

BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

IN THE MATTER OF:)
)
AMENDMENTS TO 35 ILL.ADM.CODE 225:)
CONTROL OF EMISSIONS FROM LARGE)
COMBUSIONS SOURCES (MERCURY)
MONITORING))
)
)
)

R09-10
(Rulemaking – Air)

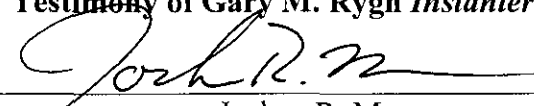
NOTICE OF FILING

To:

John Therriault, Assistant Clerk
Illinois Pollution Control Board
James R. Thompson Center
Suite 11-500
100 West Randolph
Chicago, Illinois 60601

Persons on the Attached Service List

PLEASE TAKE NOTICE that we have today electronically filed with the Office of the Clerk of the Pollution Control Board **Ameren Energy Generating Company's Motion to File Testimony of Gary M. Rygh *Instanter***, copies of which are herewith served upon you.



Joshua R. More

Dated: February 5, 2009

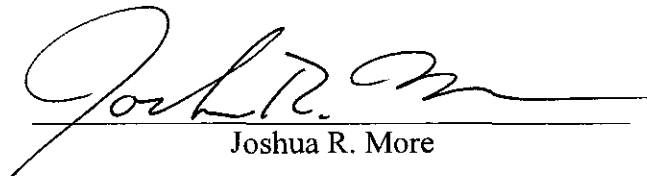
Joshua R. More
SCHIFF HARDIN, LLP
6600 Sears Tower
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312-258-5500

CERTIFICATE OF SERVICE

I, the undersigned, certify that on this 5th day of February, 2009, I have served electronically the attached **Ameren Energy Generating Company's Motion to File Testimony of Gary M. Rygh *Instante***, upon the following persons:

John Therriault, Assistant Clerk
Illinois Pollution Control Board
James R. Thompson Center
Suite 11-500
100 West Randolph
Chicago, Illinois 60601

and electronically and by first class mail, postage affixed, upon persons on the attached Service List.


Joshua R. More

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6600 Sears Tower
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(R09-10)

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MONITORING)) **(Rulemaking – Air)**
)
)
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AMEREN ENERGY GENERATING COMPANY'S
MOTION TO FILE TESTIMONY OF GARY M. RYGH *INSTANTER*

Pursuant to 35 Ill. Adm. Code 101.500 and 101.628(b), Ameren Energy Generating Company, Amerenenergy Resources Generating Company, and Electric Energy, Inc (collectively, "Ameren") respectfully move to file Gary M. Rygh's testimony *instanter*. In support of this Motion, Ameren states as follows:

1. Pursuant to the December 23, 2008 Hearing Officer Order, Michael Menne pre-filed testimony on behalf of Ameren.
2. Mr. Menne's pre-filed testimony indicates that he conferred with several individuals, including Gary M. Rygh, and that those individuals would be available to answer questions regarding the testimony. Mr. Menne's pre-filed testimony was intended to synthesize the testimonies of each of Ameren's witnesses and to provide the Board and other interested parties with a clear and concise statement about Ameren's proposed amendment and its position and analyses in support of the proposed amendment.
3. Since the filing of Mr. Menne's pre-filed testimony, Mr. Rygh has developed written testimony in support of Ameren's proposed amendment, which will allow the Board and

other interested parties to more fully understand the economic conditions that have triggered Ameren's request to amend the rule.

4. Under Board rules:

Any participant may submit written statements relevant to the subject matter at any time prior to hearing or at hearing. Participants submitting such a statement will be subject to cross-examination by any party.

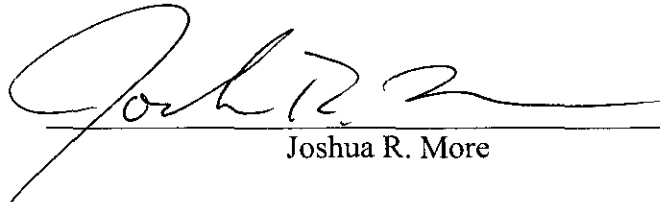
35 Ill. Adm. Code 101.628(a)

5. Mr. Rygh's pre-filed testimony consists of five double space pages and is being submitted three days following the February 2, 2008 deadline to pre-file testimony. Mr. Rygh's pre-filed testimony is attached hereto as Attachment A. Considering the short length of the testimony and the fact that all parties will have at least 4 days to prepare questions for Mr. Rygh, there is sufficient time to allow Ameren to file Mr. Rygh's testimony *instanter*.

WHEREFORE, Ameren respectfully requests that the Board grant Ameren's request to file Mr. Rygh's testimony *instanter*.

AMEREN ENERGY GENERATING
COMPANY, AMERENENERGY RESOURCES
GENERATING COMPANY, and ELECTRIC
ENERGY, INC.,

by:



Joshua R. More

Dated: February 5, 2009

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Chicago, Illinois 60606
312-258-5500
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Attachment A

BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

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TESTIMONY OF GARY M. RYGH

I. BACKGROUND AND QUALIFICATIONS

My name is Gary M. Rygh. My business address is 745 Seventh Avenue - 25th Floor, New York, New York 10019-6801. I am employed by Barclays Capital Inc. as a Senior Vice President. Barclays Capital Inc. (“Barclays Capital”) is the investment banking division of Barclays Bank PLC, a leading global financial institution with over \$2.5 trillion of total assets. I have been employed by Barclays Capital since July of 2007. Prior to joining Barclays Capital I served in a similar role at Morgan Stanley beginning in 1998.

