

STATE TAX COMMISSION OF MISSOURI

FILED
June 1, 2011
Data Center
Missouri Public
Service Commission

CERTIFICATION

I, Sandy Wankum, being the Administrative Secretary of the State Tax Commission of Missouri and, as such, the custodian of records, do hereby certify that the attached documents are true and accurate copies of the Petition for Rehearing in State Tax Commission's Appeal No. 10-02 In the Matter of the Original Assessment of Union Electric Company d/b/a AmerenUE v. Marilyn Baumhoer, Manager of Original Assessment found in the State Tax Commission's files.

As proof thereof, I hereunto set my hand and affix the seal of the State Tax Commission at Jefferson City, Missouri on this 22nd Day of April, 2011.

Sandy Wankum

Sandy Wankum
Administrative Secretary



MRA Exhibit No. 500
Date 5-3-11 Reporter JL
File No. ER-2011-1028

STATE TAX COMMISSION

STATE OF MISSOURI

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LEGAL SECTION
STATE TAX COMMISSION

In the Matter of the Original Assessment of:)
)
 UNION ELECTRIC COMPANY)
 d/b/a AMERENUE)
)
 Petitioner)
)
 v.)
)
 STATE TAX COMMISSION OF MISSOURI)
)
 Respondent)
)

Appeal No. _____

PETITION FOR REHEARING
ON BEHALF OF UNION ELECTRIC COMPANY d/b/a AMERENUE

Petitioner, Union Electric Company d/b/a AmerenUE,¹ with counsel, (“Ameren”), for its Petition against the State Tax Commission of Missouri (the “Commission”), brings this petition for rehearing on the Commission’s original assessment determination and in support thereof alleges as follows:

1. **Appeal of Original Assessment.** Ameren hereby appeals the original assessment entered by the Commission on July 21 2010. A copy of the Certification of Value is attached hereto as Exhibit A.
2. **Name and Address.** The name and business address of Ameren to which notice of hearing may be mailed is as follows:

Union Electric Company d/b/a AmerenUE
 One Ameren Plaza
 Attn: Scott Huber

¹ Union Electric Company DBA AmerenUE, a subsidiary of Ameren Corporation, is also sometimes referred to as Union Electric Company, AmerenUE, Ameren UE, Ameren – Electric Company, and Union Electric Company/AmerenUE. For clarification and ease of reference, the term “Ameren” used herein encompasses each of these alternative names.

1901 Chouteau Avenue
PO Box 66149, MC 1310
St. Louis, MO 63166-6149

With a copy to:

Bose McKinney & Evans LLP
Attn: Thomas M. Atherton
111 Monument Circle, Suite 2700
Indianapolis, IN 46204

3. **Standing**. Pursuant to MO. REV. STAT. §138.420 (2010) and 12 CSR 30-2.021(B), Ameren is entitled to a rehearing on the final original assessment before the Commission.
4. **Timeliness**. Ameren's Petition is timely under all applicable statutes and regulations. The Commission certified the original assessment on July 21, 2010. See Exhibit A, at page 3. Ameren timely filed the present Petition on August 19, 2010, pursuant to 12 CSR 30-2.021(D).
5. **Reasoning**. The Commission should change or modify the original assessment for the reasons set forth herein:
 - a. **The Commission's final estimate of fair market value is unsupported by evidence and conflicts with the Commission's own estimates of value under the three approaches.**

Utility property is assessed at thirty-two percent (32%) of the fair market value of distributable property. MO. REV. STAT. §137.115.5(3) (2010). The Commission's Certification of Value established a total assessed valuation of \$1,225,649,532 as the taxable value of Ameren's distributable property. In support of the Commission's Certification of Value, the Commission prepared an Appraisal Report, attached hereto as Exhibit B (Appraisal Report of Ameren UE #307, As of January 1, 2010, Prepared for the State Tax Commission, The Original Assessment

Section, State Tax Commission of Missouri (July 16, 2010)). The Appraisal Report, which was provided to Ameren on July 16, 2010, concludes the fair market value of all of Ameren's property as of January 1, 2010, is \$6,200,000,000. Certain allocations and deductions were taken from this \$6.2 billion figure to arrive at a total assessed value of \$1,225,649,532 for Ameren's distributable property. This conclusion is unsupported by the evidence and conflicts with the Commission's own fair market value estimates set forth in the Appraisal Report.

As prescribed by the Commission, the Appraisal Report applies three (3) different approaches to estimate the fair market value of Ameren's property: (1) the Income Approach; (2) the Market Approach; and (3) the Cost Approach. See State Tax Commission of Missouri Assessor Manual, Chapter 3.0 Original Assessment, at III - 3 (the "Assessor Manual").² The Commission's Appraisal Report estimated the fair market value of Ameren's total property under each of these approaches as follows:

Market Value Estimates	
Income Approach	\$5,843,606,289
Market Approach	\$5,645,276,228
Cost Approach (After adjustments)	\$6,049,655,619

As explained in the portion of the Assessor Manual that specifically applies to Original Assessments by the Commission, "[u]tilizing more than one method provides a better indication of value and provides a 'check' on each of the other methods." *Id.* Each approach must be weighed and analyzed through the correlation process. To complete the correlation process, the "appraiser should not assign a specific weight to each approach, nor simply average the approaches, but should

