

Exhibit No.:
Issue(s):
Witness/Type of Exhibit:
Sponsoring Party:
Case No.:

Tax Cut Impact
Riley/Direct
Public Counsel
ER-2018-0366

DIRECT TESTIMONY

OF

JOHN S. RILEY

Submitted on Behalf of the Office of the Public Counsel

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2018-0366

July 11, 2018

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

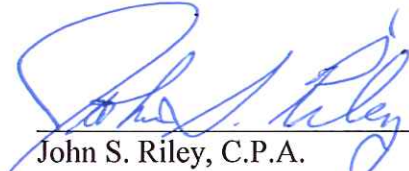
In the Matter of a Proceeding Under)
Section 393.137 (SB 564) to Adjust)
the Electric Rates of The Empire) File No. ER-2018-0366
District Electric Company)

AFFIDAVIT OF JOHN S. RILEY

STATE OF MISSOURI)
)
) **ss**
COUNTY OF COLE)

John S. Riley, of lawful age and being first duly sworn, deposes and states:

1. My name is John S. Riley. I am a Public Utility Accountant III for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.




John S. Riley, C.P.A.
Public Utility Accountant III

Subscribed and sworn to me this 11th day of July 2018.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13754037



Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

**DIRECT TESTIMONY
OF
JOHN S. RILEY
THE EMPIRE DISTRICT ELECTRIC COMPANY
CASE NO. ER-2018-0366**

1 **Q. What is your name and what is your business address?**

2 A. John S. Riley, PO Box 2230, Jefferson City, Missouri 65102

3 **Q. By whom are you employed and in what capacity?**

4 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Public Utility
5 Accountant III.

6 **Q. What is your educational background?**

7 A. I earned a B.S. in Business Administration with a major in Accounting from Missouri State
8 University.

9 **Q. What is your professional work experience?**

10 A. I was employed by the OPC from 1987 to 1990 as a Public Utility Accountant. In this capacity
11 I participated in rate cases and other regulatory proceedings before the Public Service
12 Commission (“Commission”). From 1994 to 2000 I was employed as an auditor with the
13 Missouri Department of Revenue. I was employed as an Accounting Specialist with the
14 Office of the State Court Administrator until 2013. In 2013, I accepted a position as the Court
15 Administrator for the 19th Judicial Circuit until April, 2016 when I joined the OPC.

16 **Q. Are you a Certified Public Accountant (“CPA”) licensed in the State of Missouri?**

17 A. Yes. I am also a member of the Institute of Internal Auditors (“IIA”)

18 **Q. Have you previously filed testimony before the Missouri Public Service Commission**
19 **(“Commission” or “PSC”)?**

1 A. Yes I have. A listing of my Case filings is attached as Schedule JSR-D-1

2 **Q. What is the purpose of your testimony?**

3 A. I provide to the Commission the Office of the Public Counsel's ("OPC") positions
4 regarding the adjustments that should be made to change the electric rates of The Empire
5 District Electric Company ("Empire") in this case due to § 393.137, RSMo.¹. It is OPC's
6 position that the purpose of Senate Bill 564 and this case is to flow to Empire's Missouri
7 customers the full impacts of the federal Tax Cut and Jobs Act of 2017 ("TCJA") which
8 went into effect on January 1, 2018.

9 **Q. What are OPC's positions?**

10 A. OPC's positions are that four adjustments to Empire's annual Missouri electric revenue
11 requirement used for setting its current rates are required to reduce Empire's electric rates
12 to flow to Empire's Missouri customers the full impacts of the TCJA.

- 13 • The first adjustment is to reflect going forward the change in the federal corporate income
14 tax rate from 35% to 21%. OPC has quantified this adjustment to be a revenue
15 requirement reduction of \$17,469,270.
- 16 • The second adjustment (protected excess Accumulated Deferred Income Taxes) is to
17 reflect the differences between the amounts for federal income taxes that Empire has
18 collected from its customers through rates and what it paid attributable to depreciation
19 which federal tax law requires flow to customers over remaining plant life. Because
20 neither OPC nor Empire have the rate the federally required average rate assumption
21 method yields, although Empire represents that it has the data to determine that rate, OPC
22 cannot now quantify the appropriate reduction to Empire's Missouri electric revenue

¹ Section 393.137 creates a ninety day period to adjust rates for electrical corporations to reflect the changes in the income tax component of the revenue requirement.

1 requirement. However, OPC has quantified the amount to which that rate will be applied
2 to be \$175,044,036.

