LAW OFFICES

ROBERT L. HAWKINS, JR DAVID V.G. BRYDON JAMES C. SWEARENGEN WILLIAM R. ENGLAND, III ROBERT L. HAWKINS, III JOHNNY K. RICHARDSON STEPHEN G. NEWMAN MARK W. COMLEY GARY W. DUFFY VICKI J. GOLDAMMER PAUL A. BOUDREAU HAWKINS, BRYDON & SWEARENGEN PROFESSIONAL CORPORATION

312 EAST CAPITOL AVENUE P O 80X 436 JEFFERSON CITY, MISSOURI 65102-0456 AREA CODE 314 TELEPHONE 635-7166 TELECOPIER 634-7431

December 15, 1986

Mr. Harvey G. Hubbs Secretary Missouri Public Service Commission P. O. Box 360 Jefferson City, Missouri 65102

Re: Docket No. AO-87-48

Dear Mr. Hubbs:

Enclosed for filing please find three copies of the response of The Empire District Electric Company as directed by the order of the Missouri Public Service Commission issued in the referenced docket on November 3, 1986.

Please enter the appearance of the undersigned as counsel for The Empire District Electric Company in this docket.

Thank you very much.

Very truly yours,

HAWKINS, BRYDON & SWEARENGEN P. C.

Ву:

towns ( Jurangen James C. Swearengen

JCS/rg Enclosures

cc: Office of Public Counsel Mr. Myron McKinney

FILED

DEC 15 1986

PUBLIC SERVICE COMMISSION

#### THE EMPIRE DISTRICT ELECTRIC COMPANY JOPLIN, MISSOURI 64801

VICE PRESIDENT CUSTOMER SERVICES

December 15, 1986

602 JOPLIN STREET (417) 623-4700

## FILED

Missouri Public Service Commission Mr. Harvey Hubbs, Secretary P.O. Box 360 Jefferson City, MO 65102

DEC 15 1986

Dear Mr. Hubbs:

PUBLIC SERVICE COMMISSION

Enclosed please find The Empire District Electric Company's December 15, 1986 response to the order of the Missouri Public Service Commission in Case No. A0-87-48. Included please find three sets of information for both Missouri jurisdictional electric operations and water operations. The sets reflect: 1) tax law in effect in 1986; 2) tax law in effect in 1987; and 3) tax law subsequent to 1987. Each set contains:

Schedule 1 - Missouri Jurisdictional Rate Base and Revenue Requirement Schedule 2 - Capital Structure Schedule 3 - Missouri Jurisdictional Operating Income Statement Schedule 4 - Income Tax Calculation Schedule 5 - Excess Deferred Tax Reserves

The information provided is based on Empire's current understanding of the impact of the Tax Reform Act of 1986 on the Company. The Act is a very complex piece of legislation, and Empire believes the full impact will not be known for quite some time.

Empire's initial assessment of the Act indicates that while tax expense may be reduced in the near-term, the long-term impact will be a negative influence on the Company's financial stability. Certain provisions of the Act, including the repeal of the investment tax credit, the lengthening of depreciable property lives, capitalization of certain overhead costs, and a lower rate applied to tax deferrals, will significantly reduce cash flow, resulting in an increased need for external financing. The future prospect during heavy construction years of half of AFUDC being included in taxable income under minimum tax provisions adds to Empire's cash flow concerns. Additionally, any revenue reductions to reflect the impact of the tax rate change will lower pre-tax interest coverages, potentially increasing the cost of external financing.

Empire has a history of rate stability and dependability in dealing with its customers. The long-term interest of Empire's customers is not served by an attempt to adjust rates based on one element of cost of service in reaction to an as yet not-fully-understood change in tax law. It is possible that Congress, in an attempt to deal with budget deficits, may amend the Act and, in fact, the 34% corporate tax rate may never become a reality. The above-mentioned negative effects of the Act will most certainly increase the need and cost of external financing and, combined with possible subsequent tax rate increases, will put upward pressure on Empire's service rates.

0

Missouri Public Service Commission Case No. A0-87-42 December 15, 1986 Page 2

In addition, Empire believes that consideration of excess previously flowedthrough tax benefits should be included in the investigation of excess deferred tax reserves. A preliminary analysis indicates that in Empire's situation the amount of these unfunded tax items significantly exceeds the excess deferred tax reserves.

After considering the revenue requirements indicated in the attached schedules, prohibitions against one-issue ratemaking, the uncertainty surrounding the Act and the negative long-term impact of the Act on Empire, the Company does not believe a change in jurisdictional electric or water rate levels is appropriate at this time. In addition, appropriate procedures are in place under current Public Service Commission law to deal with the effects of the Act, and, accordingly, Empire does not suggest alternatives.

Yours truly,

Myn Mok-

M. W. McKinney pas

	THE EMPIRE DISTRICT ELECTRIC COMPA	NY Schedule I 342 Tax Rate
	Rate Base and Rate of Return December 31, 1985 Tax Law in Effect in 1988	
		Missouri Water Jurisdictional
1.	Water Plant in Service	\$2,430,871
2.	Less: Reserve for Depreciation	958,563
3.	Net Water Plant in Service	1,472,308
4.	Materials and Supplies (13-Month Average)	26,681
5.	Less: Deferred Income Taxes - Liberalized Depreciation	106,991
6.	Customer Advances for Construction	22,516
7.	Total Original Cost Rate Base	\$1,369,482
8.	Net Water Operating Income Before Effect of Proposed Increase	\$83,728
9.	Indicated Rate of Return Before Proposed Increase	6.112
10.	Proposed Increase (After Taxes)	\$57,329
11.	Net Nater Operating Income After Effect of Proposed Increase	\$141,057
12.	Indicated Rate of Return After Effect of Proposed Increase	10.302
13.	Income Tax Factor	1.5678
14.	Gross Revenue Deficit	\$89,880

•

FILED

DEC 15 1986

PUBLIC SERVICE COMMISSION

	THE	EMPIRE DISTRICT ELECT	RIC COMPANY	"	Schedule 2 341 Tar Rate
		Capital Structure December 31, 1985 Tax Law in Effect in			J94 101 7010
		Á	8	C	D
		Amount Outstanding	I of Total	Cost Rate	Weighted Return on Tariffs File
1.	First Mortgage Bonds	\$90,125,162	43.35	8.	54Z 3.70Z
2.	Preferred Stock	20,758,257	9,98	7.	742 0.772
3.	Common Equity	97,039,946	46.67	12.	5.832
4.	Total	\$207,923,365	100.00		10.303

#### THE EMPIRE DISTRICT ELECTRIC COMPANY

Test Year Utility Operating Income Statements Adjusted for Changes Based on Tax Law in Effect in 1988

## Twelve Noaths Ended December 31, 1985

	Arcount	Nissouri Nater
Nusber	Name	Jurisdictional
	Water Utility Operating Revenues:	
	Unmetered Sales - Commercial	2,309
161.1	Metered Sales - Residential	396,996
461.2	Metered Sales - Commercial	106,501
	Netered Sales - Industrial	43,249
	Other Sales to Public Authorities	6,482
167	Interdepartmental Sales	585
	Total Nater Operating Revenues	556,122
	Water Utility Operating Expenses:	
401-2	Source of Supply Expenses	20,072
101-2	Pumping Expenses	85,776
101-2		2,301
401-2		175,308
101-2	Customer Accounts Expenses	46,794
101-2	Administrative and General Expenses	29,037
103	Depreciation	59,205
08.1	Taxes Other Than Income Taxes	27,644
	Total Expenses Before Income Taxes	446,139
	Net Water Utility Operating Income	
	Before Taxes - Unadjusted	109,983
	Provision for Income Taxes: 4	
109.1		19,722
109.1		2,015
10.1	Provision for Deferred Income Taxes	6,529
111.4	Investment Tax Credit Adjustment - Net	(2,011
	Total Provision for Income Taxes	26,255
	Net Water Utility Operating Income	\$83,728

\*Calculation method consistent with last Commission Rate Order

Schedule 3 341 Tax Rate

	0
	SCHEDULE 4 Page 1
	YEAR IN WHICH LAW IS IN EFFECT
Income from Operations	1988 109,983
ADD:	
Rook Depreciation	59,205
Unbilled Revenue Phase-in	6,750
Interest Capitalized (Tax) Total Additions	2,088 68,043
LESS:	
Interest Synchronization	50,671
Tax Depreciation - Excess of SL Tax Straight-Line Depreciation	28,599
Total Deductions	38,736 118,006
NET TAXABLE INCOME	60,020
FEDERAL INCOME TAX PROVISION:	
Net Taxable Income (Above)	60,020
Less Missouri Income Tax (Below) Federal Taxable Income	2,015 58,005
FEDERAL INCOME TAX	19,722
LESS CURRENT ITC (Incl. Paysop)	0
PLUS ITC RECAPTURE Provision for current federal income tax	0 19,722
MISSOURI INCOME TAX CALCULATION: Net Taxable Income (Above)	60,020
Less Current Federal Income Tax (Above)	19,722
Missouri Taxable Income	40,298
PROVISION FOR CURRENT MISSOURI INCOME TAX	2,015
TOTAL CURRENT TAX LIABILITY	21,737
DEFERRED TAX CALCULATION: Investment credit -	
Current Earned Investment Credit PAYSOP	0 0
Less Investment Credit Amortized NET INVESTMENT CREDIT	(2,011) (2,011)
OTHER DEFERRED ITEMS -	
Tax Depreciation in excess of SL Excess deferred tax amortization - depreciation	9,724 (900)
Unbilled revenues	(2,295)
NET OTHER DEFERRED TAX	6,529
TOTAL DEFERRED TAX (Incl. ITC)	4,518
TOTAL INCOME TAX PROVISION	26,255

)...

