

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 11th
day of March, 1988.

CASE NO. AO-87-48

In the matter of the investigation
of the revenue effects upon Missouri
utilities of the Tax Reform Act of
1986.

CASE NO. ER-85-265

In the matter of Arkansas Power
& Light Company of Little Rock,
Arkansas, for authority to file
tariffs increasing rates for
electric service provided to
customers in the Missouri
service area of the Company.

ORDER APPROVING STIPULATION
AND AGREEMENT AND TARIFF SHEETS

By its order in Case No. ER-85-265 on April 24, 1986, this Commission authorized Arkansas Power & Light Company (APL) of Little Rock, Arkansas, to file tariffs designed to increase rates through a phase-in over a period of several years.

On February 19, 1988, APL filed revised tariff sheets to comply with the Commission's order concerning the third year phase-in. The third year phase-in tariffs have a proposed effective date of March 21, 1988, and reflect an increase of 3.25 percent.

On March 4, 1988, the parties to Case No. ER-85-265, with the exception of IBEW Local 1439, filed a proposed Stipulation and Agreement in disposition of all outstanding issues in the captioned cases, as well as a decision of the Missouri Court of Appeals for the Western District in State ex rel. Arkansas Power & Light

Company v. Missouri Public Service Commission, Case No. WD 38897, the appeal of Case No. ER-85-265. The Court in that decision remanded the case to the Commission with directions to hear certain evidence regarding the Company's excluded fuel expenses and, thereafter, issue a new Report and Order.

Copies of the Stipulation and Agreement have been served on all parties. Since no party has requested a hearing on the matter the Commission will treat the Stipulation and Agreement as unanimous pursuant to 4 CSR 240-2.115.

In addition to the disposition of other matters, which are set forth in the Stipulation and Agreement attached hereto as Appendix A, the Stipulation and Agreement proposes to take into effect any proper reduction in revenue effects necessitated by the Tax Reform Act of 1986.

The proposed Stipulation and Agreement provides for an additional rate increase of \$418,000, or 3.25 percent to be effective on March 21, 1988.

In the Commission's opinion the proposed rates submitted February 19, 1988, comply with the Commission's order issued April 24, 1986, and also comply with the Stipulation and Agreement filed herein on March 4, 1988, which is hereby approved in disposition of all outstanding matters and appeals of Case No. ER-85-265.

It is, therefore,

ORDERED: 1. That the following sheets submitted by Arkansas Power & Light Company for the purpose of increasing rates for electric service provided to customers in its Missouri service area be, and they are, hereby approved and made effective for service rendered on and after March 21, 1988.

P.S.C. Mo. No. 6

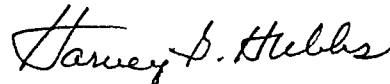
6th Revised Sheet No. 1 Cancelling P.S.C. Mo. No. 6, 5th Revised Sheet No. 1
3rd Revised Sheet No. 1A Cancelling P.S.C. Mo. No. 6, 2nd Revised Sheet No. 1A
6th Revised Sheet No. 2 Cancelling P.S.C. Mo. No. 6, 5th Revised Sheet No. 2
4th Revised Sheet No. 2A Cancelling P.S.C. Mo. No. 6 3rd Revised Sheet No. 2A
6th Revised Sheet No. 3 Cancelling P.S.C. Mo. No. 6 5th Revised Sheet No. 3
3rd Revised Sheet No. 3A Cancelling P.S.C. Mo. No. 6 2nd Revised Sheet No. 3A
6th Revised Sheet No. 4 Cancelling P.S.C. Mo. No. 6 5th Revised Sheet No. 4
6th Revised Sheet No. 6 Cancelling P.S.C. Mo. No. 6 5th Revised Sheet No. 6
6th Revised Sheet No. 7 Cancelling P.S.C. Mo. No. 6 5th Revised Sheet No. 7

3rd Revised Sheet No. 7A Cancelling P.S.C. Mo. No. 6 2nd Revised Sheet No. 7A
6th Revised Sheet No. 8 Cancelling P.S.C. Mo. No. 6 5th Revised Sheet No. 8
6th Revised Sheet No. 8A Cancelling P.S.C. Mo. No. 6 5th Revised Sheet No. 8A
6th Revised Sheet No. 8B Cancelling P.S.C. Mo. No. 6 5th Revised Sheet No. 8B
6th Revised Sheet No. 9 Cancelling P.S.C. Mo. No. 6 5th Revised Sheet No. 9
6th Revised Sheet No. 10 Cancelling P.S.C. Mo. No. 6 5th Revised Sheet No. 10
6th Revised Sheet No. 11 Cancelling P.S.C. Mo. No. 6 5th Revised Sheet No. 11
6th Revised Sheet No. 11A Cancelling P.S.C. Mo. No. 6 5th Revised Sheet No. 11A
6th Revised Sheet No. 12 Cancelling P.S.C. Mo. No. 6 5th Revised Sheet No. 12
4th Revised Sheet No. 13 Cancelling P.S.C. Mo. No. 6 3rd Revised Sheet No. 13
3rd Revised Sheet No. 16 Cancelling P.S.C. Mo. No. 6 2nd Revised Sheet No. 16
3rd Revised Sheet No. 18 Cancelling P.S.C. Mo. No. 6 2nd Revised Sheet No. 18
3rd Revised Sheet No. 21 Cancelling P.S.C. Mo. No. 6 2nd Revised Sheet No. 21
3rd Revised Sheet No. 22 Cancelling P.S.C. Mo. No. 6 2nd Revised Sheet No. 22
4th Revised Sheet No. 23 Cancelling P.S.C. Mo. No. 6 3rd Revised Sheet No. 23
4th Revised Sheet No. 24 Cancelling P.S.C. Mo. No. 6 3rd Revised Sheet No. 24
3rd Revised Sheet No. 28 Cancelling P.S.C. Mo. No. 6 2nd Revised Sheet No. 28

