

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. EF-2025-0246, Union Electric Company, d/b/a Ameren Missouri

FROM: Karen Lyons, Utility Regulatory Manager, Auditing Dept.

/s/ Karen Lyons 05/12/2025

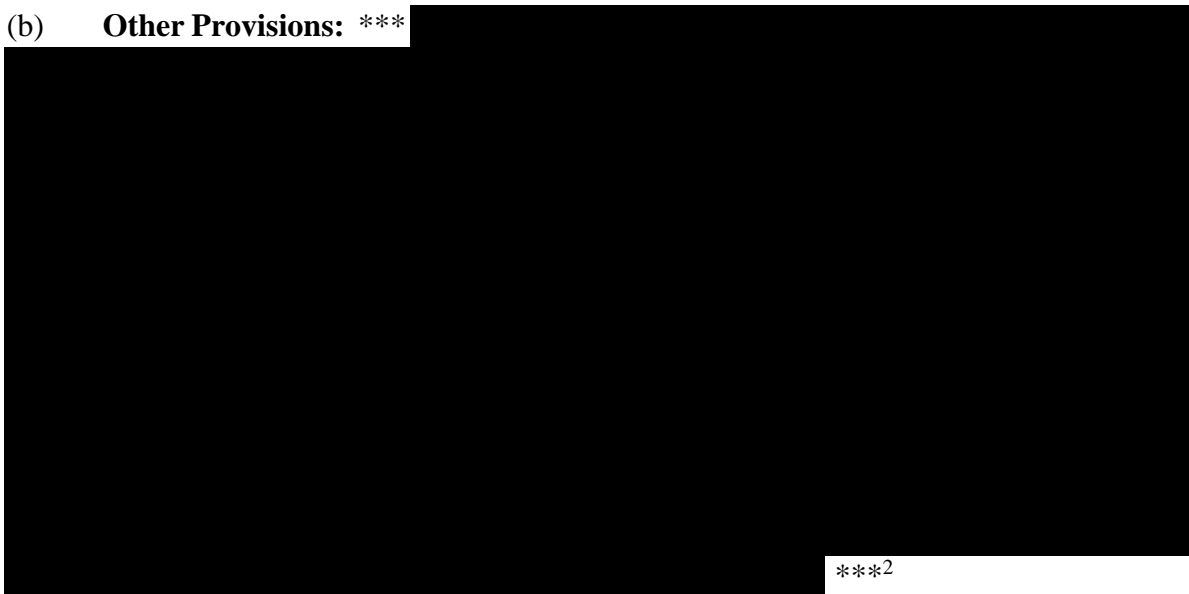
Financial and Business Analysis Division / Date

SUBJECT: Staff Recommendation for Approval of Union Electric Company's, d/b/a Ameren Missouri, Application to convey to and lease back from Audrain County, Missouri certain land and improvements and to issue, execute and perform the necessary agreements and instruments under Chapter 100, RSMo, for the purpose of implementing payments in lieu of taxes for the benefit of the company's customers.

DATE: May 12, 2025

1. (a) **Type of Issue/Transaction:** Ameren Missouri Agreement(s) with Audrain County to (1) convey the Vandalia Project site and the improvements thereon (the "subject property") to Audrain County in exchange for Audrain County's issuance of taxable industrial development revenue bonds in an amount up to \$60,000,000 and a trust indenture between Audrain County and a corporate trustee and to (2) lease the Vandalia Project site from Audrain County to Ameren Missouri for a term of approximately 25 years.¹

(b) **Other Provisions:** ***



¹ Application, Paragraphs 7-9.

² Application, Schedule B-HC, Section I, Section IV.A., Section IV.C., Section IV.D., and Section IV.G.