#### DEFERRED FEDERAL INCOME TAX SUMMARY

	Latest Computation of Deferred Tax Balance	Calculated 1985 Deferred Inc. Tax (Excl. Amort. of Excess Deferred Taxes)		Calculated Excess Deferred Tax Amortization		Excess Deferred Tax Balance (After 1985 Amort. of Excess Deferred Taxes)	
	12-31-85*	40%	342	40%			34%
				10.17		40%	A
WATER UTILITY:							
L.D. (1954-1950)	15,072.84	(1,225.63)	(1,041.78)	(461.26)	(645.12)	3,954.36	5,622.13
L.D. (1961-1970)	35,100.38	(611.96)	(520.15)	(163.37)	(255.17)	6,726.00	10,982.14
A.J.R. (1971-1980)	94,294.73	6,239.82	5,303.84	-0-	-0-	13,138.66	24,567.63
ACRS (1981-1983)	15,989.03	2,918.30	2,480.55	-0-	-0	2,085.53	4,171.05
ACRS (1984)	4,205.50	2,343.08	1,991.62	-0-	-0-	351.46	702.92
ACRS (1985)	1,759.69	1,530.17	1,300.64	-0-	-0-	229.52	459.05
TOTAL WATER	166,422.17	11,193.78	9,514.72	(624.63)	(900.29)	26,485.53	46,504.92
ELECTRIC UTILITY:							
L.D. (1961-1970)	3,717,774.20	(148,733.81)	(126,423.74)	(34,440.28)	(56,750.34)	694.379.23	1,147,888.50
L.D. (1954-1960)	709,755.57	(3,675.98)	(3,125.42)	(4,628.34)	(6,514.38)	209,499.00	283,002.75
Structures (1961-1970)	26,969.25	(409.25)	(347.86)	(95.62)	(156.39)	5,167.38	8,437.64
Structures (1954-1960)	19.566.14	(1,096.84)	(932.30)	(585.35)	(721.98)	5,732.13	7,477.37
Production (Excluding		(-,,-	(20.000000)	(	() (100)		.,
Hydro) (1971-1980)	8,108,153.82	557,679.15	474,027.28	(1,253.13)	(2,506.25)	1,010,022.47	1,977,101,43
Hydro & T&D (1971-1980)	8,009,683.75	530,404.66	450,843.95	-0	-0-	1,069,327.27	2,018,885.97
OF&F & Structures	0,000,000110	2210 940 4000	490,049199		Ŭ	1,009,047127	210101001111
(1971-1980)	134,544.29	(1,694.82)	(1,440.56)	(944.29)	(1,723.82)	17,779.74	34.690.32
ACRS (1981-1983)	5,738,734.24	•	872,002.34	(2,932.09)		•	
ACRS (1984)	1,020,864.64	1,025,885.10 557,829,18			(8,333.29)	745,598.46	1,488,727.82
latan Structures (1979	1,020,004,04	JJ7 <b>3029 - 10</b>	474,154.81	0	-0-	133,156.25	266,312.51
and 1980)	12 570 21	9/1 00	716 (2)	0	•	1 (10 10	0.001.07
ACRS (1985)	12,579.31	841.92	715.63	-0-	-0	1,640.78	3,281.56
	284,430.90	247,331.22	210,231.53	-0-	-0-	37,099.68	74,199.37
Heavy Truck & CE (1980)	20,296.60	(29,010.44)	(24,658.83)	(4,351.57)	(8,703.13)	2,647.38	5,294.77
Heavy Truck & CE (1979)	-0-	(8,928.36)	(7,589,10)	(1,339.25)	(2,678.51)	-0-	-0
TOTAL ELECTRIC	27,803,352.71	420.73, 2,726	2, <b>317,4</b> 57 <b>.68</b>	(50,569.92)	(88,088.09)	3,932,049.78	7,315,300.01
TOTAL OTHER (See Worksheet)	1,064,499.00					199,602.00	399,206.00
TOTAL OMPANY	29,034,273.88					4,158,137.31	7,761,010.93

\*We have a classification difference between Water and Electric deferred taxes of approximately \$50,000.

<u>ی</u> سر

#### CALCUALTION OF EXCESS DFIT ABOVE 402 and 342 FOR ITEMS OTHER THAN DEPRECIATION

	Reserve Belances	Federal Income	Excess DFIT above Percentages After 1985 Entries	
	12-31-85	Tax Rate	40%	34%
A.A #8	33,210	46+7	*	*
A.A Rocketdyne	20,279	46+2	2,645	5,290
A.A Riverton, PC Equipment	802,619	46%	104,689	209,379
A.A Asbury, PC Equipment	720,370	46%	93,961	187,923
Asbury - Maintenance	25,730	462	3,356	6,712
Provision for Rate Refund	(499,ŬOO)	46%	*	~~~~ <b>*</b>
Licensed Software	(38,709)	46%	(5,049)	(10,098)
Total	1,064,499		199,602	399,206

\* Fully amortized in 1986

97 - S - S

		이 가는 바랍니는 영상에서 가지?	
		THE EMPTRE DISTRICT ELECTRIC COMPANY	Schedule 1 46% Tax Rate
		Rate Base and Rute of Return December 31, 1985 Tax Law in Effect in 1986	Nissoufi
	a.		Hater Jurisdictional
1.	Water Plant in Service		\$2,430,871
2.	Less: Reserve for Depreciation	ท	958,563
3.	Het Water Plant in Servic	6	1,472,388
4.	Materials and Supplies (1	3-Month Average)	26,681
5.	Less: Deferred Income Taxes - Liberalized Depreciat		11 <b>2,22</b> 7
6.	Customer Advances for	Construction	22,516
7.	Total Original Cos	t Rate Base	\$1,364,246
8.	Net Water Operating Inco Effect of Proposed Inco		\$77,063
9.	Indicated Rate of Return Proposed Increase	Before	5.65%
10.	Proposed Increase (After	Taxes)	\$63,454
11.	Net Water Operating Inco Effect of Proposed Inco		\$140,517
12.	Indicated Rate of Return Effeci of Proposed Incl		10.302
13.	Income Tax Factor		1.9045
14.	Gross Revenue Deficit		\$120.849

1

## FILED

DEC 15 1986

PUBLIC SERVICE COMMISSION

	THE	EMPIRE DISTRICT ELECTR	IC COMPANY		Schedule 2 461 Tax Rate
	<b>9</b>	Capital Structure December 31, 1985 Tax Law in Effect in	1986		
		A	B	° C	D
		Amount Outstanding	I of Total	Cost Rate	Weighted Return on Tariffs File
1.	First Mortgage Bonds	\$90,125,162	43.35	8.54	3.701
2.	Preferred Stock	20,758,257	9,98	7.76	0.772
3.	Common Equity	97,039,946	46.67	12.5	5.831
4.	Total	\$207,923,365			10.302

### THE EMPIRE DISTRICT ELECTRIC COMPANY

Schedule 3 462 Tax Rate

Test Year Utility Operating Income Statements Adjusted for Changes Based on Tax Law in Effect in 1966

#### Twelve Months Ended December 31, 1985

*****	Account	Missouri Nater
Nueber		Jurisdictional
	Nater Utility Operating Revenues:	
60	Unmetered Sales - Commercial	2,389
61.1	Metered Sales - Residential	396,996
61.2	Hetered Sales - Commercial	106.501
61.3	Hetered Sales - Industrial	43,249
54	Other Sales to Public Authorities	ó.482
7	Interdepartmental Sales	565
	Total Water Operating Revenues	556,122
	Water Utility Operating Expenses:	
)1-2	Source of Supply Expenses	20.072
11-2	Pumping Expenses	85,778
1-2	Water Treatment Expenses	2,301
1-2	Transmission and Distribution Expenses	175,308
11-2	Customer Accounts Expenses	46,794
	Administrative and General Expenses	29,037
3	Depreciation	59,205
5.1	Taxes Other Than Income Taxes	27,644
	Total Expenses Before Income Taxes	446,139
	Net Water Utility Operating Income	
	Before Taxes - Unadjusted	109,983
	Provision for Income Taxes: 4	
09.1	Income Taxes - Federal	9,283
1.90	Income Taxes - State	1,530
0.1	Provision for Deferred Income Taxes	14,960
1.4	Investment Tax Credit Adjustment - Net	7,147
	Total Provision for Income Taxes	32,920
	Net Water Utility Operating Income	\$77,063