- 3 • The third adjustment (unprotected excess Accumulated Deferred Income Taxes) is to
4 reflect the differences between the amounts for federal income taxes that Empire has
5 collected from its customers through rates other than those amounts that are protected,
6 and included in the second adjustment. OPC has quantified the appropriate reduction to
7 Empire's Missouri electric revenue requirement to be \$2,288,455. This \$2,288,455 is
8 based on OPC's quantification of Empire's current unprotected excess ADIT to be
9 \$22,884,547, and using the same 10-year amortization period Union Electric Company
10 agreed to for unprotected excess ADIT.
- 11 • The fourth adjustment is to reflect Empire's recovery from its Missouri electric customers
12 of its federal income tax from January 1, 2018, until new rates take effect that is based on
13 a federal corporate income tax rate of 35% when the actual rate is 21%. Assuming the
14 new rates take effect August 30, 2018, OPC has quantified that accumulated amount to
15 be \$11,582,365 ($242/365 * \$17,469,270$).

16 **Q. What adjustments should be made to address the impacts of the TCJA?**

17 A. To fully address the impacts of the TCJA on electric utility rates, four (4) separate
18 adjustments are required. The first adjustment is to reflect in Empire's current electric rates
19 the change in the federal corporate income tax rate from 35% to 21%, which reduces
20 Empire's federal income tax component of the cost of service. The second and third
21 adjustments are to reflect in Empire's current electric rates the amounts its customers were
22 charged in their rates for federal income tax expense that Empire has yet to pay to the
23 Internal Revenue Service ("IRS"). These adjustments both are commonly referred to as
24 excess accumulated deferred income tax ("ADIT"), one being "protected" and the other
25 "unprotected." "Protected" is ADIT where federal law effectively limits how quickly the
26 accumulated deferred income tax amounts are flowed to Empire's customers in the rates

1 they pay. “Unprotected” is ADIT where the deferral is caused by something else, e.g.,
2 capitalizing an expense for ratemaking purposes that is treated as an expense for federal
3 income tax purposes. OPC’s second adjustment is for “protected” excess ADIT and its
4 third adjustment is for “unprotected” excess ADIT. The fourth adjustment is to recognize
5 that when the Commission established Empire’s current electric rates Empire’s federal
6 income tax rate was 35%, but that tax rate changed to 21% on January 1, 2018. Therefore,
7 the fourth adjustment is to recognize the impacts of that 40% difference in federal income
8 tax rates from January 1, 2018, to the date new rates set in this case take effect.

9 **Q. Has OPC quantified each of these four adjustments?**

10 A. Yes.

11 **Q. How did OPC quantify the first adjustment, i.e., to reflect in Empire’s current rates**
12 **the change in the federal corporate income tax rate from 35% to 21%, which reduces**
13 **Empire’s federal income tax expense?**

14 A. OPC used one of the spreadsheet developed by Empire to answer OPC data request 1301.
15 Empire used a composite (state and federal) tax rate of 25.12% where Staff, OPC and other
16 utilities have used a rate of 25.45% for tax changes in other cases. I inserted a new column
17 in the spreadsheet and used the 25.45% and the gross up factor of 1.34135. This is attached
18 as Schedule JSR-D-2

19 **Q. What is OPC’s quantification of the first adjustment?**

20 A. OPC estimates that Empire’s annual Missouri electric revenue requirement is overstated
21 by \$17,469,270 due to the reduction in the federal corporate income tax rate from 35% to
22 21%.

23 **Q. What is OPC’s quantification of its second and third adjustments— “protected” and**
24 **“unprotected” excess ADIT, respectively?**

1 A. I calculated that, for its Missouri electric operations, Empire has a total excess ADIT of
2 \$197,928,583, of which \$175,044,036 is protected and \$22,884,547 is unprotected.
3 Schedule JSR-D-4

4 **Q. What steps did you take to calculate these estimates?**

5 A. OPC issued data requests for business records and communications, primarily to determine
6 the amount of protected and unprotected ADIT. Empire provided answers to OPC data
7 requests for information about Empire's ADIT on the afternoon of July 5. OPC also
8 deposed Mr. Steve Williams, a CPA with Empire, on Friday, July 6 in an effort to clarify
9 Empire's position on ADIT. Not until it provided its response to OPC data request 1303
10 on the afternoon of July 5 did Empire inform OPC that it would make its 2015 and 2016
11 consolidated federal income tax returns available for viewing at its "regional headquarters
12 located at 602 S. Joplin, Ave., Joplin, MO," and that "arrangements can be made to view
13 the materials at the Company's outside legal counsel office located in Jefferson City." I
14 reviewed Empire's 2016 consolidated federal income tax return the afternoon of July 6.