2. **Statement of Purpose of the Issue:** The proposed conveyance and lease arrangement of the Vandalia Project site is being used to provide economic incentives to Audrain County, and Audrain County's ownership of the Vandalia Project during the term of the bonds and lease is expected to result in property tax savings to Ameren Missouri as compared to property taxes that would otherwise be due under state law, offset by annual payments in lieu of taxes ("PILOT Payment" or "PILOT") as provided in the Grant Agreement.³

OVERVIEW AND COMMENTS:

Ameren Missouri is a public utility engaged in providing electric and gas utility services in portions of Missouri under the jurisdiction of this Commission. Ameren Missouri has no pending action or final unsatisfied judgment or decision against it from any state or federal agency or court which involves customer service or rates within three years of the date of the Application, other than matters currently pending before the Commission, and Ameren Missouri has no overdue annual report or assessment fees.

On March 10, 2025, Union Electric Company, d/b/a Ameren Missouri ("Ameren Missouri", "Company", or "Applicant") filed an application with the Missouri Public Service Commission ("Commission"), seeking authority to convey to and lease back from Audrain County, Missouri, certain land and improvements known as the Vandalia Project site, and to issue, execute, and perform the necessary agreements and instruments (including such that constitute evidence of Applicant's indebtedness) under Sections 100.010 through 100.200 RSMo., and Article VI Section 27(b) of the Missouri Constitution, for the purpose of implementing PILOTs for the benefit of the Company's customers (the "Application").⁴ Ameren Missouri states in its Application at page 3, Paragraph 6:

As detailed below, Chapter 100 arrangements allow project owners to implement PILOT arrangements in lieu of paying property taxes otherwise called for by state law, to the benefit of customers, since all PILOT arrangements are designed to result in net PILOT payments that are less than the property tax payments that would otherwise be required by state law.

The Applicant further states in its Application at pages 4-5, Paragraph 9:

The Company will transfer the Vandalia Project to the County pursuant to a special warranty deed and bill of sale. Concurrently with the issuance of the bonds, the County will lease the Vandalia Project pursuant to the lease between the County and the Company. The lease terms will be the same as the final maturity of the bonds and will be net lease, with the Company being responsible for rental payments in an amount sufficient to pay the debt service on the bonds. The Company will be responsible to maintain, insure, operate and pay any taxes related to the Vandalia Project. The Company will have the option, at any time

³ Grant Agreement, as used in this Memorandum, refers to those documents contained in Application, Schedule E.

⁴ Application, page 1.

during the term of the lease, to terminate the grant agreement early, and to purchase the County's interest in the Vandalia Project upon providing for the payment equal to the outstanding balance of the principal of and interest on the bonds. Additionally, at the end of the 25-lease term, the Company must purchase the County's interest in the Vandalia Project by paying a nominal fee to the County. During the term of the lease, the Company: (a) will be responsible to operate and control the Vandalia Project; (b) has the right, at its own expense, to make certain additions, modifications or improvements to the Vandalia Project; (c) may assign its interests under the agreement or sublease the Vandalia Project while remaining responsible for payments under the leases; (d) covenants to maintain its corporate existence during the term of the bonds; and (e) agrees to indemnify the County for any liability the County might incur as a result of its participation in the transactions. The Company will record the lease as a capital lease on its accounting books and records.

Staff applies the "not detrimental to the public interest" standard to financing applications. In reviewing the request associated with this Application, this proposed transaction has the potential to result in lowered rates to consumers as a result of property tax savings to Ameren Missouri.

ANALYSIS OF TRANSACTION:

Ameren Missouri will convey the subject property to Audrain County pursuant to a special warranty deed and Audrain County will lease the subject property to Ameren Missouri; the lease will allow Ameren Missouri to operate and control the Vandalia Project site as if it held full legal title. The lease requires Ameren Missouri to make lease payments to Audrain County; however, Audrain County is obligated to make matching bond payments to the bondholder. Ameren Missouri will become the bondholder as part of the proposed transaction. The lease payments and bond payments offset each other for no net revenue impact on either Ameren Missouri or Audrain County. Consequently, the Chapter 100 financing arrangement is not executed to procure additional funds and the payments that Ameren Missouri makes on the lease does not result in any cash outflow.