. · · · · ·

SCHEDULE 4 Page 1 YEAR IN WHICH LAW IS IN EFFECT 1986 Income from Operations 109.983 ADD . 59,205 Book Depreciation 795 Bad Debt Expense - (Book in excess of tax) Total Additions 60,000 LESS: 50.477 Interest Synchronization Tax Depreciation - Excess of SL 32.521 Tax Straight-Line Depreciation 38.697 1.160 Payroll taxes capitalized Other A&G and Pensions Capitalized 6.428 Injuries and Damages Capitalized 416 **Dividends Paid Deduction** 400 Total Deductions 130.099 NET TAXABLE INCOME 39.884 FEDERAL INCOME TAX PROVISION: Net Taxable Income (Above) 39,884 Less Missouri Income Tax (Below) 1.530 Federal Taxable Income 38,354 FEDERAL INCOME TAX 17,643 LESS CURRENT ITC (Incl. Paysop) (8, 360)PLUS ITC RECAPTURE n PROVISION FOR CURRENT FEDERAL INCOME TAX 9,283 MISSOURI INCOME TAX CALCULATION: Net Taxable Income (Above) 39,884 Less Current Federal Income Tax (Above) 9,283 Missouri Taxable Income 30,601 PROVISION FOR CURRENT MISSOURI INCOME TAX 1,530 TOTAL CURRENT TAX LIABILITY 10,813 DEFERRED TAX CALCULATION: INVESTMENT CREDIT -Current Earned Investment Credit 8,360 PAYSOP 900 Less Investment Credit Amortized (2, 113)NET INVESTMENT CREDIT 7,147 **OTHER DEFERRED ITEMS -**Tax Depreciation in excess of SL 14,960 NET OTHER DEFERRED TAX 14,960 TOTAL DEFERRED TAX (lncl. ITC) 22,107 TOTAL INCOME TAX PROVISION 32,920

#### DEFERRED FEDERAL INCOME TAX SUMMARY

	Latest Computation of Deferred Tax	Calculated 1985 Deferred Inc. Tax (Excl. Amort.		Calculated Excess Deferred Tax		Excess Deferred Tax Balance (After 1985 Amort.	
	Balance	of Excess Def	And and an other statements of the second statements of the		zation	The second s	ferred Taxes)
	12-31-85*	40%	34%	407	34%	40%	34%
WATER UTILITY:							
L.D. (1954-1960)	15,072.84	(1,225.63)	(1,041.78)	(461.26)	(645.12)	3,954.36	5,622.13
L.D. (1961–1970)	35,100.38	(611.96)	(520.15)	(163.37)	(255.17)	6,726.00	10,982.14
A.D.R. (1971-1980)	94,294.73	6,239.82	5,303.84	-0-	-0-	13,138.66	24,567.63
ACRS (1981-1983)	15,989.03	2,918.30	2,480.55	-0-	-0-	2,085.53	4,171.05
ACRS (1984)	4,205.50	2,343.08	1,991.62	-0	-0-	351.46	702.92
ACRS (1985)	1,759.69	1,530.17	1,300.64	-0-	-0-	229.52	459.05
TOTAL WATER	166,422.17	11,193.78	9,5!4.72	(624.63)	(900.29)	26,485.53	46,504.92
ELECTRIC UTILITY:							
L.D. (1961-1970)	3,717,774.20	(148,733.81)	(126, 423, 74)	(34,440.28)	(56,750.34)	694.379.23	1,147,888,50
L.D. (1954-1960)	709,755.57	(3,676.98)	(3,125.42)	(4,628.34)	(6,514.38)	209,499.00	283,002.75
Structures (1961-1970)	26,969.25	(409.25)	(347.86)	(95.62)	(156.39)	5,167.38	8,437.64
Structures (1954-1960)	19,566.14	(1,096.84)	(932.30)	(585.35)	(721.98)	5,732.13	7,477.37
Production (Excluding	-					•	•
Hydro) (1971-1980)	8,108,153.82	557,679.15	474,027.28	(1,253.13)	(2,506.25)	1,010,022.47	1,977,101.43
Hydro & T&D (1971-1980)	8,009,683.75	530,404,66	450,843.95	-0	-0-	1,069,327.27	2,018,885.97
OF&F & Structures		-					
(1971-1980)	134,544.29	(1,694.82)	(1,440.56)	(944.29)	(1,723.82)	17,779.74	34,690.32
ACRS (1981-1983)	5,738,734.24	1,025,885,10	872,002.34	(2,932.09)	(8,333.29)	745,598.46	1,488,727.82
ACRS (1984)	1,020,864.64	557,829.18	474,154.81	-0	-0-	133,156.26	266,312.51
Latan Structures (1979		r	-			•	•
and 1980)	12,579.31	841.92	715.63	-0-	-0-	1,640.78	3,281.56
ACRS (1985)	284,430.90	247,331.22	210,231.53	-0-	-0-	37,099.68	74,199.37
Heavy Truck & CE (1980)	20,296.60	(29,010.44)	(24,658.83)	(4,351.57)	(8,703.13)	2,647.38	5,294.77
Heavy Truck & CE (1979)	-0-	(8,928.36)	(7,589.10)	(1,339.25)	(2,678.51)		-0-
TOTAL ELECTRIC	27,803,352.71	2,726,420.73	2,317,457 <b>.68</b>	(50,569.92)	(88,088.09)	3,932,049.78	7,315,300.01
TOTAL OTHER (See Worksheet)	1,064,499.00					199,602.00	399,206.00
TOTAL COMPANY	29,034,273.88					4,158,137.31	7,761,010.93

We have a classification difference between Water and Electric deferred taxes of approximately \$50,000.

SCHEDULE 

#### CALCUALTION OF EXCESS DFIT ABOVE 402 and 34% FOR ITEMS OTHER THAN DEPRECIATION

	Reserve Balances	Federal Income		DFIT above Cer 1985 Entries
	12-31-85	Tax Rate	40%	34%
A.A #8	33,210	46+2		*
A.A Rocketdyne	20,279	46+7	2,645	5,290
A.A Riverton, PC Equipment	802,619	46%	104,689	209.379
A.A Asbury, PC Equipment	720,370	46%	93,961	187,923
Asbury - Maintenance	25,730	462	3,356	6,712
Provision for Rate Refund	(4 <b>9</b> 9,000)	46%	*	
Licensed Software	(38,709)	46%	(5,049)	(10,098)
Total	1,064,499		199,602	399,206

\* Fully amortized in 1986

	THE EMPIRE DISTRICT ELECTRIC COMPANY	Schedule 1 341 Tax Rate
	Rate Base and Rate of Return December 31, 1905 Tax Law in Effect in 1988	J94 ]82 RGIT
		Missouri Electric Jurisdictional
1.	Electric Plant in Service	\$270,616,208
2.	Less: Reserve for Depreciation	90,060,955
3.	Net Electric Plant in Service	180,555,253
٩.	Materials and Supplies	7,622,493
5.	Prepayments	271.201
6. 7. 8.	Less: Deferred Income Taxes - Liberalized Depreciation Investment Tax Credit - Pre-1971 Customer Deposits	23,083,859 507,463 1,245,054
9.	Total Original Cost Rate Base	\$163,612,571
10.	Net Electric Operating Income Before Effect of Proposed Increase	\$19,714,553
11.	Indicated Rate of Return Before Proposed Increase	12.05%
12.	Proposed Increase (After Taxes)	(\$931,830)
13.	Net Electric Operating Income After Effect of Proposed Increase	\$18,782,723
14.	Indicated Rate of Return After Effect of Proposed Increase	11.482
15.	Income Tax Factor	1.5678
16.	Gross Revenue Surplus	(\$1,460,923)

## FILED

DEC 15 1986

PUBLIC SERVICE COMMISSION

•	<b>O</b> INE	ENPIRE DISTRICT ELECTR	IC COMPANY		Schedule 342 Tax		). 
		Capital Structure December 31, 1985 Tax Law in Effect in					
		A	8	C		D.	
		Amount Outstanding	% of Total	Cost Rate		d Return ffs File	
1.	First Mortgage Bonds	\$90,125,162	43.35	8.5	542	3.702	
2.	Preferred Stock	20,758,257	9.98	7.1	741	0.77%	
3.	Common Equity	97,039,946	46.67	15.0	032	7.01%	
4.	Total	<b>\$207</b> , <b>923</b> , <b>36</b> 5	100.00			11.482	

.

