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PUBLIC SERVICE COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the investigation of the revenue effects of the Tax Reform Act of 1986	))))	Case No. AO-87-48

REPORT OF KANSAS CITY POWER & LIGHT COMPANY

By its Order dated November 3, 1986, the Missouri Public Service Commission established Case No. AO-87-48 to investigate the revenue effects upon Missouri utilities of the Tax Reform Act of 1986 (TRA). The Commission ordered Missouri utilities to file certain reports and proposals in writing by December 15, 1986. In compliance with this Order, Kansas City Power & Light Company (KCPL) hereby submits its Report.

(A) Introduction

TRA was enacted by President Reagan on October 22, 1986. The bill is a complex document over 2000 pages in length, requiring review for technical corrections and clarification of transition rules. Attached as Schedule 1 to this response is a brief summary prepared by Reid & Priest of the "Income Tax Provisions As Applicable to Investor-Owned Electric Utility Industry", comparing the provisions under the old law to the new law, and noting as well the effective date of the new provisions.

While all the provisions in Schedule 1 are applicable in principle to KCPL, not all those provisions were incorporated into this response because their effects on income taxes are not significant. Only the following numbered provisions in Schedule 1 were taken into consideration in preparing the effect of TRA on Missouri jurisdictional revenue requirements:

1. Maximum Corporate Income Tax Rate
3. Investment Tax Credit
6. Capitalization Rules for Self-Constructed Property

Provision 2, Depreciation, applies to property placed in service after December 31, 1986. This tax law change has minimal effect on total revenue requirements; it affects only the proportion of taxes classified between currently payable and deferred taxes.

While some uncertainty still exists as to the applicability of the transition rules, KCPL's response is based on the effective date listed for each provision in Schedule 1.

(B) Impact on KCPL

In developing its response to the impact on electric and steam revenue requirements, KCPL relied on a 1985 calendar year cost of service adjusted for Commission findings on allowed rate of return, and in the case of electric operations Wolf Creek plant disallowances and return adjustments for excess capacity in its Report and Order of April 23, 1986 in Case Nos. EO-85-185 and EO-85-224. The current 1986 tax law (pre-TRA) was applied to this cost of service to establish a Base Case from which to measure changes in revenue requirements due to TRA. KCPL considers this information proprietary and requests that it be kept confidential pursuant to Section 386.480, RSMO 1978. Supporting material and other assumptions will be made available to the Staff upon request. KCPL personnel are ready to discuss this information with Staff as needed.

(1) Impact on Electric Revenue Requirements

Schedule 2 is a summary of Missouri jurisdictional electric revenue requirements for the Base Case, the TRA change effective in 1987, and the TRA change effective in 1988. Schedule 3 reflects the detailed calculations of these three cases. The jurisdictional allocation factors used in this Report are consistent with those accepted and adopted in Case Nos. EO-85-185 and EO-85-224.

(a) Base Case - 1986 Tax law

Schedule 2, Column 1, line 34 shows a Missouri jurisdictional electric revenue deficiency for a cost of service based on a 1985 calendar test year and the current 46% corporate tax rate to be \$96.7 million.

(b) Base Case - Adjusted for 1987 TRA changes

Schedule 2, Column 2, line 34 shows a Missouri jurisdictional electric revenue deficiency of \$81.6 million, a deficiency decrease of \$15.1 million from the Base Case. The major reason for the decrease is a decline in the corporate tax rate from 46% in 1986 to a blended tax rate of 40% in 1987.

(c) Base Case - Adjusted for 1988 TRA changes

Schedule 2, Column 3, line 34 shows a Missouri jurisdictional electric revenue deficiency of $69.3 million, a deficiency decrease of $27.4 million from the Base Case. Again, the major reason for the decrease is a decline in the corporate tax rate from 46% in 1986 to 34% in 1988.

(2) Impact on Steam Revenue Requirements

Schedule 4 is a summary of Missouri steam revenue requirements for the Base Case, the TRA change effective in 1987, and the TRA change effective in 1988. Schedules 5 reflects the detailed calculations of these three cases.

(a) Base Case - 1986 Tax law

Schedule 4, Column 1, line 28 shows a Missouri jurisdictional steam revenue requirement deficiency for a cost of service based on a 1985 calendar test year and the current 46% corporate tax rate to be $4.86 million.

(b) Base Case - Adjusted for 1987 tax law changes

Schedule 4, Column 2, line 28 shows a Missouri jurisdictional steam revenue deficiency of $4.67 million, a deficiency decrease of $.19 million from the Base Case. The major reason for the decrease is a decline in the corporate tax rate from 46% in 1986 to a blended tax rate of 40% in 1987.

(c) Base Case - Adjusted for 1988 TRA changes

Schedule 4, Column 3, line 28 shows a Missouri jurisdictional steam revenue deficiency of $4.52 million, a deficiency decrease of $.34 million from the Base Case. Again, the major reason for the decrease is a decline in the corporate tax rate from 46% in 1986 to 34% in 1988.

(3) Impact on Deferred Tax Reserves

TRA requires the continuation of the normalization rules under existing law. The loss of accelerated depreciation tax benefits will result if associated deferred tax reserves considered "excess" because of the rate change from 46% to 34% are flowed back faster than over the remaining book life of the associated property using the "average [tax] rate assumption method." Investment tax credit benefits will be lost if unamortized investment tax credits are flowed back to the ratepayers more rapidly than permitted under existing law. These reserves fall in the category of "restricted reserves."

(a) Unamortized investment tax credit (ITC)

The entire Missouri jurisdictional unamortized ITC is in the "restricted" category.

	R=Restricted U=Unrestricted	12/31/85 Actual	12/31/85 New law
Unamortized ITC	R	$62,257,414	$62,257,414

(b) Deferred taxes

All accelerated depreciation deferred tax reserve balances resulting from taxes provided at Federal rates of 46% or less are "restricted." All other reserves are unrestricted. The summary below compares actual 12/31/85 jurisdictional deferred tax reserve balances to the reserve requirement using effective tax rates based on federal rates of 46%, 40% and 34%. Plant deferred tax reserve requirements are based on the South Georgia Method adjusted for the "restricted" reserves. (The South Georgia Method is used to determine the required deferred tax reserves assuming full normalization of timing differences.) Non-plant deferred tax reserve requirements are also restated using these rates. The summary shows significant unfunded deferred tax reserves using effective tax rates based on a 46% federal tax rate. The summary indicates that the actual reserves are still deficient, even based on the lower effective tax rates. No change in our existing method of amortization of deferred tax reserves is required in order to comply with TRA.

