

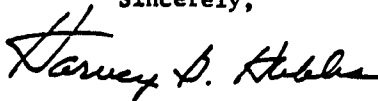
STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
Jefferson City, Missouri
November 3, 1986

CASE NO. AO-87-48

ALL REGULATED UTILITIES UNDER THE JURISDICTION OF THE MISSOURI PUBLIC SERVICE COMMISSION

Enclosed find certified copy of ORDER in the above-numbered case.

Sincerely,

A handwritten signature in dark ink, appearing to read "Harvey G. Hubbs". The signature is written in a cursive style with a large initial "H".

Harvey G. Hubbs
Secretary

uncertified copy:

Office of the Public Counsel, P.O. Box 7800, Jefferson City, MO 65102

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 3rd
day of November, 1986.

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.

ORDER ESTABLISHING DOCKET

The Commission is aware that the President of the United States has signed into Law the Tax Reform Bill of 1986 which may have a significant impact on the earnings and overall financial condition of utilities operating in the State of Missouri. Therefore, the Commission believes it is in the public interest to investigate the revenue effects upon Missouri utilities of the Tax Reform Act of 1986. In order to obtain more information regarding the revenue effects of the Act upon individual utilities, the Commission, pursuant to Section 393.140, RSMo 1978, hereby requests all utilities (other than cooperatives which are not subject to federal income tax requirements) with calendar year 1985 jurisdictional revenues in excess of \$2,000,000 to report to the Commission the revenue requirement impact of the federal tax changes as applied to either the 1985 Missouri jurisdictional operations or more current historical test year data if such data was presented during a rate case recently pending before this Commission. This report shall be made to the Commission in writing by December 15, 1986. Additionally, each Company shall report to the Commission the revenue requirement impact of the federal tax changes on the Company's 1986 Missouri jurisdictional operations by February 28, 1987. Unless otherwise stated, all references to jurisdictional operations or operating results refer to the actual results of a Company's operations unadjusted

for any changes other than income tax annualizations. If these reports contain confidential or proprietary information, they may be provided to the Commission and the Office of the Public Counsel under seal, pursuant to Section 386.480.

In the event a utility company regulated by this Commission provides more than one (1) type of utility service and is required to file the requested information for one segment of utility operations (e.g. electric) which achieved calendar year 1985 jurisdictional revenues in excess of \$2,000,000, the Company shall also separately provide the requested information for each utility service regulated by this Commission even though the Company would not otherwise be required to provide such information.

In addition, documentation supporting the revenue requirement impact shall be provided which includes but is not limited to the following:

1. Based on the tax law in effect in 1986, calculate a revenue requirement showing the operating results of unadjusted calendar year 1985 (or more recent unadjusted historical test year) and unadjusted calendar year 1986. The revenue requirement calculation must be consistent with the Company's last Missouri Commission rate order. Workpapers supporting the revenue requirement shall contain: a year-end rate base determined in a manner comparable to the last rate order; rate of return using authorized return on equity resulting from the last rate order or stipulation (if desired, a Company can provide a current estimate of the return on equity in addition to the authorized return on equity); an income statement unadjusted for any changes other than those required to calculate income tax expense; and tax workpapers showing the computation of current and deferred income tax expense. The tax workpapers shall show the necessary additions to and/or deductions from book income in arriving at

taxable income and the computation of any deferred tax expense provisions/amortizations.

2. Based on the new tax law using the tax rate(s) and other known tax changes applicable to calendar year 1987 taxable income (e.g. a 40% phased tax rate for 1987), calculate a revenue requirement for each of the calendar years set forth in 1. above. Except for the tax change, assume the same conditions and provide supporting workpapers as delineated in 1. above. The tax workpapers should clearly note the adjustments required to fully reflect the impact of the new tax law.
3. Based on the new tax law using the tax rate(s) and other known tax changes applicable to tax years subsequent to calendar year 1987, calculate a revenue requirement for each of the calendar years set forth in 1. above. Except for the tax change, assume the same conditions and provide any supporting workpapers as delineated in 1. above. The tax workpapers should clearly note the adjustments required to fully reflect the impact of the new tax law.
4. If not previously provided herein, provide the workpapers supporting the amount of excess deferred tax reserves attributable to the turnaround of tax/book timing differences at a tax rate lower than the rate(s) at which the reserve has thus far been established. The workpapers should also contain the method and calculation of the amortization or return of such excess reserves as a reduction to tax expense in compliance with the new tax law.
5. All deferred tax expense and reserve information shall be presented in a fashion which will allow a ready disaggregation between the types of tax/book timing differences which gave rise

to the deferred tax expense or reserve (e.g. accelerated depreciation, ITC, Schedule M items normalized, phase-in plans, etc.).

6. The Company may provide further information which it deems may be advantageous in examining the revenue requirement impact of the tax law change; however, such information shall be clearly identified and not provided in lieu of, but rather in addition to, the information requested in items 1. through 5. above.

On or before December 15, 1986, each company shall also explain any plans or proposals it may have for reflecting the impact of the change in the tax law upon its Missouri jurisdictional operations. If a company believes that rate adjustments are not appropriate to reflect the full revenue requirement impact of the change in the tax law, it should explain in detail all reasons in support of its position.

The Commission is considering various procedural alternatives for recognizing the effects of the change in the tax law in the ratemaking or regulatory process. Any company or other interested party may file comments suggesting appropriate procedures designed to recognize the revenue effect of such tax change on or before December 15, 1986. The Staff and the Public Counsel may file comments on or before January 5, 1987.

Any questions regarding the specific information requested herein shall be directed to the Commission's Accounting Staff.

Based on the foregoing, the Commission determines that an investigatory docket should be opened for the purpose of gathering the information set forth above.

It is, therefore,

ORDERED: 1. That Docket No. AO-87-48 be, and it is, hereby opened for the purpose of investigating the revenue effects upon Missouri utilities of the Tax Reform Act of 1986.

ORDERED: 2. That all utilities (other than cooperatives not subject to Federal Income Tax requirements) with calendar year 1985 jurisdictional revenues in

excess of \$2,000,000 be, and they are, hereby ordered to comply with the reporting requirements set forth in the body of this order. The revenue impact of the federal tax changes applied to 1985 Missouri jurisdictional operations (or more current historical test year) shall be filed with the Commission on or before December 15, 1986. The revenue requirement of the federal tax changes on the company's 1986 Missouri jurisdictional operations shall be filed on or before February 28, 1987. Each company shall file three copies of each required document with the Secretary of the Commission.

ORDERED: 3. That any company or other interested person may file recommendations addressing procedural alternatives for recognizing the effects of the changes in the 1986 Tax Reform Act on or before December 15, 1986.

ORDERED: 4. That Staff and Public Counsel may file its recommendations addressing procedural alternatives on or before January 5, 1987.

ORDERED: 5. That this Order shall become effective on the date hereof.

BY THE COMMISSION

Harvey G. Hubbs
Harvey G. Hubbs
Secretary

(S E A L)

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

Hogerty - Buchta

CASE NO.

AO-87-48

WDS

Chairman

C. M.

Commissioner

A. C. Ke

Commissioner

C. B. H. - suff. change

Commissioner

JMF

Commissioner

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ALL
Agenda
10/29 11/3

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, this 3rd day of November 1986.

Harvey G. Hubbs

Harvey G. Hubbs
Secretary