MOODY'S INVESTORS SERVICE

Credit Opinion: Ameren Energy Generating Company

Global Credit Research - 14 Jan 2013

St. Louis, Missouri, United States

Ratings

Category	Moody's Rating
Outlook	Rating(s) Under Review
Corporate Family Rating	*B2
Senior Unsecured	*B2/LGD4
Speculative Grade Liquidity	SGL-3
Parent: Ameren Corporation	
Outlook	Stable
Issuer Rating	Baa3
Senior Unsecured	Baa3
Subordinate Shelf	(P)Ba1
Pref. Shelf	(P)Ba2
Commercial Paper	P-3

* Placed under review for possible downgrade on January 10, 2013

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Key Indicators

[1]**Ameren Energy Generating Company**

	LTM 09/30/2012	2011	2010	2009
(CFO Pre-W/C + Interest) / Interest	3.2x	4.2x	3.8x	4.9x
(CFO Pre-W/C) / Debt	14.1%	23.3%	24.2%	22.5%
RCF / Debt	17.2%	26.5%	25.4%	19.5%
FCF / Debt	-2.4%	8.0%	20.3%	-9.1%

[1] All ratios calculated in accordance with the Unregulated Utilities and Power Companies Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Highly challenging gas price environment for coal plants

- Declining parent support and financial flexibility

- No major capital expenditure or debt maturity until 2018

- Liquidity supported by a put agreement guaranteed by Ameren Corp

Corporate Profile

Ameren Energy Generating Company (Ameren Genco) is an unregulated generating subsidiary of Ameren Corporation (Baa3 senior unsecured, stable outlook) with approximately 4.2 Gigawatts (GW) of generating capacity located in Illinois. Ameren Genco's capacity is comprised of 2.9 GW (68%) baseload coal plants and 1.3 GW (32%) gas peaking plants. The coal plants generate most of the energy (>95%), with the gas plants providing incremental supply during peak demand.

Ameren Corp. operates its merchant operation as one unit, which includes Ameren Genco, Ameren Energy Resources Generating (AERG) and Ameren Energy Marketing (AEM). Ameren Energy Resources Company is an intermediate holding company that owns all of Ameren Corp.'s merchant subsidiaries. Within the merchant operation, Ameren Genco is the only rated entity.

Rating 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 projections, may be roughly free cash flow neutral in 2013, its financial flexibility is diminishing as the parent has announced that Ameren Genco is no longer a core component of its future business strategy. Ameren Genco's primary source of liquidity to accommodate contingencies is derived from a put agreement guaranteed by Ameren Corp. The put agreement allows Ameren Genco to raise a minimum of $100 million within one business day by selling three of its gas plants to its merchant affiliate, AERG. The existence and the availability of the put agreement is critical to the current rating level.

DETAILED RATING CONSIDERATIONS

- Highly challenging gas price environment for coal plants

Coal-fired generation in the MISO (Midwest Independent System Operator) region is operating in a challenging environment primarily because gas prices, which once lifted the overall price of power, have declined significantly over the past several years. While gas prices have recovered somewhat from a low in 2012, they are expected to remain depressed for the foreseeable future due to market fundamentals driven by the glut of shale gas supply. Other exacerbating factors include large environmental capital outlays for coal plant portfolios, the abundance of surplus capacity and anemic demand growth. Since MISO is dominated by coal capacity and many of the plants are struggling financially, recovery could come sooner if some of the larger coal plants were to shut down. To materially change these market fundamentals, however, the amount of capacity shut down would have to be at least a few gigawatts.

- Tax monetization is an important cash flow contributor in 2013

Ameren Genco's hedging program has thus far allowed the company to generate enough cash flow to support interest payments. In 2013, though still highly hedged, Moody's does not expect cash flow from power sales to fully cover cash interest expense. But the demand on additional liquidity due to shortfall in free cash flow is expected to be modest because, in our view, Ameren Genco could monetize a significant amount of its tax loss position through a tax sharing agreement with other Ameren affiliates. Should the tax benefits we expect fail to materialize, Ameren Genco's cash flows and liquidity position could weaken.

- No major capital expenditure or debt maturity until 2018

Ameren Genco has no debt maturity or major capital expenditure until 2018. In September 2012, the Illinois Pollution Control Board granted Ameren Genco's request to postpone compliance for sulfur dioxide emission under the Illinois Multi-Pollutant Standard (MPS). The Illinois decision delays a tightening of state pollution control standards and delays major equipment installation milestone related to Newton Scrubber to September 2019. Though Ameren Genco will still need to maintain a baseline level of expenditures for the next three years, the bulk of the capital expenditure will occur in 2018 and 2019.

Liquidity

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.

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.

The need to exercise the put agreement could come from additional working capital requirements as Ameren Corp. 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.

Alternatively, the company could sell one or more of the gas assets to an unaffiliated entity without exercising the put agreement. Should the company choose this alternative, the put agreement would cease to be effective in its current form and Moody's would re-evaluate the rating based on the liquidity generated from the sales.

Rating Outlook

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 trading 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.

What Could Change the Rating - Up

Due to the declining parent support and poor outlook for coal assets, the potential for upgrade is minimal.

What Could Change the Rating - Down

Any additional pressure on liquidity could result in a downgrade. Potential events include an accelerated drop in parent support for working capital needs and trading positions, the failure of cash flow to materialize to levels incorporated in our current expectations, or the termination of the put agreement

Rating Factors

Ameren Energy Generating Company

Power Companies [1][2]	**LTM 09/30/2012**			**Moody's 12-18 month Forward View* As of January 2013**	
Factor 1: Market Assessment, Scale and Competitive Position (20%)	**Measure**	**Score**		**Measure**	**Score**
a) Market and Competitive Position (15%)		Ba			Ba
b) Geographic Diversity (5%)		Ba			Ba
Factor 2: Cash Flow Predictability of Business Model (20%)					
a) Hedging strategy (10%)		B			B
b) Fuel Strategy and mix (5%)		B			B
c) Capital requirements and operatinal performance (5%)		B			B
Factor 3: Financial policy (10%)		B			B
Factor 4: Financial Strength - Key Financial Metrics (50%)					
a) CFO pre-WC + Interest / Interest (15%) (3yr Avg)	3.8x	Baa		2.5x - 3.0x	Ba
b) CFO pre-WC / Debt (20%) (3yr Avg)	20.3%	Ba		7% - 10%	B

c) RCF / Debt (7.5%) (3yr Avg)	21.9%	Baa	7% - 10%	Ba
d) FCF / Debt (7.5%) (3yr Avg)	6.7%	Ba	0% - (3)%	B
Rating:				
a) Indicated Rating from Grid		Ba3		B1
b) Actual Rating Assigned		B2		B2

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 09/30/2012(LTM); Source: Moody's Financial Metrics