I am currently a Managing Director in the Global Power and Utility Group. Our group is responsible for the corporate finance related analysis and strategic and capital markets transactions in the utility and power sectors. I have been in the utility, power and energy investment banking business for over 13 years. I have worked extensively on strategic merger and acquisition assignments, debt and equity capital markets transactions and other corporate finance related assignments in the electric, water and gas utility sectors.

II. SUMMARY OF TESTIMONY

I would like to address the following issues:

- The current state of, and outlook for, the financial markets as it pertains to Ameren's unregulated generating companies¹ (referred to collectively as "Ameren") ability to access capital on a cost competitive and reliable basis over the next several years.
- In Illinois, Ameren operates in an unregulated environment and therefore is unable to absorb capital expenditures into a regulated rate-based recovery mechanism.

Ameren's ability to earn a reasonable rate of return on capital employed is subject to highly volatile market forces as opposed to utility regulation. This uncertainty is highly detrimental when Ameren seeks external financing to fund its capital plan. In addition, the credit ratings of Ameren's only rated entity, Ameren Energy Generating Company ("Genco"), place it at the low-end of investment grade which negatively impacts its ability to attract financing on a reasonably priced basis. Accordingly, Ameren faces considerable challenges in procuring reasonably priced capital from investors (both equity and debt), particularly given the state of the capital markets today and for the foreseeable future.

- Financing becomes more challenging for companies like Ameren which shares a higher risk profile than traditional regulated power companies. The capital markets are effectively not accessible for companies similar to Ameren at this time.
- Energy companies, including Ameren, have extremely large capital needs given the requirement for environmental compliance. These companies will be competing for the capital they need in difficult capital markets.

¹ "Ameren" has been defined to include Ameren Energy Generating Company ("Genco"), Ameren Energy Resources Generating Company ("AERG"), and Electric Energy Inc. ("EEI"). Only Genco has credit ratings.

III. AMEREN'S ACCESS TO EXTERNAL CAPITAL IS CHALLENGED

- Both the credit and equity markets have been extremely volatile over the last eighteen months with sharply increasing risk premiums. The cost of capital has risen dramatically in many sectors and access to capital and credit has been severely limited. Even investment grade companies have not been immune from broader financial market issues and turmoil. The robust credit markets that had prevailed until the summer of 2007 will likely not be experienced for some time (if ever again).
- Against this backdrop, Ameren has a significant need for external financing to fund its capital programs. In total and over the next ten years, Ameren will spend between \$2.2 and \$2.8 billion to support environmental construction projects.

In these difficult times where access to capital is highly challenged, companies such as Ameren need to strategically manage their capital expenditures and carefully control expenses. Ameren's current austerity measures include hiring freezes in all but essential jobs, reductions in the consultant workforce and the cancellation of all discretionary spending.

IV. GENCO'S CREDIT RANKING

Long-term financing of environmental expenditures for the Illinois generation business segment is dependent on the creditworthiness of Ameren, including Genco. The summary below shows the relative placement of Genco in the ratings scale used by both S&P and Moody's for investment grade rankings.

**Genco's Credit Ratings
(Standard and Poor's and Moody's)**

Standard and Poor's Senior Unsecured Credit Ratings	Moody's Senior Unsecured Credit Ratings
AAA	Aaa
AA+	Aa1
AA	Aa2
AA-	Aa3
A+	A1
A	A2
A-	A3
BBB+	Baa1
BBB	Baa2
BBB- Genco	Baa3 Genco
Junk Bond Status	

Investment Grade

Genco's lowest investment grade rating places it in a higher risk profile in relation to other investment ranked companies. Because Genco will compete with more highly- rated companies for access to capital, Ameren can expect significant difficulty in accessing available capital and, assuming such capital is available, pricing costs associated with any such financings will be significantly higher than precedent financings. In addition, the power sector and the associated volatility of its earnings, which are tied to commodity pricing has been especially difficult for investors recently.

Due to the significant rise estimated in capital expenditures over the next several years, almost every company in the energy sector is in need of external financing. With the considerable spread concession of new issues in the past several months, the market will likely continue to have a difficult time absorbing the new issue supply that is expected in the near future.

VI. POWER PRICES ARE DROPPING AT THE SAME TIME COSTS ARE INCREASING

Sales of power from Ameren generating units and the associated power prices are the source of cash flow and earnings for Ameren's unregulated generation. These power prices began a precipitous drop in July 2008 and have continued to fall. At the same time, coal prices which are the major fuel expense for Genco have increased significantly compared to the 2006 to 2007 period when the MPS was forged. The combined effect of this is to lower predicted operating margins and reduce cash flow available to cover operating costs of infrastructure development.

Investors' willingness to provide long-term, permanent financing to unregulated power producers such as Ameren is based in large part on future power price expectations and estimates of financial performance. In recent months, future power prices have moved down sharply. The deteriorating economy will likely exacerbate these conditions. The detrimental impacts of this downturn can be seen given the dearth of long-term, permanent financings of unregulated generating entities since the summer of 2008.

VII. CONCLUSION

The combination of severe economic downturn, significantly constrained credit markets, rising material and labor costs and the extreme competition for what little financing is available speaks to the economic pressures facing Ameren. Granting the relief would allow Ameren to defer a small portion of its overall environmental capital commitment during a period when even stable companies, like Ameren, face severe constraints on its ability to finance ongoing operations. This deferral will allow Ameren to maintain its financial health and be better positioned to comply with its environmental obligations in the future.