.

Schedule 3

341 Tax Rate

### THE EMPIRE DISTRICT ELECTRIC COMPANY

Test Year Utility Operating Income Statements Adjusted for Changes Based on Tax Law in Effect in 1988

#### Twelve Months Ended December 31, 1985

		IMETAG UNITU? ENAGA DECEMPER 21' 1
	Account	Missouri
		Electric
Number	Name	Jurisdictional
	Electric Utility Operating Revenues:	
440	Residential	\$41,191.771
442.1	Commercial	27.414.454
442.2-6	Industrial	22,338,365
444	Public Street and Highway Lighting	723,741
	Other Sales to Public Authorities	1,094,421
448	Interdepartmental	59,891
	Sales for Resale - On-System	
447 1.3	Sales for Resale - Off-System	10,267,269
	Total Sales of Electricity	103,089,912
449.1	Less Provision for Rate Refund	593.469
	Total Revenues Net of Prov.for Rate Refund	102,496,4
450-456	Other Electric Operating Revenues	1,270,472
	Total Electric Operating Revenues	103.766.915
	Electric Utility Operating Expenses:	
401-2	Production	45,907,461
401-2	Transmission	1,988,107
	Distribution	5,447,120
401-2		3,077,304
		848.179
AD1-2	Customer Assistance Sales	249,164
401-2	Administrative and General	5,956,387
403	Depreciation	8,148,390
408.1		5,951,707
400.1	laxes other than income taxes	5,551,707
	Total Expenses Before Income Taxes	76,673,819
	Net Electric Utility Operating Income	
	Before Taxes - Unadjusted	27,093,096
	Provision for Income Taxes: *	
409.1	Income Taxes - Federal	6,027,241
409.1	Income Taxes - State	614,898
410.1	Provision for Deferred Income Taxes	1,580,336
411.1	Provision for Deferred Income Taxes - Or.	(392,041)
411.4	Investment Tax Credit Adjustment - Net	(451,891)
	Total Provision for Income Taxes	7,378,543
	Net Electric Utility Operating Invoke	114.714.553

•

\* Calculation method consistent with last Commission Rate (might

SCHEDULE 4 Page 1

	<u>ش</u> ا
	YEAR IN WHICH
	LAW IS IN EFFECT
	1988
Income from Operations	27,093,096
ADD:	
Book Depreciation	8,148,390
Rate Case Expenses	22,451
Unbilled Revenue Phase-in	980,617
Bad Debts Phase-in	65,778
Bad Debt Expense - (Book in excess of tax)	· 0
Interest Capitalized (Tax)	484,582
Contributions in Aid Capitalized (Tax)	309,475
Non-deductible expenses	106,916
Licensed Software	69,961
Asbury Maintenance	110,760
Bonded Revenues	507,616
Interest on Bonded Revenues	63,522
Total Additions	10,870,068
LESS:	
Interest Synchronization	6,053,665
Tax Depreciation - Excess of SL	5,721,701
Tax Straight-Line Depreciation	7,369,608
Payroll taxes capitalized	0
Other A&G and Pensions Capitalized	0
Capitalized Book Interesi	411,854
Injuries and Damages Capitalized	0
Dividends Paid Deduction	66,786
Miscellaneous	14,346
Total Deductions	19,637,960
NET TAXABLE INCOME	18,325,204
FEDERAL INCOME TAX PROVISIGA:	
Net Taxable Income (Above)	18,325,204
Less Missouri Income Tax (Below)	614,898
Federal Taxable Income	17,710,306
FEDERAL INCOME TAX	6,021,504
LESS CURRENT ITC (Incl. Paysop)	0
PLUS ITC RECAPTURE	5,737
PROVISION FOR CURRENT FEDERAL INCOME TAX	6,027,241
MISSOURI INCOME TAX CALCULATION:	
Net Taxable Income (Above)	18,325,204
Less Current Federal Income Tax (Above)	6,027,241
Missouri Taxable Income	12,297,963
PROVISION FOR CURRENT MISSOURI INCOME TAX	614,898
TOTAL CURRENT TAX L'ABILITY	6,642,139

SCHEDULE 4 Page 2

	YEAR IN WHICH LAW IS IN EFFECT 1988
DEFERRED TAX CALCULATION:	
INVESTMENT CREDIT -	_
Current Earned Investment Credit	0
PAYSOP	
Less Investment Credit Amortized	(451,891)
NET INVESTMENT CREDIT	(451,891)
OTHER DEFERRED ITEMS -	1,975,645
Tax Depreciation in excess of SL Accelerated Amortization	(89,114)
	(37,658)
Asbury maintenance Licensed software	(23,787)
Excess deferred tax amortization - depreciation	(73,235)
Excess deferred tax amortization - A.A.	(22,668)
Excess deferred tax amortization - Other	(13,291)
Bonded Revenues	(172,589)
Interest on bonded revenues	(21,598)
Unbilled revenues	(333,410)
NET OTHER DEFERRED TAX	1,188,295
TOTAL DEFERRED TAX (Incl. ITC)	736,404
TOTAL INCOME TAX PROVISION	7,378,543

#### DEFERRED FEDERAL INCOME TAX SUMMARY

	Latest						
	Computation	Calcula	ted			Excess D	eferred
	of Deferred	1985 Deferre	d Inc. Tax	Calculate	d Excess	Tax Ba	lance
	Tax	(Excl. Amort.		Deferr	Deferred Tax		85 Amort.
	Balance	of Excess Def	erred Taxes)	Amorti	Amortization		ferred Taxes)
	12-31-85*	40%	34%	40%	34%	40%	34%
WATER UTILITY:							
L.D. (1954-1960)	15,072.84	(1,225.63)	(1,041.78)	(461.26)	(645.12)	3,954.36	5,622.13
L.D. (1961–1970)	35,100.38	(611.96)	(520.15)	(163.37)	(255.17)	6,726.00	10,982.14
A.D.R. (1971–1980)	94,294.73	6,239.82	5,303.84	-0-	-0	13,138.66	24,567.63
ACRS (1981-1983)	15,989.03	2,918.30	2,480.55	-0-	-0-	2,085.53	4,171.05
ACRS (1984)	4,205.50	2,343.08	1,991.62	-0-	-0	351.46	70 <b>2.92</b>
ACRS (1985)	1,759.69	1,530.17	1,300.64	<u>0</u>		229.52	459.05
TOTAL WATER	166,422.17	11,193.78	9,514.72	(624.63)	(900.29)	26,485.53	46,504.92
ELECTRIC UTILITY:							
L.D. (1961-1970)	3,717,774.20	(148,733.81)	(126,423.74)	(34,440.28)	(56,750.34)	694,379.23	1,147,888.50
L.D. (1954–1960)	709,755.57	(3,676.98)	(3,125.42)	(4,628,34)	(6,514.38)	209,499.00	283,002.75
Structures (1961-1970)	26,969.25	(409.25)	(347,86)	(95.62)	(156.39)	5,167.38	8,437.64
Structures (1954-1960)	19,556.14	(1,096.84)	(932.30)	(585.35)	(721.98)	5,732.13	7,477.37
Production (Excluding	,				••••••	- <b>,</b> ·	•
Hydro) (1971-1980)	8,108,153.82	557,679.15	474,027.28	(1,253.13)	(2,506.25)	1,010,022.47	1,977,101.43
Hydro & TGD (1971-1980)	8,009,683.75	530,404.66	450,843.95	-0	-0-	1,069,327.27	2,018,885.97
OF&F & Structures	-,,	,		•	•	-,,	2,020,00505
(1971-1980)	134,544.29	(1,694,82)	(1.440.56)	(944.29)	(1,723.82)	17,779.74	34,690.32
ACRS (1981-1983)	5,738,734.24	1,025,885.10	872,002.34	(2,932.09)	(8,333.29)	745,598.46	1,488,727.82
ACRS (1984)	1,020,864.64	557,829.13	474,154.81	-0-	-0	133.156.25	266,312.51
Iatan Structures (1979	1,020,004104	JJ1 ,049 +10	4/4,1/4.01	-0-		200 ° CO 1 4 CO	200,312.71
and 1980)	12,579.31	841.92	715.63	-0-	-0-	1,640.78	3,281.56
ACRS (1985)	284,430.90	247,331.22	210,231.53	-0-	Ö	37,099.68	74,199.37
Heavy Truck & CE (1980)	20,296.60	(29,010,44)	(24,658.88)	(4,351.57)	(8,703,13)	2,647.38	5,294.77
Heavy Truck & CE (1979)		(8,928.36)	(7,589.10)	(1,339.25)	(2,678.51)		-0
TOTAL ELECTRIC	27,803,352.71	2,726,420.73	2,317,457.68	(50,569.92)	(88,088.09)	3,932,049.78	7,315,300.01
TOTAL OTHER (See Worksheet)	1,064,499.00					199,602.00	399,206.00
TOTAL COMPANY	29,034,273.88					4,158,137.31	<u>7,761,010.93</u>

We have a classification difference between Water and Electric deferred taxes of approximately \$50,000.