Deferred Tax Reserves	R=Restricted U=Unrestricted	12/31/85 Actual
Plant		
Liberalized Depreciation	R	$ 96,389,478
Liberalized Depreciation	U	(7,208,676)
Other	U	94,287,011
Non-Plant	U	251,257
		$183,719,070

	12/31/85 Restated Required Reserve Using Effective Tax Rate Based on Federal Rate of		
	46%	40%	34%
Actual	$183,719,070	$183,719,070	$183,719,070
Deficit	30,356,000	16,634,151	2,912,302
Required Deferred Tax Reserves	$214,075,070	$200,353,221	$186,631,372

(c) Impact on Cash Flow

The accelerated flow back of any estimated excess reserve balances will reduce the internal funds available to the Company below that shown on Schedule 7. Such funds would have to be replaced with external financing sources and may delay the refunding of higher coupon securities resulting in a higher overall cost of capital.

(C) Other Information

At Item (6), page 4 of its Order, the Commission directed that "The Company may provide further information which it deems may be advantageous in examining the revenue requirement impact of the tax law change". At the request of the Kansas Corporation Commission (KCC), KCPL is providing corporate information on the projected impact of TRA for the years 1986-1990 on operations, cash flow and construction planning.

In addition to provisions 1, 3 and 6 of Schedule 1 identified in Section A of this report, the following provisions of Schedule 1 were also reflected in the projections contained in Section C of this report:

4. Corporate Minimum Tax
5. Unbilled Revenues
13. General Business Credit - Limitation Against Tax

Provision 4, Corporate Minimum Tax, is applicable for 1987 and later years. Our estimates regarding the minimum tax make certain simplifying assumptions about the complex calculations required in arriving at this tax, including the use of the "50% book income" preference for all five years.

In developing its response to the KCC, KCPL relied on its latest five-year (1986-1990) financial projections for the Company. These projections are based on preliminary 1987-1988 budget information now becoming available in the 1986 budget preparation cycle. Revenues are based on current Kansas rate levels and projected Missouri phase-in levels. The projections were calculated using the current tax law and then again with the new tax law -- the differences reflect the impact of TRA of 1986.

(1) Impact on Operations - Income Statement

Schedule 6, pages 1 and 2 show projected 1986-1990 KCPL income statements before and after TRA changes. Page 3 in the same format shows only the differences attributable to TRA. The following discussion explains how each major line item is affected by the major tax provision changes, and the important fact that at the end of 1986 KCPL expects to have an estimated unused ITC carryforward of about $44 million. The balance of unutilized ITC carryforwards is reduced under TRA by 17.5% at the end of 1986 and another 17.5% at the end of 1987.

(a) Current Income Taxes

Current income taxes are projected to be higher by $13.8 and $2.2 million in 1987 and 1988 under TRA, even though the corporate income tax rate will decline from 46% in 1986 to a blended 40% in 1987 to 34% in 1988.

A major reason for the increase in currently payable income taxes under the new tax law is that a lesser amount of the ITC carryforward can be used to offset current tax liability. Specifically, the ITC carryforward cannot be used to reduce the regular income tax to an amount less than 75% of the new Alternative Minimum Tax calculated for the total company. In addition, the ITC carryforward balance is reduced by 35% by the end of 1987. Other reasons for higher current income taxes include the increase to taxable income over four years for the 12/31/86 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 and $10.8 million under the new tax law because of the reduction of the corporate income tax rate to 34%, and the utilization of ITC carryforward delayed into 1989.

The changes in current income taxes do not reflect an increase in each year due to the new tax depreciation methods under TRA which have not been quantified. These increases in currently payable income tax should approximate the reductions in deferred income taxes for each year.

(b) Deferred Income Taxes

Deferred income taxes are reduced by $10.8, $13.6, $13.1 and $13.5 million in 1987 to 1990 under TRA because of the elimination of aforementioned Schedule M items and the reduction in the corporate income tax rate. Deferred income taxes would be reduced further by the equal amount of increase in current taxes due to the change in depreciation methods noted in (a) above.

(c) Net Investment Tax Credit

Investment tax credit utilized (net of amortization) under the TRA is reduced in 1987 and 1988 by $14.1 and $12.9 million 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 repeal of ITC under TRA also results in a net reduction of $4.7 million in both 1989 and 1990 compared to the old tax law.

(d) Total Impact on Operations

The total estimated 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 -- causing book net income to increase by approximately those same amounts in each respective year.

(2) Impact on Cash Flow

Schedule 7, pages 1 and 2 show the projected 1986-1990 KCPL uses of funds and internal sources of funds before and after TRA. Page 3 shows just the changes attributable to TRA and the following discussion explains each line item change.

(a) Change in Working Capital

TRA causes a net decrease in working capital by $1.0, $5.7, $.8 and $2.4 million in the 1987 to 1990 period. The major contributors to this need for additional funds are the increases in current taxes payable in 1987 and 1988 and the taxability of the 12/31/86 balance in unbilled revenue over the four year period beginning in 1987.

(b) Internal Funds

Internal funds due to retained earnings are increased in the period 1987 to 1990 for the reasons mentioned in section 1(d). The impact on cash flow due to changes in net investment tax credit are discussed in section 1(c). The reduction in deferred income taxes are discussed in section 1(b), however, the cash flow reduction is less than the income statement reduction because of the treatment of unbilled revenue. The taxability of unbilled revenue (elimination as a Schedule M item) is reflected in the income statement, however, in the cash flow statement the unbilled revenue adjustment (which is a component of the change in working capital) shows up as a decrease in working capital requiring additional funds as discussed in section 2(a).

(c) Total Impact on Cash Flow

The overall estimated impact of TRA changes is to reduce the availability of internal funds by $11.3 and $.7 million in 1987 and 1988 and to increase internal funds in 1989 and 1990 by $11.2 and $12.8 million. In all four years TRA decreases working capital (requiring additional funds) by $1.0, $5.7, $.8 and $2.4 million respectively.

(D) Regulatory Treatment of Tax Changes

Because of the extensive changes in TRA and their potential impact on all utilities, there may be a temptation to seek a generic solution to the regulatory treatment of these changes. However, due to the complexities of tax reform changes and their wide ranging impacts on different utilities, it is KCPL's recommendation that each utility be evaluated on a case by case basis. Furthermore, income tax is only one issue among many which must be considered by the Commission to determine a utility's cost of service for ratemaking purposes.

Further, KCPL is now prosecuting its appeal of its Wolf Creek case (Case Nos. EO-85-185 and EO-85-224) before the Cole County Circuit Court. KCPL's brief in the case is due January 9, 1987, under the present schedule. KCPL is currently attempting to commence negotiations with the Staff, the Office of Public Counsel and Industrial Intervenors regarding a Stipulation and Agreement addressing the conditions of a dismissal of its appeal. Such Stipulation and Agreement is expected to resolve several issues, among which could be the accounting impact of the revisions to the Statement of Accounting Standards No. 71 and the effects of the TRA on KCPL. KCPL believes that these negotiations constitute the appropriate forum through which to address the tax law changes specifically applicable to KCPL.

