KANSAS CITY POWER & LIGHT COMPANY

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KANSAS CITY, MISSOURI 64141

December 30, 1986

BERNARD J. BEAUDOIN
VICE PRESIDENT-FINANCE

FILED
DEC 31 1986
PUBLIC SERVICE COMMISSION

Mr. William Harrelson
General Counsel
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102

Re: Case No. AO-87-48;
Provision of Nonconfidential
Information

Dear Mr. Harrelson:

On December 15, 1986, KCPL filed its required Report in this case under seal, because it contained confidential and proprietary information. You have requested that KCPL extract from the Report information deemed nonconfidential and provide it in a separate document. Without in any way waiving its claim that the Report contains confidential and proprietary information and should not be disclosed, KCPL provides the following extracted information.

While there are many provisions of the Tax Reform Act of 1986 (TRA) that are applicable to KCPL, KCPL considered only the six most significant changes in the tax law for purposes of the Report: the change in the maximum corporate income tax rate; changes in investment tax credit provisions; the corporate minimum tax; taxability of unbilled revenues; the general business credit-limitation against tax; and changes in the capitalization rules for self-constructed property. Changes in depreciation provisions have an effect primarily upon the classification of income taxes as either currently payable or deferred. The other changes in the TRA were deemed by KCPL to have no significant effect on KCPL's income tax calculations.

KCPL performed certain corporate financial projections for the period 1987-1990 and applied the provisions of the TRA as understood at this time thereto. Although KCPL considers much of these projections to be confidential and proprietary, it is willing to disclose the income tax components of such calculations.

Current income taxes are projected to be higher by $13.8 and $2.2 million in 1987 and 1988. A major reason for the increase is that a lesser amount of investment tax credit (ITC) carryforward can be used to offset current tax liability. Other reasons include the increase to taxable income over four years for the

December 31, 1986, balance of unbilled revenues, as well as each year's annual unbilled revenue increment, and the elimination of the deduction allowed under prior law for capitalized construction period interest, pension, payroll and property taxes.

Current income taxes projected for 1989 and 1990 are lower by $9.3 million and $10.8 million because of the reduction of the corporate income tax rate to 34% and the utilization of ITC carryforward delayed into 1989.

Deferred income taxes are projected to decrease because of the TRA changes by $10.8 million, $13.6 million, $13.1 million and $13.5 million in 1987-1990 because of the elimination of capitalized construction period items and the reduction in the corporate tax rate. Investment tax credit utilized (net of amortization) under the TRA is reduced in 1987 and 1988 by $14.1 million and $12.9 million and reduced by $4.7 million in 1989 and 1990 because of the reduced tax rates, the repeal of the ITC credit, the delay in utilization of the ITC carryforward caused by the new alternate minimum tax limitations and the 35% reduction in the value of ITC carryforward.

The total projected corporate effects of TRA are to reduce projected book income taxes by $11 million in 1987, $24 million in 1988, $27 million in 1989 and $29 million in 1990.

Very truly yours,

B J Beaudoin

B. J. Beaudoin

BJB:cg
cc: Don Low, KCC