<del>ы</del> 07

### SCHEDULE 5 Page 2

#### CALCUALTION OF EXCESS DFIT ABOVE 402 and 342 FOR ITEMS OTHER THAN DEPRECIATION

	Reserve Balances	Federal Income	Excess DFIT above Percentages After 1985 Entries		
	12-31-85	Tax Rate	40%	34%	
A.A #8	33,210	46+%	*	*	
A.A Rocketdyne	20,279	46+%	2,645	5,290	
A.A Riverton, PC Equipment	802,619	46%	104,689	209,379	
A.A Asbury, PC Equipment	720,370	46%	93,961	187,923	
Asbury - Maintenance	25,730	46%	3,356	6,712	
Provision for Rate Refund	(499,000)	46%			
Licensed Software	(38,709)	46%	(5,049)	(10,098)	
Total	1,064,499		199,602	399,206	

\* Fully amortized in 1986

	THE ENPIRE DISTRICT ELECTRIC COMPANY	Schedule I 401 Tax Rate
	Rate Base and Rate of Return December 31, 1985 Tax Law in Effect in 1987	TOA IGA KULT
		Missouri Water Jurisdictional
1. Water Plant in Service		\$2,430,871
Less: 2. Reserve for Depreciat	ion	958,563
3. Net Water Plant in Serv	rice	1,472,308
4. Materials and Supplies	(13-Month Average)	26,681
Less: Deferred Income Taxes 5. Liberalized Depreci		108,707
6. Customer Advances f	or Construction	22,516
7. Total Original Co	st Rate Base	\$1,367,766
Net Water Operating Inc 8. Effect of Proposed In		\$78,742
Indicated Rate of Retur 9. Proposed Increase	n Betore	5.76
0. Proposed Increase (Afte	r Taxes)	\$62,138
Net Water Operating Inc 1. Effect of Proposed In		\$140,880
Indicated Rate of Return 2. Effect of Proposed In		10.302
3. Income Tax Factor		1.7193
4. Gross Revenue Deficit		\$106,834

FILED

DEC 15 1986

PUBLIC SERVICE COMMISSION

	THE E	MPIRE DISTRICT ELECTRI	COMPAN'I		Schedule 2 402 Tax Rate
		Capital Structure Becember 31, 1985 Tax Law in Effect in 1	¥87		
		Å	6	C	D
		Amount Outstanding	I of Total	Cost Rate	Weighted Return on Tariffs File
1.	First Nortgage Bonds	\$90,125,162	43.35	8.54	z 3.701
2.	Preferred Stock	<b>20,758,2</b> 57	9.98	7.74	0.771
3.	Common Equity	97,039,946	46.67	12.50	<b>x</b> 5.63 <b>x</b>
4.	Total	\$207,923,365	100.00		10.36 <b>1</b>

### THE EMPIRE DISTRICT ELECTRIC COMPANY

Test Year Utility Operating Income Statements Adjusted for Changes Based on Tax Law in Effect in 1987

Twelve Months Ended December 31, 1985

Schedule 3 401 Tax Rate

		INGINE MORTUS ENGED Decem
	Account	Missouri Nater
usber	Name	Jurisdictional
	Water Utility Operating Revenues:	
60	Unmetered Sales - Commercial	2,309
61.1	Metered Sales - Residential	396,996
	Metered Sales - Commercial	106,501
51.3	Metered Sales - Industrial	43,249
64	Other Sales to Public Authorities	6,482
7	Interdepartmental Sales	585
	Total Water Operating Revenues	556,122
	Water Utility Operating Expenses:	
D1-2	Source of Supply Expenses	20,072
1-2	Pumping Expenses	85,778
1-2	Water Treatment Expenses	2,301
1-2	Transmission and Distribution Expenses Customer Accounts Expenses Administrative and General Expenses	175,308
1-2	Customer Accounts Expenses	46,794
1-2	Administrative and General Expenses	29,037
13	Depreciation	59,205
6.1		27,644
	Total Expenses Before Income Taxes	446,139
	Net Water Utility Operating Income	
	Before Taxes - Unadjusted	109,983
	Provision for Income Taxes: *	
9.1	Income Taxes - Federal	23,298
9.1	Income Taxes - State	1,839
	Provision for Deferred Income Taxes	8,115
1.4	Investment Tax Credit Adjustment - Net	(2,011)
	Total Provision for Income Taxes	31,241
	Net Water Utility Operating Income	\$78,742

•

\*Calculation method consistent with last Commission Rate Order

		SCHEDULE 4
		Page 1
<b>9</b> *	а с <mark>в</mark> ени страна стр	YEAR IN WHICH
		LAW IS IN EFFECT
	Income from Operations	1987 109,983
		103,303
	ADD: Book Depreciation	59,205
	Unbilled Revenue Phase-in	6,750
	Interest Capitalized (Tax)	2,088
	Total Additions	68,043
	LESS:	
	Interest Synchronization	50,607
	Tax Depreciation - Excess of SL Tax Straight-Line Depreciation	28,599 38,736
	Total Deductions	117,942
	NET TAXABLE INCOME	60,084
	FEDERAL INCOME TAX PROVISION:	
	Net Taxable Income (Above)	60,084
5. 	Less Missouri Income Tax (Below) Federal Taxable Income	1,839
	rederal laxable income	58,245
	FEDERAL INCOME TAX	23,298
	LESS CURRENT ITC (Incl. Paysop) PLUS ITC RECAPTURE	0 0
	PROVISION FOR CURRENT FEDERAL INCOME TAX	23,298
		•
	MISSOURI INCOME TAX CALCULATION:	
	Net Taxable Income (Above) Less Current Federal Income Tax (Above)	60,084
	Missouri Taxable Income	23,298 36,786
		-
-	PROVISION FOR CURRENT MISSOURI INCOME TAX	1,839
	TOTAL CURRENT TAX LIABILITY	25,137
	DEFERRED TAX CALCULATION:	
** ** **	INVESTMENT CREDIT -	
	Current Earned Investment Credit PAYSOP	0
1	Less Investment Credit Amortized	(2,011)
	NET INVESTMENT CREDIT	(2,011)
	OTHER DEFERRED ITEMS -	
	Tax Depreciation in excess of SL Excess deferred tax amortization - depreciation	11,440 (625)
	Unbilled revenues	(2,700)
	NET OTHER DEFERRED TAX	8,115
	TOTAL DEFERRED TAX (Incl. ITC)	6,104
	TOTAL INCOME TAX PROVISION	
	TOTUT THOOME INV LUCATOINN	31,241

