Moody's
INVESTORS SERVICE

Rating Action: Moody's downgrades Ameren Genco senior unsecured rating to B2 and assigns Ameren Genco a Corporate Family Rating of B2; ratings under review for further downgrade

Global Credit Research - 10 Jan 2013

New York, January 10, 2013 -- Moody's Investor Services today downgraded Ameren Energy Generating Company (Ameren Genco)'s senior unsecured rating to B2 from Ba3. At the same time, Ameren Genco was assigned a Corporate Family Rating (CFR) and Probability of Default Rating of B2. The downgrade follows the announcement on December 20, 2012, which triggered the review for downgrade, that Ameren Genco's parent company, Ameren Corp. (Ameren; Baa3/stable), will reduce and eventually eliminate support to Ameren Genco. Ameren Genco's ratings remain under review for further downgrade, pending additional clarity regarding the pace of the support withdraw.

"The withdrawal of support represents a significant change of Ameren group strategy towards Ameren Genco," said Toby Shea, Vice President. "Today's downgrade and continuing review reflects Ameren Genco's weak stand-alone metrics and uncertainty over its sustainability as a standalone entity."

Ameren Genco was assigned a Speculative Liquidity Rating of SGL-3 to note the weak liquidity and poor financial flexibility of the company on a standalone basis over the next 12 to 18 months. In the short term liquidity is supported by the put agreement, as further described below; but Ameren Genco does not have assured access to Ameren group liquidity facilities, and its liquidity may weaken further if the funding from the put agreement is consumed.

Rating Assigned:

Ameren Energy Generating Company

Ameren Genco Corporate Family Rating at B2 (on review for possible downgrade)

Ameren Genco Probability of Default Rating at B2 (on review for possible downgrade)

Ameren Genco Speculative Grade Liquidity Rating at SGL-3

Ratings Downgraded:

$275 million Senior notes Series F 7.95% due 2032 downgraded to B2 (on review for possible downgrade) (LGD 4, 51%), from Ba3 (on review for possible downgrade)

$300 million Senior notes Series H 7.00% due 2018 downgraded to B2 (on review for possible downgrade) (LGD 4, 51%), from Ba3 (on review for possible downgrade)

$250 million Senior notes Series I 6.30% due 2020 downgraded to B2 (on review for possible downgrade) (LGD 4, 51%), from Ba3 (on review for possible downgrade)

RATINGS RATIONALE

Ameren Genco's B2 senior unsecured rating is primarily driven by its shrinking financial resources and declining parent support in a depressed power price environment. While the company has no debt maturity until 2018 and, according to Moody's projection, may be roughly free cash flow neutral in 2013, its financial flexibility is diminishing as the parent has announced that the Genco is no longer a core component of its future business strategy. The company's entire cash on hand, which was about $57 million (including receivables from the money pool) at the end of September 30, 2012, is needed to accommodate working capital swings. As indicated in its latest quarterly filing, the expectation is that Ameren Genco will be unable to incur additional borrowings from external sources by the end of first quarter 2013, due to an interest coverage ratio covenant in its bond indenture.

As a result, Ameren Genco's primary source of liquidity for contingencies is a put agreement guaranteed by Ameren Corp. The put agreement, which expires in March 2014, allows Ameren Genco to raise a minimum of

$100 million within one business day by exercising an option to sell three gas power plants to its affiliate, Ameren Energy Resources Generating. Ameren Genco could receive more if the plants are independently assessed to be worth more than $100 million. Alternatively, the company could sell one or more of the gas assets to an unaffiliated entity without exercising the put agreement. Ameren Genco could in theory sell its coal assets to bolster liquidity, but this option is not likely to be a material credit positive over the near term since market conditions for coal-fired generation assets appear to be in severe distress.

The need to exercise the put agreement could come from additional working capital requirements as the parent company reduces its financial guarantee of Ameren Genco's trading positions or if there is a reduction to operating cash flow due to unforeseen events, such as a major plant outage. Commodity price risk should not be a major issue as Ameren Genco's power and fuel are highly hedged for 2013. It is worth noting that, in Moody's projection, a significant portion of Ameren Genco's cash flow in 2013 is associated with the funding created by monetizing Ameren Genco's tax loss position through a tax sharing agreement with other Ameren affiliates. Should the tax benefits expected by Moody's fail to materialize, Ameren Genco's cash flows and liquidity position could weaken.

Ameren Genco's ratings remain under review for possible downgrade given the level of uncertainty over the extent and timing of the withdrawal of parent company support on trade positions and working capital, as well as the amount of proceeds Ameren Genco will receive from its put agreement, if exercised. Ratings could be downgraded further if we determine that the combination of ongoing parent company support and the liquidity provided by the put agreement will not provide the company with adequate operational and financial flexibility going forward.

The principal methodology used in this rating was Unregulated Utilities and Power Companies published in August 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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