Respectfully submitted,

Kansas City Power & Light Company

By B J Beaudoin

B. J. Beaudoin

Verification

State of Missouri)
) ss
County of Jackson)

On this 12th day of December, 1986, before me, the undersigned, a notary public in and for the county and state aforesaid, came B. J. Beaudoin, Vice President - Finance of Kansas City Power & Light Company, a corporation duly organized, incorporated and existing under and by virtue of the Laws of the State of Missouri, and who is personally known to me to be the same person who executed the written instrument on behalf of said corporation, and such person duly acknowledged the execution of the same to be the free act and deed of said corporation.

Betty Bowsher
Notary Public

My Commission Expires:

Sept. 28, 1988

BETTY BOWSHER
NOTARY PUBLIC STATE OF MISSOURI
CLAY CO.
MY COMMISSION EXP. SEPT 28, 1988
ISSUED THRU MISSOURI NOTARY ASSOC.

Schedule 1

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DIRECT DIAL NUMBER

September 29, 1986

Ladies and Gentlemen:

Enclosed is an analysis entitled:

"Income Tax Provisions
As Applicable to Investor-Owned Electric Utility Industry
General Non-Technical Overview of Various Items."

Raymond F. Dacek

Enclosure

September 25, 1986

Income Tax Provisions
As Applicable to Investor-Owned Electric Utility Industry
General Non-Technical Overview of Various Items

Item	Present law	Tax Reform Act of 1986 (Act): Law	Tax Reform Act of 1986 (Act): Effective Date
1. Maximum corporate income tax rate	1. 46%	1. 34%	1. 7/1/87 (blended rate for 1987)
2. Depreciation	2. Lives, generally 15 years (150% declining balance method)[(1)]	2. Lives a. Nuclear fuel assemblies - 5 years b. Nuclear electric production and combustion turbine production - 15 years c. Other electric "fossil" production and hydro production and transmission and distribution - 20 years[(3)]	2. (2)
3. Investment tax credit (ITC)	3. 10%	3. Repealed	3. (2) (4)
4. Corporate minimum tax	4. Add on tax - 15% rate	4. Alternative tax - 20% rate a. "50% book income" and other preferences[(5)] b. ITC permitted to reduce minimum tax liability by 25% c. Allows minimum tax to be offset against regular tax in later years to extent minimum tax relates to deferral preferences	4. Taxable years beginning after 12/31/86

5. Unbilled revenues	5. Not currently taxable[6]	5. Requirement to accrue earned but unbilled revenues	5. Taxable years beginning after 12/31/86
6. Capitalization rules for self-constructed property	6. Interest, taxes and other costs currently deductible	6. Such costs to be capitalized - uses "avoided cost" concept in determining interest	6. Costs incurred after 12/31/86[7]
7. Contributions in aid of construction	7. Exclusion from gross income (if certain conditions are met)	7. Repealed the exclusion	7. Contributions received after 12/31/86
8. Corporate net long-term capital gains	8. 28% (alternative tax rate)	8. Repealed - thus such gains are taxed at ordinary corporate rates	8. Effective for gain properly taken in account after 12/31/86, without regard to whether the gain is pursuant to a written binding binding contract in effect at any earlier time
9. Reserve method for bad debts	9. Allowed	9. Repealed	9. Effective for taxable years beginning after 12/31/86
10. Discharge of indebtedness income of solvent taxpayers	10. Election to exclude income and make basis adjustment	10. Repealed the election	10. Provision is applicable to discharges of indebtedness occurring after 12/31/86
11. Business meal and entertainment expenses	11. Generally, deductible	11. Generally, only 80% of otherwise allowable business meal and entertainment expenses are deductible	11. Taxable years beginning on or after 1/1/87

12. Dividends received deduction	12. 85%	12. Reduced to 80%	12. Effective for dividends received after 12/31/86
13. General business credit-limitation against tax	13. 85% limitation (tax liability in excess of $25,000)	13. Reduced to 75%	13. Effective for taxable years that begin after 12/31/85
14. Research credit	14. 25% (credit does not apply to expenses paid or incurred after 12/31/85)	14. Rate reduced to 20%, plus other modifications	14. Extends the credit for 3 years
15. ESOP credit	15. ½% of compensation	15. Repealed	15. Effective for compensation paid or accrued after 12/31/86
16. Vacation pay accruals (section 463)	16. Deductions for amounts expected to be paid by close of current year or within 12 months thereafter	16. Changes to within 8½ months thereafter	16. Taxable years beginning after 12/31/86
17. "Tax-exempt" interest	17. Exclusion for interest on bonds issued to finance air or water pollution control facilities	17. Repealed	17. Generally, bonds issued after 8/15/86

Footnotes:

(1) Nuclear electric production, 10 years; nuclear fuel assemblies, 5 years.

(2) Generally, the provisions that modify ACRS apply to all property placed in service after 12/31/86. The provision that repeals the ITC generally is effective for property placed in service after 12/31/85.

Certain exceptions are provided to the general effective dates, in the case of property constructed, reconstructed, or acquired pursuant to a written contract that was binding as of 3/1/86 (12/31/85, for purposes of the ITC), or in other transitional situations. Subject to certain exceptions, the application of the transitional rules is conditioned on property being placed in service by a prescribed date in the future. For purposes of the depreciation transitional rules, the rules do not apply to any property unless the property has an ADR midpoint of 7 years or more and is placed in service before the applicable date, determined according to the following: (1) for property with an ADR midpoint less than 20 years, 1/1/89, and (2) for property with an ADR midpoint of 20 years or more, 1/1/91. For purposes of the ITC transitional rules, the applicable placed-in-service dates are: (1) for property with an ADR midpoint less than 5 years, 7/1/86, (2) for property with an ADR midpoint of at least 5 but less than 7 years, 1/1/87, (3) for property with an ADR midpoint of at least 7 but less than 20 years, 1/1/89, and (4) for property with an ADR midpoint of 20 years or more, 1/1/91.

(3) 200% declining balance method (switching to the straight-line method) for nuclear fuel assemblies; 150% declining balance method (switching to the straight-line method) for the other listed properties.

(4) Special Rules Applicable to the Investment Tax Credit

A taxpayer is required to reduce the basis of property that qualifies for transition relief by the full amount of ITCs earned with respect to the transition property (after application of the phased-in 35% reduction, described below). The full-basis adjustment requirement also applies to credits claimed on qualified progress expenditures made after 12/31/85. The lower basis will be used to compute depreciation deductions, as well as gain or loss on disposition of property.