ORDERED: 2. That Arkansas Power & Light Company be, and is, hereby relieved of any present or future requirements of the Commission's investigation of the revenue effects of the Tax Reform Act of 1986 pending in Case No. AO-87-48.

ORDERED: 3. That this Order shall become effective on the 21st day of March, 1988.

BY THE COMMISSION



Harvey G. Hubbs
Secretary

(S E A L)

Musgrave, Mueller, Hendren,
and Fischer, CC., Concur.
Steinmeier, Chm., Absent.

FILED
 MAR 04 1988
 PUBLIC SERVICE COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION
 OF THE STATE OF MISSOURI

In the matter of the investigation)
 of the Revenue Effects Upon Missouri)
 Utilities of the Tax Reform Act of) Case No. AO-87-48
 1986.)

In the matter of Arkansas Power &)
 Light Company of Little Rock,)
 Arkansas, for Authority to File)
 Tariffs Increasing Rates for)
 Electric Service Provided the) Case No. ER-85-265
 Customers in the Missouri Service)
 Area of the Company.)

STIPULATION AND AGREEMENT

In December, 1986, Arkansas Power & Light Company ("the Company") caused to be filed with the Missouri Public Service Commission ("the Commission") in Case No. AO-87-48, certain information regarding the impact on the Company of the Tax Reform Act of 1986 ("the TRA").

On July 21, 1987, the Missouri Court of Appeals for the Western District handed down its decision in State ex rel. Arkansas Power & Light Company v. Missouri Public Service Commission, Case No. WD 38897. That case involved an appeal of a Report and Order issued by the Commission in Case No. ER-85-265, a rate case involving the Company. The Court, in its decision, remanded the case to the Commission with directions to the Commission to hear certain evidence regarding the Company's fuel expenses which had been excluded, and to then issue a new Report and Order.

Thereafter, representatives of the Company engaged in certain discussions with representatives of the Staff of the Missouri Public Service Commission ("the Staff"), representatives

of the Office of Public Counsel ("the Public Counsel"), representatives of Doe Run Company, ASARCO, Inc., Cominco American and GAF Corporation, ("the Mines") and representatives of Arkansas-Missouri Cotton Ginners Association and Southern Cotton Ginners Association ("the Cotton Ginners") concerning the impact of the TRA, the decision of the Missouri Court of Appeals and other factors relating to the Company's Missouri jurisdictional revenue requirement. As a result of the foregoing, the parties stipulate and agree as follows:

1. That as a result of and taking into account the Missouri jurisdictional effects of the TRA including the excess deferred tax reserve balance resulting therefrom, the July 21, 1987, decision of the Missouri Court of Appeals for the Western District in Case No. WD 38897, and the reduction in Grand Gulf 1 charges to the Company from System Energy Resources, Inc. (SERI) resulting from the recently agreed upon reduction in return on equity rate and in the depreciation accrual rate, the Company is entitled to an additional rate increase of \$418,000; that in recognition of all of the above described effects, the Company shall be entitled to maintain in effect its present tariffs and to recover revenues derived therefrom and to implement the rate phase-in in accordance with the Report and Order issued by the Commission in Case No. ER-85-265 on April 24, 1986, with a March 21 anniversary date as ordered by the Commission on December 31, 1986, with the exception that the rate adjustment scheduled for March 21, 1991 shall be a decrease of 11.59%; that

the phase-in rate adjustments to be implemented beginning March 21, 1988, are set out below:

<u>Date</u>	<u>Rate Increase (Decrease)</u>
March 21, 1988	3.25%
March 21, 1989	3.25%
March 21, 1990	3.25%
March 21, 1991	(11.59%)

2. That this Stipulation and Agreement is a negotiated dollar settlement and (1) is intended to and does take into account, include, reflect, and fully dispose of any decreases in the Company's rates or tariffs for its Missouri jurisdictional electric operations which result from the provisions of the TRA including excess deferred tax balances resulting therefrom together with any refunds or reduction in rates due to such excess deferred tax balances and interpretive rulings or regulations issued thereunder; (2) that as a consequence, should the Commission approve this Stipulation and Agreement, the Company will not be required to reduce its electric rates or make any credits or refunds of any type as a result of the effects or provisions of the TRA, or interpretative rulings or regulations issued thereunder; (3) that, furthermore, the Company shall not be subject to any present or future requirements of the Commission's TRA docket, entitled "In the Matter of the investigation of the revenue effects upon Missouri utilities of the Tax Reform Act of 1986", Case No. AO-87-48; (4) that this Stipulation and Agreement is intended to fully dispose of the requirements imposed upon the Commission by the Missouri Court of Appeals of the Western District through its decision issued on