#### DEFERRED FEDERAL INCOME TAX SUMMARY

	Latest Computation of Deferred Tax Balance 12-31-85*	Calculated 1985 Deferred Inc. Tax (Excl. Amort. of Excess Deferred Taxes) 402 342		Deferr	Calculated Excess Deferred Tax Amortization 407 347		Deferred Llance 85 Amort. (ferred Taxes) 347
				4			
WATER UTILITY:		(1	(4, 4)	/ · · · · · · · · · · · · · · · · · · ·			F (88 15
L.D. (1954-1960)	15,072.84	(1,225.63)	(1,041.78)	(461.26)	(645.12)	3,954.36	5,622.13
L.D. (1961-1970)	35,100.38	(611.96)	(520.15)	(163.37)	(255.17)	6,726.00	10,982.14
A.D.R. (1971-1980)	94,294.73	6,239.82	5,303.84	-0-	-0-	13,138.66	24,567.63
ACRS (1981-1983)	15,989.03	2,918.30	2,480.55	-0-	-0-	2,085.53	4,171.05
ACRS (1984)	4,205.50	2,343.08	1,991.62	-0-	-0-	351.46	702.92
ACRS (1985)	1,759.69	1,530.17	1,300.64	-0-	-0-	229.52	459.05
TUTAL WATER	166,422.17	11,193.78	9,514.72	(624.63)	(900.29)	26,485.53	46,504.92
ELECTRIC UTILITY:							
L.D. (1961-1970)	3,717,774.20	(148,733.81)	(126, 423, 74)	(34,440,28)	(56,750.34)	694,379,23	1,147,888.50
L.D. (1954-1960)	709,755.57	(3,676.98)	(3,125.42)	(4,628.34)	(6,514.38)	209,499.00	283,002.75
Structures (1961-1970)	26,969.25	(409.25)	(347.86)	(95.62)	(156.39)	5,167.38	8,437.64
Structures (1954-1960)	19,566.14	(1.096.84)	(932.30)	(585.35)	(721.98)	5,732.13	7.477.37
Production (Excluding						••••	
Hydro) (1971-1980)	8,108,153.82	557,679.15	474,027,28	(1,253.13)	(2,506.25)	1,010,022.47	1,977,101.43
Hydro & T&D (1971-1980)	8,009,683.75	530,404.66	450,843.95	-0-	-0-	1,069,327.27	2,018,885.97
OF&F & Structures	-,,			•	-	1,007,1307,027	2,020,00317.
(1971-1980)	134,544.29	(1.694.82)	(1,440.56)	(944.29)	(1,723,82)	17,779.74	34,690.32
ACRS (1981-1983)	5,738,734.24	1,025,885.10	872,002.34	(2,932.09)	(8,333.29)	745,598.46	1,488,727.82
ACRS (1984)	1,020,864.64	557.829.18	474,154.81	-0-	-0-	133,156.26	266,312.51
latan Structures (1979	1,000,00000	337 3023 820	4/4,174101	-0	- <b>V</b>	133,130,400	200, 312, 171
and 1980)	12,579.31	841.92	715.63	-0	-0	1,640.78	3,281.56
ACRS (1985)	284,430.90	247,331.22	210,231,53	-0-	-0	37,099.68	74,199.37
Heavy Truck & OE (1980)	20,296.60	(29,010.44)	(24,653.88)	(4,351.57)	(8,703.13)	2.647.38	
Heavy Truck & CE (1930)	-0-						5,294.77
Heavy HUCK a CG (1979)		(8,928.36)	(7,589,10)	(1,339.25)	(2,678.51)	-0-	-0-
TOTAL ELECTRIC	27,803,352.71	2,726,420,73	2,317,457.68	(50,569.92)	(88,088.09)	3,932,049.78	7,315,300.01
IVIAL OTHER (See Worksheet)	1,064,499.00					199,602.00	399,206.00
TOTAL COMPANY	29,034,273.88					4,158,137.31	<u>7,761,010.93</u>
He have a classification di	fference between						

We have a classification difference between Water and Electric deferred taxes of approximately \$50,000.

\* -----

μu

.

#### CALCUALTION OF EXCESS DFIT ABOVE 40Z and 34Z FOR ITEMS OTHER THAN DEPRECIATION

	Reserve Federal Balances Income		Excess DFIT above Percentages After 1985 Entries		
	12-31-85	Tax Rate	402	347	
A.A #8	33,210	46 <b>+%</b>	*	<b>*</b>	
A.A Rocketdyne	20,279	46+%	2,645	5,290	
A.A Riverton, PC Equipment	802,619	467	104,689	209,379	
A.A Asbury, PC Equipment	720,370	46%	93,961	187,923	
Asbury - Maintenance	25,730	46%	3,356	6,712	
Provision for Rate Refund	(499,000)	467	*	<b>*</b>	
Licensed Software	(38,709)	467	(5,049)	(10,098)	
Total	1,064,499		199,602	399,206	

\* Fully amortized in 1986

. . .

•	·	ENPIRE DISTRICT ELECTRIC COMPANY	Schedule 1 407 Tax Rate
		Rate Base and Kate of Return December 31, 1985 Tax Law in Effect in 1987	Missouri
			Electric Jurisdictional
1.	Electric Plant in Service		\$270,616.208
2.	Less: Reserve for Depreciation		90.060.955
3.	Net Electric Plant in Service		180.555,253
4.	Materials and Supplies		7,622,493
5.	Prepayments		271,201
6. 7. 8.	Less: Deferred Income Taxes - Liberalized Depreciation Investment Tax Credit - Pre- Customer Deposits	1971	23,115,051 507,463 1,245,054
9.	Total Original Cost Rate	e Base	\$163,581.379
10.	Net Electric Operating Income Effect of Proposed Increase	ßefore	\$18,401,671
11.	Indicated Rate of Return Befor Proposed Increase	е	11.253
12.	Proposed Increase (After Taxes	;)	\$377,471
13.	Net Electric Operating Income Effect of Proposed Increase	After	\$18,779,142
14.	Indicated Rate of Return After Effect of Proposed Increase		11.48%
15.	Income Tax Factor		1.7193
16.	Gross Revenue Deficit		\$648,986

.

.

## FILED

DEC 15 1986

PUBLIC SERVICE COMMISSION

	THE EMPIRE DISTRICT ELECTRIC COMPANY				
	Capital Structure December 31, 1985 Tax Law in Effect in			402 Tax Rate	
	A _	B	C	B	
	Amount Outstanding	Z of Total	Cost Rate	Weighted Return on Tariffs File	
First Mortgage Bond	s \$90,125,162	43.35	8.5	42 3.702	
Preferred Stock	20,758,257	9.98	7.7	42 0.772	
Common Equity	97,039,946	46.67	15.0	3 <b>2</b> 7.012	
Total	\$207,923,365	100.00		11.487	

1. 2.

3. 4.

### THE EMPIRE DISTRICT ELECTRIC COMPANY

Test Year Utility Operating Income Statements Adjusted for Changes Based on Tax Law in Effect in 1987

## Twelve Months Ended December 31, 1985

	Account	Missouri Electric
Nunber	Nane	Jurisdictional
	Flectric Utility Operating Revenues:	
40	Residential	\$41,191,771
42.1	Compercial	27,414,454
42.2-6	Industrial	22.338.365
445.	Bublis Cérnet and Highway Lighting	723,741
45	Other Sales to Public Authorities	1,094,421
48	Interdepartmental	59.891
47 2.4	Sales for Resale - On-System	
	Sales for Resale - Off-System	10,267,269
	Total Sales of Electricity	103,089,912
49.1	Less Provision for Rate Refund	593,469
47.1	Less from son not wate werding	
	Total Revenues Net of Prov.for Rate Refund	102,496,443
150-456	Other Electric Operating Revenues	1,270,472
	Total Electric Operating Revenues	103,766,915
	Electric Utility Operating Expenses:	
01-2	Production	45,907,461
01-2	Transmission	1,988,107
01-2	Distribution	5,447,120
01-2	Customer Accounts	3,077,304
01-2	Customer Assistance	848,179
01-2	Sales	249,164
01-2	Administrative and General	5,956,387
03	Depreciation	8,148,390
08.1	Taxes Other Than Incode Taxes	5,051,707
	Total Expenses Before Income Taxes	76,673,819
	Het Electric Utility Operating Income	
	Before Taxes - Unadjusted	27,093,096
	Provision for Income Taxes: 4	
109.1	Income Taxes - Federal	7,115,877
09.1	Income Taxes - State	561,025
10.1	Provision for Deferred Income Taxes	1.858,455
11-1	Provision for Deferred Income Taxes - Cr.	(392,041
11.4	Investment Tax Credit Adjustment - Net	(451,891
	Total Provision for Income Taxes	8,691,425
	Not Electric Utility Operating Income	\$18,401,671

· Calculation method consistent with last Commission Rate Order

, <sup>a</sup>

٥. .

1.0

SCHEDULE 4 Page 1

	YEAR IN WHICH LAW IS IN EFFECT 1987
Income from Operations	27,093,096
ADD:	
Book Depreciation	8,148,390
Rate Case Expenses	22,451
Unbilled Revenue Phase-in	980,617
Bad Debts Phase-in	65,778
Bad Debt Expense - (Book in excess of tax)	0
Interest Capitalized (Tax)	484,582
Contributions in Aid Capitalized (Tax)	309,475
Non-deductible expenses	106,916 69,961
Licensed Software	110,760
Asbury Maintenance Bonded Revenues	507,616
Interest on Bonded Revenues	63,522
Total Additions	10,870,068
	10,010,000
LESS:	
Interest Synchronization	6,052,511
Tax Depreciation - Excess of SL	5,721,701
Tax Straight-Line Depreciation	7,369,608
Payroll taxes capitalized	0
Other A&G and Pensions Capitalized	
Capitalized Book Interest	411,854
Injuries and Damages Capitalized	0
Dividends Paid Deduction	56,769
Miscellaneous Matal Daduations	14,346 19,626,789
Total Deductions	19,040,709
NET TAXABLE INCOME	18,336,375
FEDERAL INCOME TAX PROVISION:	
Net Taxable Income (Above)	18,336,375
Less Missouri Income Tax (Below)	561,025
Federal Taxable Income	17,775,350
FEDERAL INCOME TAX	7,110,140
LESS CURRENT ITC (lncl. Paysop)	0
PLUS ITC RECAPTURE	5,737
PROVISION FOR CURRENT FEDERAL INCOME TAX	7,115,877
MISSOURI INCOME TAX CALCULATION:	
Net Taxable Income (Above)	18,336,375
Less Current Federal Income Tax (Above)	7,115,877
Missouri Taxable Income	11,220,498
PROVISION FOR CURRENT MISSOURI INCOME TAX	561,025
TOTAL CURRENT TAX LIABILITY	7,676,902