Under the Act, the ITC allowable for carryovers is reduced by 35%. The reduction in ITC carryovers is phased in with the corporate rate reduction. The 35% reduction is fully effective for taxable years beginning on or after 7/1/87. Taxpayers having a taxable year that straddles 7/1/87, will be subject to a partial reduction that reflects the reduction for the portion of their year after that date. For example, for a calendar year taxable year, the reduction for 1987 is 17.5%. The ITC earned on transition property is reduced in the same manner as carryovers. The rules generally apply only to the portion of an ITC attributable to the regular percentage. Thus, for example, 100% of ITC carryovers may continue to be allowed for funding of an ITC employee stock ownership plan.

As described above, a full basis adjustment is required with respect to the reduced amount of the ITC. Thus, for transition property that is eligible for a 6.5% ITC, the basis reduction would be with respect to the 6.5% credit, not the unreduced 10% credit.

Neither the repeal of the ITC nor the phased-in 35-percent reduction of credits affects credits for qualified progress expenditures (QPEs) claimed with respect to the portion of the basis of any progress expenditure property attributable to progress expenditures for periods before 1/1/86. If a taxpayer elected to take a reduced rate of credit on a QPE basis in lieu of the 50% basis adjustment of present law, the portion of basis attributable to such QPEs, claimed for periods before 1986, will not be reduced and such election will not apply to any other portion of such basis. After 12/31/85, QPEs cannot be claimed unless it is reasonable to expect that the property will be placed in service before the applicable date. The determination of whether it is reasonable to expect that the placement-in-service requirement will be met is to be made on a year-by-year basis, beginning with the first taxable year that includes 1/1/86. For any taxable year in which reasonable expectations change, no QPEs will be allowed, and previously claimed post-1985 QPEs will be recaptured. Further, if the property is not placed in service on or before the last applicable date, post-1985 QPEs will be recaptured in the taxable year that includes such date.

(5) The income base consists of regular taxable income plus preference items. The tax rate is 20%, and there is an exemption amount of $40,000 (phased out at the rate of 25 cents on the dollar for alternative minimum taxable income in excess of $150,000). The preference items include corporate preferences under the present law in addition to a number of new preference items. For "personal property" (i.e., Code section 1245 property) placed in service after 1986 (other than transitional property), a preference will be the excess of regular tax depreciation over "alternative depreciation" which is computed using the 150% declining balance method (switching to straight line) and the ADR midpoint life. For 1987 through 1989, one-half of the excess of pre-tax book income of the taxpayer over other alternative minimum taxable income, is a preference. After 1989, pre-tax book income is replaced for this purpose by earnings and profits, with certain adjustments; the provision provides that alternative minimum taxable income is increased by 75%

of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (before this adjustment).

(6) IRS says currently taxable, <u>if recorded in financial statements</u>.

(7) There is an exception for costs incurred with respect to self-constructed property if substantial construction had occurred before 3/1/86.

<u>Normalization</u>

With respect to depreciation, the Act retains the normalization provisions of present law. In addition, the Act applies a special normalization rule to excess tax reserves resulting from the reduction of the corporate tax rate from 46%. Such excess reserves may not be reduced more rapidly or to a greater extent than such reserves would be reduced under the average rate assumption method.

Relative to the ITC, if the tax benefits of previously allowed ITCs are not "normalized," then certain ITCs will be recaptured. In general, the amount recaptured is the greater of (1) all ITCs for open taxable years of the taxpayer or (2) unamortized credits of the taxpayer or credits not previously restored to rate base (whether or not for open years), whichever is applicable. These rules apply to violations of the relevant "normalization" requirements occurring in taxable years ending after 12/31/85.

Raymond F. Dacek
Reid & Preist

KANSAS CITY POWER AND LIGHT COMPANY
MISSOURI REVENUE REQUIREMENT

	AS ADJUSTED WITH 1986 TAX RATES	AS ADJUSTED WITH 1987 TAX RATES	AS ADJUSTED WITH 1988 TAX RATES
	(1)	(2)	(3)
RATE BASE	$1,340,568,819	$1,340,435,847	$1,340,441,272
RATE OF RETURN	11.7500%	11.7500%	11.7500%
NET OPERATING INCOME REQUIRED	$157,516,836	$157,501,212	$157,501,849
NET OPERATING INCOME AVAILABLE	$89,728,878	$92,758,171	$95,838,264
NET OPERATING INCOME DEFICIENCY	$67,787,958	$64,743,041	$61,663,585
REVENUE CONVERSION FACTOR	1.9566	1.7585	1.5998
SUB-TOTAL	$132,633,919	$113,850,638	$98,649,403
WOLF CREEK RETURN ADJUSTMENT	$35,920,509	$32,283,663	$29,370,147
REVENUE DEFICIENCY	$96,713,410	$81,566,975	$69,279,256