July 21, 1987 in Case No. WD 38897, and the Commission, by issuing its Order approving this Stipulation and Agreement, shall be deemed to have accepted, heard and considered the evidence on fuel cost which was excluded in Case No. ER-85-265 and to have issued a revised Report and Order in said docket, all as directed by the Court; and (5) that this Stipulation and Agreement is also intended to fully dispose of any decrease in the Company's rates or tariffs associated with reduced Grand Gulf 1 charges from SERI resulting from recent reductions in SERI's allowed return on equity and depreciation rates;

3. That notwithstanding any other provision of this Stipulation and Agreement, no party shall be precluded by this Stipulation and Agreement from supporting any calculation of income taxes applicable to the Company, including the effect of the TRA, in any proceeding other than the above-captioned dockets;

4. That notwithstanding any other provision of this Stipulation and Agreement, the Company shall not be precluded by this Stipulation and Agreement from filing tariffs designed to increase its rates during the period the phase-in is in effect; that additionally, no party shall be precluded by this Stipulation and Agreement from filing a complaint which requests that the Commission order the Company to reduce its rates during the period that the phase-in is in effect;

5. That except as otherwise provided herein, this Stipulation and Agreement is intended to be binding on the

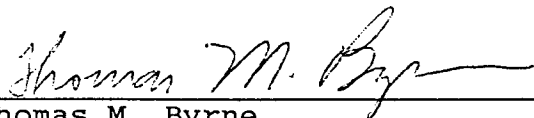
parties and the Commission in these and any other pending or future proceedings in this or any other forum; that none of the provisions of this Stipulation and Agreement, however, shall prejudice, bind or otherwise affect any party should the Commission decide not to approve this Stipulation and Agreement in its entirety or in any way condition its approval of same;

6. That except as otherwise provided herein, the parties to this Stipulation and Agreement shall not be deemed to have approved or acquiesced to any ratemaking principle, valuation method, cost of service method, or rate design proposal;

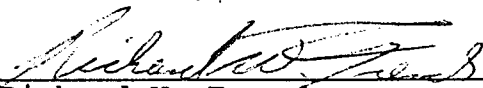
7. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their respective rights to present oral arguments or written briefs, pursuant to Section 536.080(1), RSMo 1986, and their respective rights to judicial review as regarding the disposition of Case No. AO-87-48, as it pertains to the Company, and of Case No. ER-85-265 pursuant to Section 386.510, RSMo 1986.

8. That the agreements contained in this Stipulation and Agreement have resulted from extensive negotiations among the signatory parties and are interdependent; that in the event the Commission does not approve and adopt the terms of this Stipulation and Agreement, this Stipulation and Agreement shall be void and no party shall be bound by any of the agreements or provisions hereof.

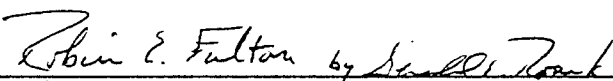
Respectfully submitted,


Thomas M. Byrne
Assistant General Counsel
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102


Attorney for the Staff of the
Public Service Commission of
Missouri


Richard W. French
First Assistant Public Counsel
Office of the Public Counsel
P. O. Box 7800
Jefferson City, Missouri 65102

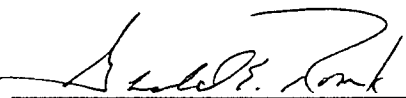
Attorney for the
Office of the Public Counsel


Robin E. Fulton
Schnapp, Graham, Reid & Fulton
135 East Main Street
Fredericktown, Missouri 63645


Attorney for Intervenors
ASARCO, Inc. and Doe Run Company


Willard C. Reine
Attorney at Law
314 E. High Street
Jefferson City, Missouri 65101

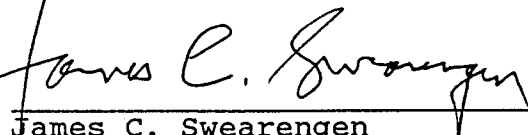
Attorney for Intervenors
Arkansas-Mo. Cotton Ginners
Association and Southern
Cotton Ginners Association


Gerald E. Roark
Hendren & Andrae
P. O. Box 1069
Jefferson City, Missouri 65102

Attorneys for Cominco American
and GAF Corporation


William M. Barvick
231 Madison Street
Suite 301
Jefferson City, Missouri 65101

Attorney for IBEW Local 1439


James C. Swearingen
Gary W. Duffy
Hawkins, Brydon, Swearingen
& England P.C.
P. O. Box 456
Jefferson City, Missouri 65102

Attorneys for Arkansas
Power & Light Company