SCHEDULE 4 Page 2

	YEAR IN WHICH LAW IS IN EFFECT 1987
DEFERRED TAX CALCULATION: Investment credit -	
Current Earned Investment Credit PAYSOP	0 0
Less Investment Credit Amortized NET INVESTMENT CREDIT	(451,891) (451,891)
OTHER DEFERRED ITEMS - Tax Depreciation in excess of SL Accelerated Amortization Asbury maintenance Licensed software Excess deferred tax amortization - depreciation Excess deferred tax amortization - A.A. Excess deferred tax amortization - Other Bonded Revenues Interest on bonded revenues Unbilled revenues	2,324,289 (104,862) (44,304) (27,984) (42,043) (11,334) (6,646) (203,046) (25,409) (392,247)
NET OTHER DEFERRED TAX	1,466,414
TOTAL DEFERRED TAX (Incl. ITC)	1,014,523
TOTAL INCOME TAX PROVISION	8,691,425

• · · ·

#### DEFERRED FEDERAL INCIME TAX SUMMARY

	Latest Computation of Deferred Tax Balance	Calculated 1985 Deferred Inc. Tax Calculated Excess (Excl. Amort. Deferred Tax of Excess Deferred Taxes) Amortization		Excess Deferred Tax Balance (After 1965 Amort. of Excess Deferred Taxes)			
	123185*	407	342	40%	34%	403	342
		<u>4.4</u>			- <b></b>		
WATER UTILITY:	15 030 04	(1 005 (2))	(1.0(1.70))	((() ~)	(() 5 10)	2 051 26	5 (00.10
L.D. (1954-1960)	15,072.84	(1,225.63)	(1,041.78)	(461.26)	(645.12)	3,954.36	5,622.13
L.D. (1961-1970)	35,100.38	(611.96)	(520.15)	(163.37)	(255.17)	6,726.00	10,982.14
A.D.R. (1971-1980)	94,294.73	6,239.82	5,303.84	-0-	-0-	13,138.66	24,567.63
ACRS (1981-1983)	15,989.03	2,918.30	2,480.55	-0-	-0-	2,085.53	4,171.05
ACRS (1984)	4,205.50	2,343.08	1,991.62	-0-	-0-	351.46	702.92
ACRS (1985)	1,759.69	1,530.17	1,300.64	-0-	<u> </u>	229.52	459.05
TOTAL WATER	166,422.17	11,193.78	9,514.72	(624.63)	(900.29)	26,485.53	46,504.92
ELECTRIC UTILITY:							
L.D. (1961-1970)	3,717,774.20	(148,733.81)	(126,423.74)	(34,440.28)	(56,750.34)	694,379.23	1,147,888.50
L.D. (1954-1960)	709,755.57	(3,676.98)	(3,125.42)	(4,628.34)	(6,514.38)	209,499.00	283,002.75
Structures (1961-1970)	26,969.25	(409.25)	(347.86)	(95.62)	(156.39)	5,167.38	8,437.64
Structures (1954-1960)	19,566.14	(1,096.84)	(932.30)	(585.35)	(721.98)	5,732.13	7,477.37
Production (Excluding	,	,	(	(		.,	.,
Hydro) (1971-1980)	8,108,153.82	557,679.15	474,027.28	(1,253.13)	(2,506.25)	1,010,022.47	1,977,101.43
Hydro & T&D (1971-1980)	8,009,683.75	530,404.66	450,843.95	-0-	-0-	1,069,327.27	2,018,885.97
OF&F & Structures	0,007,003175	2203404100	4503(45155	Ū	v	2,003,007,007	2,010,005155
(1971-1980)	134,544.29	(1,694.82)	(1,440,56)	(944.29)	(1,723.82)	17,779.74	34,690.32
ACRS (1981-1983)	5,738,734.24	1,025,885.10	872,002.34	(2,932.09)	(8,333.29)	745,598.46	
ACRS (1984)	1,020,864.64	557.829.18	474,154,81	-0-	-0-	133,156,26	1,488,727.82
Iatan Structures (1979	1,020,004.04	557,029.10	4/4,1,4,01	-0-	-0-	155,150.20	266,312.51
and 1980)	12,579.31	841.92	715.63	-0	-0-	1 (10 70	3 001 57
ACRS (1985)	•			-0	-	1,640.78	3,281.56
Heavy Truck & CE (1980)	284,430.90	247,331.22	210,231.53	-	-0-	37,099.68	74,199.37
	20,296.60	(29,010.44)	(24,658.88)	(4,351.57)	(8,703.13)	2,647.38	5,294.77
Heavy Truck & CE (1979)	-0-	(8,928.36)	(7,589,10)	(1,339.25)	(2,678.51)	-0-	<u> </u>
TOTAL ELECTRIC	27,803,352.71	2,726,420.73	2,317,457.68	(50,569.92)	(88,068.09)	3,932,049.78	7,315,300.01
TOTAL OTHER (See Worksheet)	1,064,499.00					199,602.00	399,206.00
TOTAL COMPANY	29,034,273.88					4,158,137.31	7,761,010.93

We have a classification difference between Water and Electric deferred taxes of approximately \$50,000.

#### CALCUALTION OF EXCESS DFIT ABOVE 40Z and 34Z FOR ITEMS OTHER THAN DEPRECIATION

	Reserve Balances	Federal Income		DFIT above ter 1985 Entries
	12-31-85	Tax Rate	402	347
A.A #8	33,210	46+%	*	*
A.A Rocketdyne	20,279	46+7	2,645	5,290
A.A Riverton, PC Equipment	802,619	46Z	104,689	209,379
A.A Asbury, PC Equipment	720,370	46 <b>Z</b>	93,961	187,923
Asbury - Maintenance	25,730	467	3,356	6,712
Provision for Rate Refund	(499,000)	46 <b>X</b>	*	*
Licensed Software	(38,709)	46 <b>Z</b>	(5,049)	(10,098)
Total	1,064,499		199,602	399,206

\* Fully amortized in 1986

. .

THE EMPIRE DISTRICT ELECTRIC COMPANY	Schedule 1 46% Tax Rate
Rate Base and Rate of Return December 31, 1985 Tax Law in Effect in 1986	Missouri
	Electric Jurisdictional
Electric Plant in Service	\$270,616,208
Less: Reserve for Depreciation	90,060,955
Net Electric Plant in Service	180,555,253
Materials and Supplies	7,622,493
Prepayments	271,201
Less: Deferred Income Taxes - Liberalized Depreciation Investment Tax Credit - Pre-1971 Customer Deposits	23,169,994 507,463 1,245,054
Total Original Cost Rate Base	\$163,526,436
Net Electric Operating Income Before Effect of Proposed Increase	\$17,933,291
Indicated Rate of Return Before Proposed Increase	10.971
Proposed Increase (After Taxes)	\$839,544
Net Electric Operating Income After Effect of Proposed Increase	\$18,772,835
Indicated Rate of Return After Effect of Proposed Increase	11.482
Income Tax Factor	1.9045
Gross Revenue Deficit	\$1,598,912

# FILED

DEC 15 1986

PUBLIC SERVICE COMMISSION

	THE	EMPIRE DISTRICT ELECTRI	IC COMPANY	•	Schedule 2 46% Tax Rate
		Capital Structure December 31, 1985 Tax Law in Effect in 1	1986		
		A	B	C	D
		Amount Outstanding	I of Total	Cost Rate	Weighted Return on Tariffs File
1.	First Wortgage Bonds	\$90,125,162	43.35	8.	.542 3.702
2.	Preferred Stock	20,758,257	9.98	7.	.74% 0.77%
3.	Common Equity	97,039,946	46.67	15.	.037 7.01%
4.	Total	\$207,923,365	100.00		11.482

## THE EMPIRE DISTRICT FLECTRIC COMPANY

Schedule 3

46% Tax Rate

Test Year Utility Operating Income Statements Adjusted for Changes Based on Tax Law in Effect in 1986

