



Search by:
for: GO!



Home

Products

Sectors

Media

About Fitch

Links

Fitch/Research

Fitch Rates Ameren Notes 'A+'; Rtg Outlook Neg For Ameren & AmerenUE

Exhibit No. 176

Date 7/11/02 Case No.

Reporter TL

07 Dec 2001 12:59 PM

Fitch-Chicago-December 7, 2001: Fitch has assigned a rating of 'A+' to Ameren Corporation's (Ameren) floating-rate notes. The company will issue up to \$250 million. The notes are unsecured obligations and will rank pari passu with Ameren's outstanding unsecured debt. Proceeds will be used to pay down commercial paper. The Rating Outlook is changed to Negative from Stable.

Fitch also affirmed AmerenUE's outstanding ratings as follows: first mortgage bonds at 'AA', senior unsecured notes and pollution control revenue bonds (unsecured) at 'AA-', subordinated debt and preferred stock securities at 'A+'. The commercial paper rating is affirmed at 'F1+'. The Rating Outlook is changed to Negative from Stable.

Ameren Corporation is a holding company that derives its credit strength from the cash flow of its regulated electric utility subsidiaries AmerenUE and AmerenCIPS. AmerenUE operates primarily in Missouri as an integrated electric utility, and AmerenCIPS, in Illinois as an electric transmission and distribution company. There are no restrictions on dividends from any of Ameren's subsidiaries to the holding company. Ameren's trading and wholesale operations are a relatively small portion the company's overall business and primarily markets power from company-owned generation. The Negative Rating Outlook for both entities reflects the potential rate reduction at AmerenUE, which is Ameren's largest subsidiary and accounts for roughly 70% of operating income.

On July 2, 2001, the staff of the Missouri Public Service Commission filed an excess earnings complaint against AmerenUE. The staff recommended a \$214 to \$250 million rate decrease, which equates to a return on equity of roughly 9.04% to 10.04%. Fitch believes it could see a final decision on the pending rate structure by mid-2002. It would be difficult for AmerenUE to offset any rate reduction, since the company has already substantially reduced expenses. Consequently, it is unlikely the company would be able to replicate its very strong performance of the recent past.

Missouri regulation does not permit fuel adjustment clauses for electric utilities. However, AmerenUE has operated under an incentive rate plan that allows it to share earnings above its authorized return on equity of 12.61% with customers. The sharing mechanism provided for an equal sharing between a 12.61% and 14% Return On Equity (ROE). Ratepayers received 90% of the earnings between a 14% and 16% ROE. Anything earned above 16% would be returned to the customers.

AmerenUE's strong financial ratios support its own and its parent's solid credit ratings. Since there could be a substantial change in the earnings level of AmerenUE, Fitch assigned a Negative Rating Outlook to both Ameren Corporation and AmerenUE.

Ameren Corporation (Ameren) is the utility holding company that was formed in December of 1997 to own all the common stock of the merged Union Electric Company (Ameren UE) and Central Illinois Public Service Company (AmerenCIPS).

Contact: Linda DeWine 1-312-606-2306, Chicago or Philip Smyth 1-212-908-0531, New York.

Fitch Rates Ameren Notes 'A+'; Rating Outlook Negative

16 Jan 2002 9:55 AM

Fitch-Chicago-January 16, 2002: Fitch has assigned a rating of 'A+' to Ameren Corporation's (Ameren) fixed rate notes that mature in 2007. The company plans to issue \$100 million unsecured notes that will rank pari passu with Ameren's outstanding unsecured debt. Proceeds will be used to pay down commercial paper. The Rating Outlook is Negative.

Ameren Corporation derives its credit strength primarily from the cash flows of its regulated electric utility subsidiaries AmerenUE (senior secured debt rated 'AA') and AmerenCIPS (senior secured debt rated 'A'). AmerenUE, an integrated electric operating utility in Missouri accounts for roughly 70% of Ameren's consolidated operating income. AmerenCIPS is an electric transmission and distribution (T&D) company with no generating assets or commodity price risk. The generating assets and supply risk were transferred to an affiliated entity, AmerenEnergy Generating Company.

The primary credit concern is the pending rate case for AmerenUE. If the state commission lowers tariff for AmerenUE as recommended in July 2001, by roughly \$213 million to \$250 million, that rate reduction would significantly impact the company's currently strong financial ratios.

Also in 2002, Ameren plans to construct two combustion turbine generating facilities totaling 710 megawatts (470 MW at unregulated entities and 240 MW at its regulated entity). In 2004 and in 2005, Ameren will construct 325 megawatts in each of the two years. The construction expenditures could place further pressures on financial measures.

Missouri regulation does not permit fuel adjustment clauses for electric utilities. However, AmerenUE has operated under an incentive rate plan that allows it to share earnings above its authorized return on equity of 12.61% with customers. The sharing mechanism provided for an equal sharing between a 12.61% and 14% Return on Equity (ROE). Ratepayers received 90% of the earnings between a 14% and 16% ROE. Anything earned above 16% would be returned to the customers. It is still uncertain if the state commission will retain the revenue sharing plan for Ameren.

AmerenUE's strong financial ratios support its own and its parent's solid credit ratings. Since there could be a substantial change in the earnings level of AmerenUE, Fitch assigned a Negative Rating Outlook to both Ameren Corporation and AmerenUE.

Ameren Corporation (Ameren) is the utility holding company that was formed in December of 1997 to own all the common stock of the merged Union Electric Company (AmerenUE) and Central Illinois Public Service Company (AmerenCIPS).

Contact: Linda DeWine 1-312-606-2306, Chicago; or Philip Smyth 1-212-908-0531, New York.

Copyright © 2001 by Fitch, Inc., One State Street Plaza, New York, New York 10004. All rights reserved.
Terms of Use Disable Popup Menus