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MO. PUBLIC SERVICE COMMISSION

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March 18, 1987

FILED
MAR 19 1987

PUBLIC SERVICE COMMISSION

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

Re: Arkansas Power & Light Co.
Case No. AO-87-48

Dear Mr. Hubbs:

Enclosed for filing in the above-referenced matter please find three (3) copies of the following:

1. Intervenor's Reply to the Response of Union Electric Company to the Motion of Doe Run Company, et al. to Suspend Phase-In Tariffs of Arkansas Power & Light Company; and

2. Intervenor's Reply to Staff's Response to Motion to Suspend Phase-In Tariffs.

I have this date mailed a copy of the same to all parties of record.

Sincerely yours,


Robin E. Fulton

REF:alw

Enclosures

cc: All Parties of Record

FILED

BEFORE THE PUBLIC SERVICE COMMISSION OF THE

MAR 19 1987

STATE OF MISSOURI

PUBLIC SERVICE COMMISSION

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.)

Case No. ER-85-265

and

In the matter of the investi-)
gation of the revenue effects)
upon Missouri utilities of the)
Tax Reform Act of 1986.)

Case No. AO-87-48 ✓

INTERVENORS' REPLY TO THE RESPONSE
OF UNION ELECTRIC COMPANY TO THE
MOTION OF DOE RUN COMPANY, ET AL. TO SUSPEND
PHASE-IN TARIFFS OF ARKANSAS POWER & LIGHT COMPANY

The following response will address each of the four points raised by Union Electric Company (UE). References to past admissions and pleadings, of which UE is apparently unaware, will be kept as brief as possible.

I. UE misstates the issues and, therefore, has no legitimate interest in the Motion filed by Intervenor. The Arkansas Power & Light Company (AP&L) phase-in plan is not the issue in this suspension. While UE notes that there may be differences between UE's phase-in tariffs and AP&L's phase-in tariffs, we must point out that there is at least one telling difference. While both utilities were ordered to file future tariffs, which would reflect the "automatic" nature of future increases, UE has complied and in its misdirected Response seeks protection for

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those tariffs. In stark contrast, AP&L has steadfastly refused to file any tariffs beyond those which are to become effective March 21, 1987. Hence, the only AP&L tariffs on file with a future effective date are those which are to become effective March 21, 1987. While there are undoubtedly other differences between the two phase-in plans, it is patently obvious that the motion cannot possibly affect nonexistent future tariffs. The phase-ins are different, the attitude of the utility is different and the manner in which the Tax Reform Act (TRA) may be reflected in the rates of the utilities is necessarily different. UE has no legitimate interest which would lead to an obstruction of the relief sought on behalf of the ratepayers of AP&L.

II. In the second paragraph, UE admittedly ignores legal causes and seeks to allow its interest on "broader policy grounds." As a policy matter, there is no attack on the phase-in from which UE seeks protection. While UE notes the possibility of the "tactic" used by Intervenor causing concern, we note that UE has on its behalf at least attempted to avoid such a confrontation by voluntarily agreeing to reflect in its rates some measure of the impact of the TRA. UE's concerns could be much more appropriately addressed if it were to attempt to explain to AP&L how AP&L's reluctance to address the TRA in a forthright manner is perceived to adversely affect other utilities in the State.

III. Besides the broad policy implication, UE represents that Intervenor has forgotten that phase-in plans are "simply deferrals of a rate increase already approved, but not fully recovered." UE also alleges that these Intervenor seek a change

based on a single cost item and finds that ironic. In its motion, UE's lack of understanding of the AP&L situation is made obvious. AP&L has, in fact, already made an admission against interest in the December 15 filing in the tax case, wherein AP&L claimed no significant changes in cost that would affect tax savings between the years ended December 31, 1985; June 30, 1986; and December 31, 1986. Thus, the Mines do not seek an adjustment based on a single cost item. In addition, as a result of the tax adjustment clause contained in AP&L's tariffs, which is the subject of an earlier motion filed by Intervenor, the income taxes are, in fact, an add-on which removes the case from the UCCM difficulties. The circumstance is simply that AP&L appears to have admitted that the tax change constitutes the only significant cost change. Thus, the single cost change and the total cost change are one and the same in this particular instance. The add-on cost of taxes have decreased at least \$1.65 million, and yet AP&L steadfastly refuses to accordingly reduce its rates, directly contrary to the position of UE. UE's uninformed argument attacks a straw man and is without merit in the AP&L docket.

* * *

For the above reasons, UE's Response is without merit and the points raised therein should not be considered by this Commission. We respectfully suggest that UE, to the extent it remains concerned about AP&L or AP&L ratepayers, direct its future attempts at persuasion directly at fellow utility AP&L.

Respectfully submitted,

SCHNAPP, GRAHAM, REID & FULTON

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ASARCO, Inc. and
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PROOF OF SERVICE

THE UNDERSIGNED CERTIFIES THAT A COMPLETE COPY OF THIS INSTRUMENT WAS SERVED UPON THE ATTORNEY OF RECORD OF EACH PARTY TO THE ABOVE BY ACTUALLY ENCLOSED THE SAME IN ENVELOPES ADDRESSED TO SAID ATTORNEYS AT THEIR BUSINESS ADDRESS AS DISCLOSED IN THE PLEADINGS OF RECORD HEREIN, WITH FIRST-CLASS POSTAGE FULLY PREPAID, AND BY DEPOSITING SAID ENVELOPES IN A U. S. POST OFFICE MAIL BOX

IN FREDERICKTOWN, MISSOURI ON THE 18th DAY
OF March, A.D. 19 87
R E Fulton OF
SCHNAPP, GRAHAM & REID
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FREDERICKTOWN, MISSOURI