KANSAS CITY POWER & LIGHT COMPANY
MISSOURI TAX REFORM

	ELECTRIC PER BOOKS 12/31/85	ALLOCATED TO MISSOURI BASED ON MO ORDER EO-85-185		MISSOURI JURISDICTIONAL	MISSOURI JURISDICTIONAL ADJUSTMENTS	ADJUSTED MISSOURI JURISDICTIONAL 1986 TAX RATES	ADJUSTED MISSOURI JURISDICTIONAL 1987 TAX RATES	ADJUSTED MISSOURI JURISDICTIONAL 1988 TAX RATES
	(A)	(B)		(C)	(D)	(E)	(F)	(G)
RATE BASE								
WOLF CREEK PLANT NET OF AFDC	$1,360,727,767		65.7000%	$895,073,559	($95,196,609)	$799,876,950	$799,876,950	$799,876,950
GROSS AFDC	$87,973,095		100.0000%	$87,973,095	($7,732,709)	$80,240,386	$80,240,386	$80,240,386
NON-WOLF CREEK PLANT	$1,359,343,628		64.2162%	$872,918,823		$872,918,823	$872,918,823	$872,918,823
TOTAL COMPANY PLANT (1)	$2,808,024,490			$1,855,965,467	($102,929,318)	$1,753,036,169	$1,753,036,169	$1,753,036,169
LESS:								
W. C. ACCUM. PROV. FOR DEPR. (2)	$12,300,207		67.8600%	$8,346,920	($892,052)	$7,454,868	$7,454,868	$7,454,868
OTHER NON W.C. ACCUM.PROV. FOR DEPR.	$439,523,189		64.2575%	$281,547,567		$281,547,567	$281,547,567	$281,547,567
TOTAL COMPANY PROV FOR DEPR	$451,823,396			$289,894,487	($892,052)	$289,002,435	$289,002,435	$289,002,435
WOLF CREEK NET PLANT	$1,436,380,655			$974,699,744	($102,037,266)	$872,662,478	$872,662,478	$872,662,478
NON WOLF CREEK NET PLANT	$919,820,439			$591,371,256	$0	$591,371,256	$591,371,256	$591,371,256
TOTAL NET PLANT	$2,356,201,094			$1,566,071,000	($102,037,265)	$1,464,033,734	$1,464,033,734	$1,464,033,734
DEFERRED TREE TRIMMING	$1,228,767	ASSIGNED		$521,280		$521,280	$521,280	$521,280
WORKING CAPITAL- NUCLEAR FUEL-NET	$32,024,382		69.1000%	$22,128,848		$22,128,848	$22,128,848	$22,128,848
NUCLEAR FUEL- MO GROSS UP	$4,526,335		100.0000%	$4,526,335		$4,526,335	$4,526,335	$4,526,335
FUEL INVENTORY	$35,514,531		69.1000%	$24,540,541		$24,540,541	$24,540,541	$24,540,541
FUEL INVENTORY GRAND AVE	$490,508	ASSIGNED		$0		$0	$0	$0
M & S	$30,917,160		61.8520%	$19,122,263		$19,122,263	$19,122,263	$19,122,263
M & S GRAND AVE	$1,173,494	ASSIGNED		$0		$0	$0	$0
PREPAYMENTS	$2,731,780		64.5220%	$1,762,544		$1,762,544	$1,762,544	$1,762,544
CWC (3)		ASSIGNED		($21,885,694)	($103,341)	($21,989,035)	($22,122,007)	($22,115,582)
TOTAL WORKING CAPITAL	$107,358,190			$50,174,837		$50,271,496	$49,938,524	$49,343,349
LESS: DEFERRED INCOME TAX OFFSET								
LIBERAILIZED DEPRECIATION								
LIB DEPR TO ALLOCATE	$137,222,345		64.9900%	$89,180,802	($2,357,138)	$86,823,664	$86,823,664	$86,823,664
DIRECT KANSAS	$5,874,341	ASSIGNED		$0		$0	$0	$0
DIRECT STEAM HEAT	$356,716	ASSIGNED		$0		$0	$0	$0
GROSS AFDC	$76,601,494		100.0000%	$76,601,494	($7,732,709)	$68,868,785	$68,868,785	$68,868,785
OTHER ELECTRIC	$23,042,655		69.4300%	$15,998,515		$15,998,515	$15,998,515	$15,998,515
OTHER GRAND AVE STATION	$5,409	ASSIGNED		$0		$0	$0	$0
ACCELERATED AMORT	$2,558,124		65.8000%	$1,683,246		$1,683,246	$1,683,246	$1,683,246
TREE TRIMMING	$496,097	ASSIGNED		$251,257		$251,257	$251,257	$251,257
TOTAL DEFERRED INCOME TAX	$246,157,181			$183,715,314		$173,625,467	$173,625,467	$173,625,467
LESS: ADVANCES FOR CONSTRUCTION	$689,829	ASSIGNED		$432,224		$432,224	$432,224	$432,224
TOTAL RATE BASE	$2,217,741,041			$1,432,619,579		$1,340,568,819	$1,340,435,847	$1,340,441,272

INCOME STATEMENT:

REVENUE: (4)	$552,469,197	ASSIGNED		$367,925,025		$367,925,025	$367,925,025	$367,925,026
TOTAL	$552,469,197			$367,925,025		$367,925,025	$367,925,025	$367,925,025
EXPENSES:								
OPERATION & MAINTENANCE	$306,571,357		65.3526%	$202,192,177		$202,192,177	$202,192,177	$202,192,177
GRAND AVE O & M	$1,605,478	ASSIGNED		$0		$0	$0	$0
DEPRECIATION (2)	$57,597,314		65.8700%	$37,339,351	($892,052)	$37,247,299	$37,247,299	$37,247,299
GRAND AVE DEPRECIATION	$616,621	ASSIGNED		$0		$0	$0	$0
TAXES OTHER THAN INCOME TAXES (4)	$28,694,714		64.0400%	$18,376,095		$18,376,095	$18,376,095	$18,376,095
								$0
INCOME TAXES								$0
CURRENTLY PAYABLE	($16,543,279)			($6,815,193)		($569,381)	$529,781	$480,353
DEFERRED TAX PROVISION	$79,081,059			$23,103,830		$25,564,489	$21,411,117	$18,534,411
DEFERRED TAX AMORTIZATION (2)				($2,703,251)		($2,703,251)	($2,703,251)	($2,703,251)
DEFERRED INV TAX CREDIT				$0		$0	$1,024,317	$873,458
DEFERRED ITC AMORT				($2,711,280)		($2,711,280)	($2,711,280)	($2,711,280)
TOTAL EXPENSES	$457,623,873			$275,381,729		$278,196,148	$275,166,855	$272,086,752
NET OPERATING INCOME AS ADJUSTED	$94,845,324			$92,543,297		$89,728,878	$92,758,171	$95,838,254

NOTES:

(1) WOLF CREEK DISALLOWANCE DOES NOT REFLECT THE M & S TRANSFER OR 3-31-85 CUT-OFF ADJUSTMENT.

(2) BOOK ACCUMULATED PROVISION FOR DEPRECIATION, DEPRECIATION EXPENSE AND TAX STRAIGHT LINE HAVE BEEN RESTATED TO REFLECT 2.6% DEPRECIATION RATE AS ORDERED IN CASE NOS. EO-85-185 AND EO-85-224.

(3) CASH WORKING CAPITAL IS CONSISTENT WITH MO. ORDER EO-85-185.

(4) REVENUE AND TAXES OTHER THAN INCOME TAXES HAVE BEEN RESTATED TO REMOVE GROSS RECEIPTS TAXES. MO. JURIS. REVENUE INCLUDES AN ESTIMATED $2,000,000 OF OTHER REVENUE.

THE ACCOUNTING ENTRIES RECORDED ON THE COMPANY'S BOOKS FOR THE CONTINUATION OF CONSTRUCTION ACCOUNTING AS ORDERED ON FEBRUARY 21, 1985 HAVE NOT BEEN REFLECTED IN THIS ANALYSIS.

