be similar to what it has been over the last two years.

Ameren Missouri's next long-term debt maturity is $178.5 million of senior notes due April 2018 and $198.7 million of senior notes due in August 2018. As of 30 September 2017, Ameren Missouri had no cash on hand and it had loaned $18 million into the money pool shared with other entities within the Ameren family.

Rating Methodology and Scorecard Factors

Exhibit 8

Rating Factors				
Union Electric Company				
Regulated Electric and Gas Utilities Industry Grid [1][2]	**Current LTM 9/30/2017**		**Moody's 12-18 Month Forward View As of Date Published [3]**	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	Baa	Baa	Baa	Baa
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Baa	Baa	Baa	Baa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	Ba	Ba	Ba	Ba
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	6.0x	A	5.5x - 6x	A
b) CFO pre-WC / Debt (3 Year Avg)	26.8%	A	23% - 26%	A
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	15.2%	Baa	14% - 17%	Baa
d) Debt / Capitalization (3 Year Avg)	38.7%	A	38% - 40%	A
Rating:				
Grid-Indicated Rating Before Notching Adjustment		Baa1		Baa1
HoldCo Structural Subordination Notching	0	0	0	0
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 9/30/2017(LTM).
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Financial Metrics™

Ratings

Exhibit 9

Category	Moody's Rating
UNION ELECTRIC COMPANY	
Outlook	Stable
Issuer Rating	Baa1
Bkd LT IRB/PC	A2
Senior Secured	A2
Senior Unsecured Shelf	(P)Baa1
Subordinate Shelf	(P)Baa2
Pref. Stock	Baa3
Commercial Paper	P-2
PARENT: AMEREN CORPORATION	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured	Baa1
Commercial Paper	P-2

Source: Moody's Investors Service

Appendix

Exhibit 10

Peer Comparison Table [1]

	Union Electric Company (P)Baa1 Stable			Kansas City Power & Light Baa1 Stable			Portland General Electric Co A3 Stable			Westar Energy, Inc. Baa1 Stable			Idaho Power Company A3 Stable		
(in US millions)	FYE Dec-15	FYE Dec-16	LTM Sep-17	FYE Dec-15	FYE Dec-16	LTM Sep-17	FYE Dec-15	FYE Dec-16	LTM Sep-17	FYE Dec-15	FYE Dec-16	LTM Sep-17	FYE Dec-15	FYE Dec-16	LTM Sep-17
Revenue	$3,609	$3,523	$3,590	$1,714	$1,875	$1,876	$1,898	$1,923	$2,018	$2,459	$2,562	$2,583	$1,268	$1,259	$1,333
EBITDA	$1,390	$1,397	$1,421	$713	$870	$856	$657	$693	$739	$1,002	$1,103	$1,086	$483	$477	$515
(CFO Pre-W/C) / Debt	26.7%	27.2%	25.4%	16.9%	20.0%	18.5%	21.6%	19.3%	21.1%	21.7%	21.5%	21.9%	16.0%	15.1%	18.2%
RCF / Debt	11.2%	17.4%	14.7%	15.9%	14.9%	10.4%	18.1%	16.2%	17.6%	15.8%	15.9%	15.5%	10.5%	10.3%	11.2%
Debt / EBITDA	3.3x	3.2x	3.1x	4.8x	3.9x	4.0x	3.8x	3.9x	3.7x	4.0x	4.1x	4.1x	4.4x	4.6x	4.2x
Debt / Book Capitalization	39.5%	38.7%	38.3%	49.1%	47.6%	47.2%	46.8%	47.4%	46.9%	43.4%	44.8%	43.9%	40.1%	39.4%	38.8%
EBITDA / Interest Expense	5.7x	5.9x	5.9x	4.6x	5.5x	5.3x	4.8x	5.2x	5.2x	5.2x	5.9x	5.5x	4.6x	4.5x	4.8x

[1] All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Las Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade

Source: Moody's Financial Metrics™

REPORT NUMBER 1100559

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454