

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 24th
day of December, 1982.

CASE NO. HR-81-43

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

CASE NO. GR-81-44

In the matter of St. Joseph Light
& Power Company, of St. Joseph,
Missouri, for authority to file
tariffs increasing rates for gas
service provided to customers in
the Missouri service area of the
Company.

CASE NO. HR-81-45

In the matter of St. Joseph Light
& Power Company, of St. Joseph,
Missouri, for authority to file
tariffs increasing rates for steam
service provided to customers in
the Missouri service area of the
Company.

CASE NO. OR-81-46

In the matter of St. Joseph Light
& Power Company, of St. Joseph,
Missouri, for authority to file
tariffs increasing rates for
transit service provided to
customers in St. Joseph, Missouri.

SUPPLEMENTAL RATE ORDER

By verified application filed with the Missouri Public Service Commission
(Commission) on or about December 10, 1982, St. Joseph Light & Power Company
(Company) requested a supplemental rate order be issued in the above-captioned
docket, which would indicate that the cost of service determined therein was

predicated upon the use of a normalization method of accounting which meets the normalization requirements of Section 168(e)(3) of the Internal Revenue Code (IRC) and which would indicate that in future determinations of cost of service, Company would be authorized to use the accelerated cost recovery system (ACRS) as prescribed in the Economic Recovery Tax Act (ERTA) of 1981.

On August 13, 1981, ERTA became law. ERTA changes the tax law in several ways as it relates to public utilities and, hence, as it relates to Company. Among the changes, ERTA does the following: establishes ACRS which allows a faster write-off of certain assets without regard to salvage value; and establishes an expanded normalization requirement for the deductions available with respect to ACRS property.

Company indicates in its verified application that its present rates incorporate normalized accounting methods. However, Section 200(d) of ERTA provides that regulatory approval of a normalized method of accounting consistent with ERTA must be obtained in the first rate order subsequent to the date of the Act (i.e. August 13, 1981), but in no event later than January 1, 1983. Because the Report and Order issued in the above-captioned matter does not specifically address this issue and because of the distinct likelihood that Company will not receive another rate order from the Commission prior to January 1, 1983, Company requests that a supplemental rate order be issued in the above-captioned matter clearly indicating that the cost of service determined therein was predicated upon the use of a normalization method of accounting which meets the normalization requirements of Section 168(e)(3) of the IRC. Furthermore, Company requests the Commission to issue its supplemental rate order in the above-captioned matter clearly indicating that in future determinations of cost of service by this Commission, Company will be authorized to use ACRS for calculating depreciation for income tax purposes and to use a normalization method of accounting as defined and prescribed in ERTA of 1981, and as defined and prescribed in any rulings or regulations which might be promulgated to further explain or define the provisions of that Act.

Company asserts that the rate order which it requests is in its, as well as its customers', best interests because overall, the cost of service would increase in the event of loss of ACRS benefits by Company if Company were ultimately determined to have failed to comply with the requirements of IRTA.

On December 15, 1982, the Staff of the Commission filed its response to Company's application indicating that in its opinion the request is reasonable and, if so authorized by the Commission, will not be detrimental to the public interest.

The Commission has reviewed the verified application and Staff's response and concludes that a hearing is unnecessary, and that the supplemental rate order as requested by the Company is reasonable for the reasons previously enunciated and, therefore, should be granted.

It is, therefore,

ORDERED: 1. That the rates which were established as a result of the instant proceeding were based upon a cost of service utilizing a method of accounting which meets the normalization requirements of Section 168(c)(3) of the IRC.

ORDERED: 2. That Company be, and is, hereby authorized to use the accelerated cost recovery system for calculating depreciation for income tax purposes and to use a normalization method of accounting as defined and prescribed in the Economic Recovery Tax Act of 1981, and as defined and prescribed in any rulings or regulations which might be promulgated to further explain or define the provisions of that Act.

ORDERED: 3. That this Order shall become effective on the date hereof.

BY THE COMMISSION

Harvey G. Hubbs
Harvey G. Hubbs
Secretary

(S E A L)

McCartney, Dority, Shapleigh
and Musgrave, CC., Concur.
Fraas, Cln., Absent.