Ameren Missouri can acquire title to the Vandalia Project site at any time before the expiration of the lease term by paying the nominal sum of *** [REDACTED] ***. If Ameren Missouri does so, the only economic impact to Ameren Missouri is that it will lose the property tax savings it would have realized over the remaining life of the bond.

Ameren Missouri will record the Chapter 100 arrangement as a liability (Capital Lease Obligation) on its books. Because this liability is supported by Ameren Missouri's investment in the bond issued by Audrain County and the payments made on this bond are based solely on the capital lease payments made to Audrain County by Ameren Missouri, the measurement of this amount is immaterial from a ratemaking standpoint.

If Ameren Missouri were to sell its interest in the bond to a third party, Ameren Missouri could be raising additional funds for use in its operations. The cost of these funds would depend on Ameren Missouri's sale price for the remaining bond payments. If Ameren Missouri were to execute such a transaction, then this cost could be considered in Ameren Missouri's cost of capital for ratemaking purposes. Although Staff understands Ameren Missouri does not intend to sell the bond for additional funds, Staff believes it appropriate to condition approval of this transaction to ensure this does not occur without Commission approval.

Ameren Missouri asserts this transaction is not detrimental to the public interest due to the property tax savings Ameren Missouri will realize of approximately *** [REDACTED] ***. If these annual property tax savings continue through the end of the expected lease term (December 31, 2050) the total savings will amount to approximately *** [REDACTED] ***. The transaction is a benefit to Audrain County, as it will receive an annual PILOT payment of *** [REDACTED] *** for the first year. The annual PILOT payments increase each year by *** [REDACTED] ***.

If the Chapter 100 financing of the Vandalia Project site is ever held to be illegal, Ameren Missouri may unwind the Chapter 100 financing and forego the annual property tax savings of approximately *** [REDACTED] ***. To the extent that this advantage is reflected in future rates, it would be realized by ratepayers. However, if it is discontinued, then this could be an additional cost to serve Ameren Missouri customers.

RECOMMENDED CONDITIONS:

Staff recommends that the Commission approve the Application submitted by Ameren Missouri in this case as not detrimental to the public interest as Ameren Missouri states in its Application at pages 5-6, Paragraph 10, subject to the following conditions:

1. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, and that the Commission reserve the right to consider the rate making treatment to be afforded the financing transaction and its impact on cost of capital, in any later rate proceeding;
2. That Ameren Missouri shall continue to record the land and improvements that are the subject of this transaction as a regulatory asset on its books similar to other utility property it owns;
3. That Ameren Missouri shall record the investment described above in accordance with the Uniform System of Accounts as adopted by the Commission for record keeping purposes;

4. That Ameren Missouri shall depreciate the solar energy farm at the annual rate approved by the Commission in Case ER-2024-0319⁵ until such time the Commission orders different depreciation rates;
5. That Ameren Missouri shall seek and obtain Commission approval before it transfers any of the rights it holds pursuant to the lease where such rights are necessary or useful in the provision of regulated utility service, including the right to purchase the Vandalia Project site at the end of the lease; and,
6. That Ameren Missouri shall not sell its rights to the Bond Purchase Agreement acquired through its acquisition of the Vandalia Project site without Commission approval.

⁵ Case No. ER-2024-0319, Stipulation and Agreement, Exhibit E.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of Union Electric)
Company d/b/a Ameren Missouri for an Order)
Authorizing Applicant to Convey to and Lease Back)
From Audrain County, Missouri, Certain Real Property)
And Improvements and to Execute and Perform the)
Necessary Agreements Under Section 100.010 Through)
100.200, RSMo, for the Purpose of Constructing)
Applicant's Electric Generating Facility in Audrain)
County, Missouri)


File No. EF-2025-0246

AFFIDAVIT OF KAREN LYONS

STATE OF MISSOURI)
) ss
COUNTY OF Jackson)

COMES NOW KAREN LYONS, and on her oath states that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.


Further the Affiant sayeth not.



KAREN LYONS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 7th day of May 2025.



Notary Public

B. L. STIGGER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES JANUARY 2, 2028
JACKSON COUNTY
COMMISSION #24332661