



# Missouri Public Service Commission

Area Code 314  
751-3234

P.O. BOX 360  
JEFFERSON CITY  
MISSOURI 65102

March 4, 1988

**FILED**

MAR 04 1988

PUBLIC SERVICE COMMISSION

**Commissioners:**

WILLIAM D. STEINMEIER

**Chairman**

CHARLOTTE MUSGRAVE

ALLAN G. MUELLER

CONNIE B. HENDREN

JAMES M. FISCHER

ROBERT J. SCRIBNER

**Staff Director**

HARVEY G. HUBBS

**Secretary**

WILLIAM C. HARRELSON

**General Counsel**

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

Re: Case Nos. AO-87-48 and ER-85-265

Dear Mr. Hubbs:

Enclosed for filing in the above-referenced cases are an original and fifteen (15) copies of a Stipulation and Agreement. This document has been executed by attorneys representing all of the parties to Case No. ER-85-265 except IBEW Local 1439. The attorney representing IBEW Local 1439 stated that his client does not oppose this Stipulation and Agreement, but has not authorized him to execute it.

Thank you for your assistance in this matter.

Sincerely,

Thomas M. Byrne  
Assistant General Counsel

TMB:sg

cc: All parties of record  
Garth Ashpaugh  
Dale Johansen  
Jim Ketter  
Mike Proctor  
Sam Kemp

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 )  
1986. )

Case No.

**FILED**

MAR 04 1988

In the matter of Arkansas Power & )  
Light Company of Little Rock, )  
Arkansas, for Authority to File )  
Tariffs Increasing Rates for )  
Electric Service Provided the )  
Customers in the Missouri Service )  
Area of the Company. )

**PUBLIC SERVICE COMMISSION**

Case No. ER-85-265

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

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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

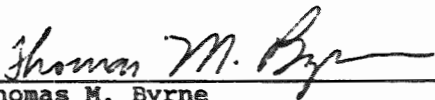
parties and the Commission in these and any other pending or future proceedings in this or any other forum; that none of the provisions of this Stipulation and Agreement, however, shall prejudice, bind or otherwise affect any party should the Commission decide not to approve this Stipulation and Agreement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

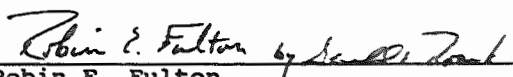
Respectfully submitted,

  
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Missouri Public Service Commission  
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Missouri

  
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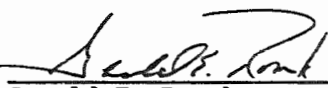
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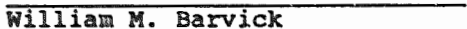
Attorney for Intervenors  
ASARCO, Inc. and Doe Run Company

  
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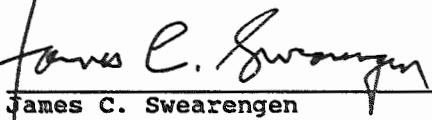
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