## Twelve Months Ended December 31, 1985

	Account	Nissouri Electric			
Hunber	Nane	Jurisdictional			
	lectric Utility Operating Revenues:				
-440	Residential	5.1.191,771			
442.1	Connercial	_ ,414,454			
440 0-4	Inductrial	22,338,365			
	Public Street and Highway Lighting	723,741			
445	Other Sales to Public Authorities	1,094,421			
440	Interdepartmental	59,891			
447 2 4	Sales for Resale - Un-System	10 0/7 0/0			
447 1 3	Sales for Resale - Off-System	10,267,269			
47/.119					
	Total Sales of Electricity	103,089,912			
449.1	Less Provision for Rate Refund	593,469			
	Total Revenues Net of Prov.for Rate Refund	102,496,443			
	Total Revenues Net of Provinor Nate Actano				
450-456	Other Electric Operating Revenues	1,270,472			
	Total Electric Operating Revenues	103,766,915			
	Electric Utility Operating Expenses:	45,907,461			
401-2	Production	1,988,107			
401-2	Transmission	5,447,120			
401-2	Distribution	3,077,304			
401-2	Customer Accounts	848,179			
401-2	Customer Assistance	249,164			
401-2	Sales	5,956.387			
401-2	Administrative and General	8,148,390			
403	Depreciation	5,051,707			
408.1	Taxes Other Than Income Taxes				
	Total Expenses Before Income Taxes	76,673,819			
	Net Electric Utility Operating Income	27,093,096			
	Before Taxes - Unadjusted				
	Provision for Income Taxes: *	5,998,321			
409.1	Income Taxes - Federal	477,881			
409.1	Income Taxes - State	2,598,552			
410.1	The second factor Taylor - 17	(392,041)			
411.1		477,092			
411.4		9,159,805			
	Total Provision for Income Taxes				
	Net Electric Utility Operating Income	\$17,937,291			

· Calculation method consistent with last Commission Rate Order

SCHEDULE 4 Page 1 YEAR IN WHICH LAW IS IN EFFECT 1986 27,093,096 Income from Operations ADD: 8,148,390 Book Depreciation 22,451 **Rate Case Expenses** 112,522 Bad Debt Expense - (Book in excess of tax) 73,661 Non-deductible expenses 69,961 Licensed Software 110,760 Asbury Maintenance 507,616 **Bonded Revenues** 63,522 Interest on Bonded Revenues 9,108,883 Total Additions LESS: 6,050,478 Interest Synchronization 5,810,722 Tax Depreciation - Excess of SL 7,301,478 Tax Straight-Line Depreciation 292,658 Payroll taxes capitalized . 441,977 Other A&G and Pensions Capitalized 411,854 Capitalized Book Interest 273,500 Injuries and Damages Capitalized 49,031 **Dividends Paid Deduction** 14,346 Miscellaneous 20,646,044 Total Deductions 15,555,935 NET TAXABLE INCOME FEDERAL INCOME TAX PROVISION: 15,555,935 Net Taxable Income (Above) 477,881 Less Missouri Income Tax (Below) 15,078,054 Federal Taxable Income 6,935,905 FEDERAL INCOME TAX (943, 321)LESS CURRENT ITC (Incl. Paysop) 5,737 PLUS ITC RECAPTURE PROVISION FOR CURRENT FEDERAL INCOME TAX 5,998,321 MISSOURI INCOME TAX CALCULATION: 15,555,935 Net Taxable Income (Above) 5,998,321 Less Current Federal Income Tax (Above) 9,557,614 Missouri Taxable Income PROVISION FOR CURRENT MISSOURI INCOME TAX 477,881 6,476,202 TOTAL CURRENT TAX LIABILITY

SCHEDULE 4 Page 2

한빛, 풍산성이 있는 것이 같은 것이 있는 것이 같이 있는 것이 없다.	YEAR IN WHICH
	LAW IS IN EFFECT
	1986
DEFERRED TAX CALCULATION: Investment credit -	
Current Earned Investment Credit	875,979
PAYSOP	66,594
Less Investment Credit Amortized	(465,481)
NET INVESTMENT CREDIT	477,092
OTHER DEFERRED ITEMS -	
Tax Depreciation in excess of SL	2,672,932
Accelerated Amortization	(120,566)
Asbury maintenance	(50,950)
Licensed software	(32, 182)
Bonded Revenues	(233,503)
Interest on bonded revenues	(29,220)
NET OTHER DEFERRED TAX	2,206,511
TOTAL DEFERRED TAX (Incl. ITC)	2,683,603
TOTAL INCOME TAX PROVISION	9,159,805

#### DEFERRED FEDERAL INCOME TAX SUMMARY

	Latest Computation of Deferred Tax Balance	ed 1985 Deferred Inc. Tax Calculated Exce (Excl. Amort. Deferred Tax		ed Tax	Tax (After 1985		
	12-31-85*	40%	34%	40%	34%	40%	347
ATER UTILITY:							
L.D. (1954–1960)	15,072.84	(1,225.63)	(1,041.78)	(461.26)	(645.12)	3,954.36	5,622.13
L.D. (1961–1970)	35,100.38	(611.96)	(520.15)	(163.37)	(255.17)	6,726.00	10,982.14
A.D.R. (1971–1980)	94,294.73	6,239.82	5,303.84	-0	-0	13,138.66	24,567.63
<b>CRS (1981–1983)</b>	15,989.03	2,918.30	2,480.55	-0-	-0	2,085.53	4,171.05
ACRS (1984)	4,205.50	2,343.08	1,991.62	-0-	-0-	351.46	702.92
ACRS (1985)	1,759.69	1,530.17	1,300.64		-0-	229.52	459.05
TOTAL WATER	166,422.17	11,193.78	9,514.72	(624.63)	(900.29)	26,485.53	46,504.92
ELECTRIC UTILITY:							
L.D. (1961-1970)	3,717,774.20	(148,733.81)	(126,423.74)	(34,440.28)	(56,750.34)	694,379.23	1,147,888.50
L.D. (1954-1960)	709,755.57	(3,676.98)	(3,125.42)	(4,628.34)	(6,514.38)	209,499.00	283,002.75
Structures (1961-1970)	26,969.25	(409.25)	(347.86)	(95.62)	(156.39)	5,167,38	8,437.64
Structures (1954–1960)	19,566.14	(1,096.84)	(932.30)	(585,35)	(721.98)	5,732.13	7,477.37
Production (Excluding			()/	(	(	- <b>p</b> · - <b>-</b>	.,
Hydro) (1971-1980)	8,108,153.82	557,679.15	474,027.28	(1,253.13)	(2,506,25)	1,010,022.47	1,977,101.43
Hydro & T&D (1971-1980)	8,009,683.75	530,404.66	450,843.95	-0-	-0-	1,069,327.27	2,018,885.97
P&F & Structures	0,000,000000	2301424100	450,045175	•	v	1,007,027,127	2,010,00517/
(1971-1980)	134,544.29	(1,694,82)	(1,440.56)	(944.29)	(1,723,82)	17,779.74	34,690.32
ACRS (1981-1983)	5,738,734.24	1,025,885.10	872,002.34	(2,932.09)	(8,333.29)	745,598.46	1,488,727.82
ACRS (1984)	1,020,864.64	557.829.18	474,154.81	-0-	-0-	133,156,26	266,312.51
Iatan Structures (1979	1,020,004,04	<i>JJ</i> 7,027,10	4/4,134.01	-0-	-0-	155,150,20	200,512.51
and 1980)	12,579.31	841.92	715.63	-0-	-0-	1,640.78	3,281.56
ACRS (1985)	284,430.90	247,331.22	210,231.53	-Õ-	-0-	37,099.68	74,199.37
Heavy Truck & CE (1980)	20,296.60	(29,010.44)	(24,658.88)	(4,351.57)	(8,703,13)	2,647.38	5,294,77
Heavy Truck & CE (1979)	-0-	(8,928.36)	(7,589.10)	(1,339.25)	(2,678.51)	-0	-0-
•	سبب متلتهي وسنتنظ ليد بستعلك كيجو خبابتك						
TOTAL ELECTRIC	27,803,352.71	2,726,420.73	2,317,457.68	(50,569.92)	(88,088.09)	3,932,049.78	7,315,300.01
IOTAL OTHER (See Worksheet)	1,064,499.00					199,602.00	399,206.00
IOTAL COMPANY	29,034,273.88					4,158,137.31	7,761,010.93

We have a classification difference between Water and Electric deferred taxes of approximately \$50,000.

- **U** 

.

## CALCUALTION OF EXCESS DFIT ABOVE 40% and 34% FOR ITEMS OTHER THAN DEPRECIATION

	Reserve Balances 12-31-85	Federal Income Tax Rate	Excess DFIT above Percentages After 1985 Entries	
			40%	34%
A.A #8	33,210	46+%	*	*
A.A Rocketdyne	20,279	46+%	2,645	5,290
A.A Riverton, PC Equipment	802,619	46%	104,689	209,379
A.A Asbury, PC Equipment	720,370	46%	93,961	187,923
Asbury - Maintenance	25,730	46%	3,356	6,712
Provision for Rate Refund	(499,000)	46%		******
Licensed Software	(38,709)	46%	(5,049)	(10,098)
Total	1,064,499		199,602	399,206

\* Fully amortized in 1986