MISSOURI INCOME TAX CALCULATION			MISSOURI JURIS		ADJ MO JURIS		ADJ MO JURIS		ADJ MO JURIS
REVENUES			$357,925,026		$357,925,026		$357,925,026		$357,925,026
OPERATION AND MAINTENANCE EXPENSE			$202,192,177		$202,192,177		$202,192,177		$202,192,177
DEPRECIATION EXPENSES			$37,939,351		$37,047,299		$37,047,299		$37,047,299
TAXES OTHER THAN INCOME TAXES			$18,376,095		$18,376,095		$18,376,095		$18,376,095
NET INCOME BEFORE TAXES			$109,417,403		$110,309,455		$110,309,455		$110,309,455
MISSOURI SCHEDULE M'S	12/31/85								
PLUS: BOOK EXP NOT DEDUCTED FOR INC TAX									
BOOK DEPR OF PLANT-OTHER	$57,597,314	65.8700%	$37,939,351	($892,052)	$37,047,299	($892,052)	$37,047,299	($892,052)	$37,047,299
BOOK DEPR OF PLANT-GRAND AVE	$616,621	ASSIGNED	$0		$0		$0		$0
NUCLEAR FUEL-AMORT	$6,357,226	69.1000%	$4,738,343		$4,738,343		$4,738,343		$4,738,343
GROSS AFDC	$951,759	100.0000%	$951,759		$951,759		$951,759		$951,759
DEPR CHARGED THRU CLEARINGS	$1,213,104	67.5400%	$819,330		$819,330		$819,330		$819,330
PRULEAGE	$977,995	65.2523%	$638,164		$638,164		$638,164		$638,164
* STORM DAMAGE	$1,456,128	57.0200%	$830,284		$830,284		$830,284		$830,284
BOOK AMORT OF PRIOR VACA LIA	$119,712	65.2522%	$78,115		$78,115		$78,115		$78,115
* TREE TRIMMING	$720,695	57.0200%	$410,940		$410,940		$410,940		$410,940
TOTAL	$70,510,554		$46,406,285		$45,514,234		$45,514,234		$45,514,234
LESS: DEDUCTED FOR INC TAX NOT EXP ON BOOKS									
* HEALTH & WELFARE CAPITALIZED	$638,681	61.0510%	$389,921		$389,921	($389,921)	$0	($389,921)	$0
TAX BASIS DEPR & AMORT.(LIB OR EXCESS):									
TAX DEPR STRAIGHT LINE	$40,245,465	65.2523%	$26,261,092		$26,261,092		$26,261,092		$26,261,092
TAX DEPR STRAIGHT LINE-DIRECT STEAM	$127,996	ASSIGNED	$0		$0		$0		$0
TAX DEPR STRAIGHT LINE-GRAND AVE	$200,494	ASSIGNED	$0		$0		$0		$0
* TAX DEPR EXCESS-DIRECT STEAM	$65,392	ASSIGNED	$0		$0		$0		$0
* TAX DEPR EXCESS-GRAND AVE	$102,430	ASSIGNED	$0		$0		$0		$0
* TAX DEPR EXCESS	$20,560,965	65.2523%	$13,416,503		$13,416,503		$13,416,503		$13,416,503
WOLF CREEK INVESTMENT									
W. C. TAX DEPR NUCLEAR FUEL ST LINE	$3,354,000	65.2523%	$2,188,562						
* W. C. TAX DEPR NUCLEAR FUEL EXCESS	$1,232,000	65.2523%	$803,908		$803,908		$803,908		$803,908
W. C. TAX DEPR STRAIGHT LINE (2)	$8,068,668	65.2523%	$5,264,991	($624,032)	$4,640,959	($624,032)	$4,640,959	($624,032)	$4,640,959
* WOLF CREEK TAX DEPR EXCESS	$66,411,332	65.2523%	$43,334,922	($5,136,275)	$38,198,647	($5,136,275)	$38,198,647	($5,136,275)	$38,198,647
* PENSION COSTS CAPITALIZED	$869,666	61.0510%	$530,940		$530,940	($530,940)	$0	($530,940)	$0
* PAYROLL TAXES CAPITALIZED	$908,102	61.0510%	$554,405		$554,405	($554,405)	$[illegible]	($554,405)	$0
REMOVAL COSTS	$2,360,506	65.2523%	$1,540,284		$1,540,284		$1,540,284		$1,540,284
REMOVAL COSTS-GRAND AVE. DIRECT	$170,553	ASSIGNED							
DIVIDEND PAID CREDIT	$104,040	65.2523%	$67,888		$67,888		$67,888		$67,888
* PROPERTY TAXES CAPITALIZED	$5,308,072	65.7800%	$3,491,650		$3,491,650	($3,491,650)	$0	($3,491,650)	$0

160		----------------		--------------------	----------------	----------------	----------------
161	TOTAL	$150,728,362		$97,945,066	$89,896,197	$84,929,281	$84,929,281
162							
163	LESS: INTEREST EXPENSE			$71,917,583	$67,296,555	$67,289,880	$67,290,152
164				--------------------	----------------	----------------	----------------
165	TAXABLE INCOME			($13,938,880)	($1,369,063)	$3,604,528	$3,604,256
166							
167	FEDERAL INCOME TAXES			($6,068,431)	($596,035)	$1,366,556	$1,160,610
168	LESS: ITC PROVISION			$0	$0	$1,024,917	$870,458
169				--------------------	----------------	----------------	----------------
170	FEDERAL INCOME TAX PROVISION			($6,068,431)	($596,035)	$341,639	$290,152
171	MISSOURI INCOME TAXES			($646,402)	($63,489)	$161,829	$164,390
172				--------------------	----------------	----------------	----------------
173				($6,714,833)	($659,524)	$503,468	$454,542
174	K.C. EARNINGS TAX			($100,360)	($9,857)	$26,313	$26,311
175				--------------------	----------------	----------------	----------------
176							
177	TOTAL INCOME TAXES CURRENTLY PAYABLE			($6,815,193)	($669,381)	$529,781	$480,853
178							
179	* = ITEMS FOR DEFERRED TAX CALCULATION			$61,281,025	$55,144,750	$51,177,834	$51,177,834
180	DEFERRED TAX RATE			47.4924%	47.4924%	41.8367%	36.2157%
181				--------------------	----------------	----------------	----------------
182	PROVISION FOR DEFERRED TAX			$29,103,832	$26,664,489	$21,411,117	$18,534,411
183	DEFERRED TAX AMORTIZATION (2)			($2,703,251)	($2,703,251)	($2,703,251)	($2,703,251)
184	ITC-AMORTIZATION			($2,711,280)	($2,711,280)	($2,711,280)	($2,711,280)
185				--------------------	----------------	----------------	----------------
186	NET DEFERRED TAX			$23,689,299	$21,249,959	$15,996,586	$13,119,880
187							
188	TAX RATE TABLE	1986	1987	1988			
189	FEDERAL INCOME + ITC RATE	43.5360%	37.9122%	32.2011%			
190	MISSOURI STATE	4.6374%	4.4896%	4.5612%			
191	K.C. EARNINGS	0.7200%	0.7300%	0.7300%			
192	DEFERRED	47.4924%	41.8367%	36.2157%			
193							
194							
195							

KANSAS CITY POWER AND LIGHT COMPANY
STEAM REVENUE REQUIREMENT

	WITH 1986 TAX RATES	WITH 1987 TAX RATES	WITH 1988 TAX RATES
	(1)	(2)	(3)
RATE BASE	$7,880,231	$7,880,231	$7,880,231
RATE OF RETURN	11.7500%	11.7500%	11.7500%
NET OPERATING INCOME REQUIRED	$925,927	$925,927	$925,927
NET OPERATING INCOME AVAILABLE	($1,557,090)	($1,730,251)	($1,899,504)
NET OPERATING INCOME DEFICIENCY	$2,483,017	$2,656,178	$2,825,431
REVENUE CONVERSION FACTOR	1.9566	1.7585	1.5998
REVENUE DEFICIENCY	$4,858,271	$4,670,889	$4,520,125