² The Assessor Manual is available at http://www.stc.mo.gov/pdf/030_CHAPTER3.pdf.

place the most emphasis on the approach or approaches [in] which the appraiser has the most confidence while relying on the other approaches for support.” *Id.* Bearing in mind these basic tenets of appraisal theory, one would expect that the correlated estimate of fair market value of Ameren’s property would fall somewhere within the range of \$5.6 - \$6.0 billion. Notwithstanding the Appraisal Report’s indicated range of \$5.6 - \$6.0 billion, the Appraisal Report concludes that the fair market value of Ameren’s total property is \$6.2 billion, which is \$200 million to \$600 million above the fair market value for Ameren’s property under the three approaches required by the Assessor Manual.

Ameren repeatedly requested, but has not yet received any documentation to support the several hundred million dollar increase in the Commission’s final estimate of fair market value. See Exhibit C (Ameren’s Correspondence with Commission dated July 26, 22, and 13, 2010). Such a significant unexplained increase bears no reasonable relationship to the estimates of fair market value prepared by the Commission or Ameren under each of the three approaches. The Commission’s final estimate of fair market value is not supported by the evidence in this matter and must be reduced to reflect a fair and reasonable estimate of fair market value.

b. The Commission’s final value estimate of fair market value arbitrarily departs from the Assessor Manual and the Commission’s Original Assessment standards.

It is within the Commission’s discretion to adopt the evaluation methods it deems proper. See In the Matter of the Original Assessments of Aircraft of Ozark Air Lines, et. al. vs. State Tax Commission of Missouri, 1980 WL 5219, at *4 (Mo.

St. Tax. Com. 1980) (Concluding that the formulas adopted and applied by the Commission did not fail to arrive at true tax value). With respect to the original assessments of utility property, the Commission has established a process for appraising and assessing public utility property at fair market value as set forth in the Assessor Manual, issued by the Commission.

The Assessor Manual for Original Assessments requires that the fair market value of originally assessed property be estimated by correlating all three approaches (Income, Market, and Cost) to estimate the fair market value of property. Indeed, the Commission has consistently applied this approach in the past to reach a final fair market value estimate of Ameren's property. See Exhibit D, (Chart, STC Assessments of AmerenUE, 2006 – 2010). As illustrated by Exhibit D, the Commission's final correlated fair market value of Ameren's total value historically falls within the range of value estimates yielded under each of the approaches. For the present tax year, however, the Commission's conclusion of fair market value is several hundred million dollars above the Cost Approach indication of value, which in turn was the highest conclusion of value under any of the three approaches. The Commission's failure to reasonably correlate the final determination of the fair market value based on the three approaches is inconsistent with the standards for performing Original Assessments established by the Commission as set forth in Assessor Manual.

c. **The Commission improperly disregarded Ameren's evidence of fair market value and depreciation.**

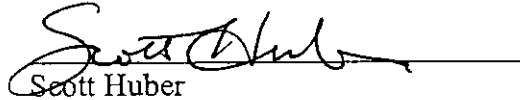
The Commission's final estimate of fair market value of Ameren's property not only conflicts with the Commission's own fair market value estimates set forth in

the Appraisal Report, but also disregards Ameren's own evidence of value, previously submitted to the Commission. The evidence of fair market value submitted by Ameren is largely consistent with the estimates of fair market value reached under each of the three approaches presented in the Commission's Appraisal Report, ranging from \$5.6 - \$6.0 billion. Additionally, the Commission's conclusion that the fair market value of Ameren's total property is \$6.2 billion, fails to reflect all forms of depreciation.

6. **Relief.** For the reasons set forth above, Ameren is entitled to the relief from the original assessment by the Commission in the form of a reduction in the final estimate of fair market value of Ameren's total property to \$5.8 billion or less and a corresponding reduction in the Commission's Certification of Value therefor.

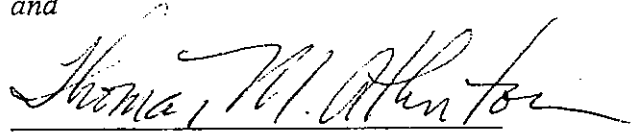
WHEREFORE, Ameren prays for a rehearing on the Commission's original assessment, that the same be vacated and set aside, that the Commission change or modify the original assessment in accordance herewith, and for all further just and proper relief.

Respectfully Submitted,



Scott Huber
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Associate General Counsel for Ameren

and



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BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204
(317) 684-5000
tatherton@boselaw.com
(Indiana Bar No. 17169-49)
(Illinois Bar No. 0078670)
Counsel for Ameren,
Petition for Admission Pro Hac Vice pending

I swear and affirm, under penalties of perjury, that the foregoing representations are true.



Scott Huber

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing has been served upon the Respondent by first class, registered, United States mail, postage prepaid, this ~~18~~¹⁹ day of August, 2010:

State Tax Commission of Missouri
P.O. Box 146
Harry S Truman State Office Building
301 West High Street
Room 840 Jefferson City, MO 65102



Scott Huber