KANSAS CITY POWER & LIGHT COMPANY

TAX REFORM-STEAM

RATE BASE:	ELECTRIC PER BOOKS 12/31/85 (A)	ALLOCATOR BASED ON KCPL FILING HO-86-139 (B)	ELECTRIC ALLOCATED TO STEAM (C)	DIRECT STEAM (D)	TOTAL STEAM 1986 TAX RATES (E)	TOTAL STEAM 1987 TAX RATES (F)	TOTAL STEAM 1988 TAX RATES (G)
WOLF CREEK PLANT NET OF AFDC	$1,360,707,767	0.0692%	$941,610		$941,610	$941,610	$941,610
GROSS AFDC	$87,973,095	0.0000%	$0		$0	$0	$0
NON-WOLF CREEK PLANT	$1,359,343,628	0.0620%	$842,793	$22,416,755	$23,259,548	$23,259,548	$23,259,548
TOTAL COMPANY PLANT	$2,808,024,490		$1,784,403	$22,416,755	$24,201,158	$24,201,158	$24,201,158
LESS:							
W. C. ACCUM. PROV. FOR DEPR. (1)	$12,300,207	0.0610%	$7,507		$7,507	$7,507	$7,507
OTHER NON W.C. ACCUM.PROV. FOR DEPR.	$439,523,189	0.0700%	$307,666	$16,902,815	$17,210,481	$17,210,481	$17,210,481
TOTAL COMPANY PROV FOR DEPR	$451,823,396		$315,173	$16,902,815	$17,217,988	$17,217,988	$17,217,988
WOLF CREEK NET PLANT	$1,436,380,655		$934,103		$934,103	$934,103	$934,103
NON WOLF CREEK NET PLANT	$919,820,439		$535,127	$5,513,940	$6,049,067	$6,049,067	$6,049,067
TOTAL NET PLANT	$2,356,201,094		$1,469,230	$5,513,940	$6,983,170	$6,983,170	$6,983,170
DEFERRED TREE TRIMMING	$1,028,767	ASSIGNED			$0	$0	$0
WORKING CAPITAL- NUCLEAR FUEL-NET	$32,024,382	0.2000%	$64,049		$64,049	$64,049	$64,049
NUCLEAR FUEL- NO GROSS UP	$4,506,335	ASSIGNED	$0		$0	$0	$0
FUEL INVENTORY	$35,514,531	0.2000%	$71,029		$71,029	$71,029	$71,029
FUEL INVENTORY GRAND AVE	$490,508	100.0000%	$490,508		$490,508	$490,508	$490,508
M & S	$30,917,160	0.0633%	$19,571		$19,571	$19,571	$19,571
M & S GRAND AVE	$1,173,494	100.0000%	$1,173,494		$1,173,494	$1,173,494	$1,173,494
PREPAYMENTS	$2,731,780	2.2758%	$62,170		$62,170	$62,170	$62,170
CWC		ASSIGNED	$0		$0	$0	$0
TOTAL WORKING CAPITAL	$107,358,190		$1,880,821		$1,880,821	$1,880,821	$1,880,821
LESS: DEFERRED INCOME TAX OFFSET							
LIBERAILIZED DEPRECIATION							
LIB DEPR TO ALLOCATE	$137,222,345	0.4457%	$611,600		$611,600	$611,600	$611,600
DIRECT KANSAS	$5,874,341	ASSIGNED	$0		$0	$0	$0
DIRECT STEAM HEAT	$356,716	100.0000%	$356,716		$356,716	$356,716	$356,716
GROSS AFDC	$76,601,494	ASSIGNED	$0		$0	$0	$0
OTHER ELECTRIC	$23,042,655	0.0380%	$8,756		$8,756	$8,756	$8,756
OTHER GRAND AVE STATION	$5,409	100.0000%	$5,409		$5,409	$5,409	$5,409
ACCELERATED AMORT	$2,558,124	0.0500%	$1,279		$1,279	$1,279	$1,279
TREE TRIMMING	$496,097	ASSIGNED	$0		$0	$0	$0
TOTAL DEFERRED INCOME TAX	$246,157,181		$983,760		$983,760	$983,760	$983,760
LESS: ADVANCES FOR CONSTRUCTION	$689,829	ASSIGNED	$0		$0	$0	$0
TOTAL RATE BASE	$2,217,741,041		$2,366,291		$7,880,231	$7,880,231	$7,880,231

INCOME STATEMENT:
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REVENUE: (2)	$552,469,197	ASSIGNED	$0	$12,999,024	$12,999,024	$12,999,024	$12,999,024
TOTAL	$552,469,197		$0		$12,999,024	$12,999,024	$12,999,024
EXPENSES:							
OPERATION & MAINTENANCE	$306,571,957	0.5917%	$1,813,965	$11,550,470	$13,364,456	$13,364,456	$13,364,456
GRAND AVE O & M	$1,605,478	100.0000%	$1,605,478		$1,605,478	$1,605,478	$1,605,478
DEPRECIATION (1)	$57,597,314	0.0590%	$33,982	$286,397	$320,379	$320,379	$320,379
GRAND AVE DEPRECIATION	$616,621	100.0000%	$616,621		$616,621	$616,621	$616,621
TAXES OTHER THAN INCOME TAXES (2)	$28,798,523	0.0770%	$22,175	$103,809	$125,984	$125,984	$125,984
INCOME TAXES							
CURRENTLY PAYABLE	($16,543,279)		($2,102,935)		($1,578,983)	($1,391,291)	($1,209,373)
DEFERRED TAX PROVISION	$75,081,068		$110,407		$108,797	$94,256	$81,601
DEFERRED TAX AMORTIZATION (1)			($1,320)		($1,330)	($1,330)	($1,330)
DEFERRED INV TAX CREDIT			$0		$0	$0	$0
DEFERRED ITC AMORT			($5,288)		($5,288)	($5,288)	($5,288)
TOTAL EXPENSES	$457,727,682		$2,093,085		$14,556,114	$14,729,275	$14,898,528
NET OPERATING INCOME AS ADJUSTED	$94,741,515		($2,093,085)		($1,557,090)	($1,730,251)	($1,899,504)

****

NOTES:

(1) BOOK ACCUMULATED PROVISION FOR DEPRECIATION, DEPRECIATION EXPENSE AND TAX STRAIGHT LINE HAVE BEEN RESTATED TO REFLECT 2.6% DEPRECIATION RATE AS ORDERED IN CASE NOS. EO-85-185 AND EO-85-224.

(2) REVENUE AND TAXES OTHER THAN INCOME TAXES HAVE BEEN RESTATED TO REMOVE GROSS RECEIPTS TAXES.

THE ACCOUNTING ENTRIES RECORDED ON THE COMPANY'S BOOKS FOR THE CONTINUATION OF CONSTRUCTION ACCOUNTING AS ORDERED ON FEABRUARY 21, 1985 HAVE NOT BEEN REFLECTED IN THIS ANALYSIS.

STEAM INCOME TAX CALCULATION

REVENUES			$0		$12,999,024	$12,999,024	$12,999,024
OPERATION AND MAINTENANCE EXPENSE			$3,419,464		$14,969,934	$14,969,934	$14,969,934
DEPRECIATION EXPENSES			$650,603		$937,000	$937,000	$937,000
TAXES OTHER THAN INCOME TAXES			$22,175		$125,984	$125,984	$125,984
NET INCOME BEFORE TAXES			($4,092,242)		($3,033,894)	($3,033,894)	($3,033,894)
MISSOURI SCHEDULE M'S	12/31/85						
PLUS: BOOK EXP NOT DEDUCTED FOR INC TAX							
BOOK DEPR OF PLANT-OTHER	$57,597,314	0.0590%	$33,982	$286,397	$320,379	$320,379	$320,379
BOOK DEPR OF PLANT-GRAND AVE.	$616,621	100.0000%	$616,621		$616,621	$616,621	$616,621
NUCLEAR FUEL-AMORT	$6,857,226	0.2000%	$13,714		$13,714	$13,714	$13,714
GROSS AFDC	$951,759	ASSIGNED	$0		$0	$0	$0
DEPR CHARGED THRU CLEARINGS	$1,213,104	0.0630%	$764		$764	$764	$764
PRULEASE	$977,995	1.0920%	$10,680		$10,680	$10,680	$10,680
STORM DAMAGE	$1,456,120	ASSIGNED	$0		$0	$0	$0
BOOK AMORT OF PRIOR VACA LIA	$119,712	5.2662%	$6,304		$6,304	$6,304	$6,304
TREE TRIMMING	$720,695	ASSIGNED	$0		$0	$0	$0
TOTAL	$70,510,554		$682,065		$968,462	$968,462	$968,462
LESS: DEDUCTED FOR INC TAX NOT EXP ON BOOKS							
* HEALTH & WELFARE CAPITALIZED	$638,681	0.0130%	$83		$83	$0	$0
TAX BASIS DEPR & AMORT. (LIB OR EXCESS):							
TAX DEPR STRAIGHT LINE	$40,245,465	0.0790%	$31,794		$31,794	$31,794	$31,794
TAX DEPR STRAIGHT LINE-GR AVE. ALLOC	$200,494	100.0000%	$200,494		$200,494	$200,494	$200,494
TAX DEPR STRAIGHT LINE-DIRECT STEAM	$127,996	100.0000%	$127,996		$127,996	$127,996	$127,996
* TAX DEPR EXCESS-GRAND AVE. ALLOC	$102,430	100.0000%	$102,430		$102,430	$102,430	$102,430
* TAX DEPR EXCESS-DIRECT STEAM	$65,392	100.0000%	$65,392		$65,392	$65,392	$65,392
* TAX DEPR EXCESS	$20,560,965	0.0790%	$16,243		$16,243	$16,243	$16,243
WOLF CREEK INVESTMENT:							
W. C. TAX DEPR NUCLEAR FUEL ST LINE	$3,354,000	0.0660%	$2,214		$2,214	$2,214	$2,214
* W. C. TAX DEPR NUCLEAR FUEL EXCESS	$1,232,000	0.0660%	$813		$813	$813	$813
W. C. TAX DEPR STRAIGHT LINE (1)	$8,068,668	0.0660%	$5,325	($412)	$4,913	$4,913	$4,913
* WOLF CREEK TAX DEPR EXCESS (1)	$66,411,332	0.0660%	$43,831	($3,390)	$40,441	$40,441	$40,441
* PENSION COSTS CAPITALIZED	$869,666	0.0130%	$113		$113	$0	$0
* PAYROLL TAXES CAPITALIZED	$908,102	0.0130%	$118		$118	$0	$0
REMOVAL COSTS	$2,360,506	0.0430%	$1,015		$1,015	$1,015	$1,015
REMOVAL COSTS-DIRECT GRAND AVE.	$170,553	100.0000%	$170,553		$170,553	$170,553	$170,553
DIVIDEND PAID CREDIT	$104,040	0.3430%	$357		$357	$357	$357
* PROPERTY TAXES CAPITALIZED	$5,308,072	0.0650%	$3,450		$3,450	$0	$0

160						
161 TOTAL	$150,728,362		$772,221	$768,419	$764,655	$764,655
162 LESS: INTEREST EXPENSE			$118,788	$395,588	$395,588	$395,588
163						
164 TAXABLE INCOME			($4,301,185)	($3,229,439)	($3,225,675)	($3,225,675)
165						
166 FEDERAL INCOME TAXES			($1,872,554)	($1,405,969)	($1,222,924)	($1,038,703)
167 LESS: ITC PROVISION			$0	$0	$0	$0
168						
169 FEDERAL INCOME TAX PROVISION			($1,872,554)	($1,405,969)	($1,222,924)	($1,038,703)
170 MISSOURI INCOME TAXES			($199,463)	($149,752)	($144,822)	($147,123)
171						
172			($2,072,027)	($1,555,731)	($1,367,744)	($1,185,826)
173 K.C. EARNINGS TAX			($30,969)	($23,252)	($23,547)	($23,547)
174						
175 TOTAL INCOME TAXES CURRENTLY PAYABLE			($2,102,996)	($1,576,983)	($1,391,291)	($1,209,373)
176						
177						
178 **ITEMS FOR DEFERRED TAX CALCULATION			$232,473	$229,282	$225,319	$225,319
179 DEFERRED TAX RATE			47.4924%	47.4924%	41.8357%	36.2157%
180						
181 PROVISION FOR DEFERRED TAX			$110,487	$108,797	$94,256	$81,601
182 DEFERRED TAX AMORTIZATION (1)			($1,330)	($1,332)	($1,330)	($1,330)
183 ITC-AMORTIZATION			($5,268)	($5,288)	($5,288)	($5,286)
184						
185 NET DEFERRED TAX			$103,789	$102,179	$87,648	$74,983
186						
187						
188 TAX RATE TABLE	1986	1987	1988			
189 FEDERAL CURRENTLY PAYABLE	43.5360%	37.9122%	32.2011%			
190 MISSOURI CURRENTLY PAYABLE	4.6374%	4.4096%	4.5610%			
191 K.C. EARNINGS	0.7200%	0.7300%	0.7320%			
192 DEFERRED	47.4924%	41.8367%	36.2157%			
193						
194						
195						