15 After listening to Mr. Williams' answers to OPC deposition questions and reviewing the
16 documentation that Empire provided, as well as reviewing Empire's 2016 consolidated tax
17 return, I made adjustments to Empire spreadsheets and calculated the excess ADIT and
18 identified the protected and unprotected components. Although Empire personnel have
19 stated that Empire believes the excess ADIT is mostly protected, and should be flowed
20 back to ratepayers over 30 to 40 years, internal communications between Empire and
21 Liberty personnel provided to OPC in its responses to OPC data request nos. 1001, 1301,
22 1302, and 1303 indicate that Empire has categorized a significant portion of its excess
23 ADIT as being unprotected.²

² Company personnel have stated in emails that they believe that account 282100 is an unprotected amount.

1 **Q. What is OPC’s recommendation to the Commission regarding the amount of**
2 **Empire’s protected excess ADIT (second adjustment)?**

3 A. In the most recent Spire Inc. rate case, the Commission decided a 20 year amortization with
4 a tracker was an appropriate timeframe. This would be OPC’s recommendation due to
5 Empire’s lack of information to develop accurate flow back timeframes.

6 The IRS requires that the Average Rate Assumption Method (ARAM) be used to flow back
7 the excess ADIT, however, emails obtained from the Company indicate that it cannot
8 sufficiently identify the asset lives to follow the ARAM method. The IRS will allow
9 utilities to amortize the excess using what is known as the Reverse South Georgia Method.
10 In short, the method uses an average composite depreciation rate to calculate the
11 amortization amount. Preliminary calculations indicate that the composite rate is about
12 2.96% however, I have not seen any information from the Company regarding this method
13 either. Until the Company can identify the proper amortization rate, the OPC recommends
14 what the Commission established in the Spire Inc. rate case.

15 Using a 20 year amortization to apply to the \$175,044,036 balance allows a reduction in
16 Empire’s revenue requirement by **\$8,752,202**.

17
18 **Q. What is OPC’s recommendation to the Commission regarding the amount of**
19 **Empire’s ADIT that is unprotected?**

20 A. OPC believes the amount of unprotected excess ADIT is \$22,884,547 (Missouri electric
21 operations). Unlike protected ADIT, the Commission may flow unprotected ADIT to
22 ratepayers over time periods set by the Commission, or as Empire employee Steve
23 Williams artfully articulated the standard, at the “whim of the PSC”³.

³ Email included in Schedule JSR-D-3

1 **Q. What is OPC's recommendation to the Commission regarding the time over which**
2 **this \$22,884,547 of unprotected excess ADIT should be flowed to Empire's Missouri**
3 **electric ratepayers?**

4 A. In this case, as it has recommended in prior TCJA cases, OPC recommends that the
5 Commission use a 10-year amortization period, Applying a 10 year period to the flow back
6 of the \$22,884,547 would reduce Empire's revenue requirement by \$2,288,455
7 (\$22,884,547/10).

8 **Q. What is OPC's quantification of the fourth adjustment, i.e., the impacts of that 40%**
9 **difference in federal income tax rates from January 1, 2018, to the date new rates set**
10 **in this case take effect?**

11 A. Because of the 90 day timeframe established in SB 564, new rates must be in place by
12 August 30 of this year. Based on the assumption that the new rates take effect August 30,
13 2018, OPC has quantified the accumulated amount to be \$11,582,365
14 (242/365*\$17,469,270). Statute requires this amount to be deferred to the Company's next
15 general rate case.⁴

16
17 **Q. How is OPC recommending this amount be flowed to Empire's Missouri customers?**

18 A. Within the next rate case, OPC recommends treating the sum of the fourth adjustment as a
19 reduction to the cost of service amortized over the expected period rates are in effect. i.e.
20 If Empire is expected to file a rate case every four years, the \$11,646,180 will flow back
21 to the customer at \$2,911,545 annually. (11,646,180/4).

⁴ SB 564, section 393.137 "...to defer to a regulatory asset the financial impact of such federal act on the electrical corporation for the period of January 1, 2018, through the date the electrical corporation's rates are adjusted on a one-time basis..... to set the electrical corporation's rates in its subsequent general rate proceeding

1 **Q. What is the full impact of the tax changes when considering OPC's**
2 **recommendations?**

3 A. The change in rates will reduce Empire's revenue requirement by \$17,469,270 annually.
4 The 20 year amortization of the protected portion of the excess ADIT will reduce rates by
5 \$8,752,202 a year. The 10 year amortization of the unprotected portion will reduce rates
6 by \$2,288,455. The total reduction that OPC seeks by August 30, 2018 is \$28,509,927 on
7 an annualized basis with an additional reduction of \$2,911,545 in the next general rate case.

8 **Q. How does OPC's recommend the Commission change Empire's rates to implement**
9 **the rate reductions from the new tax law?**

10 A. OPC recommends that the full impact of the new tax law be reflected by reductions in
11 Empire's customer charges. Reducing customer charges best will ensure that Empire's
12 customers will realize the benefits of the TCJA as the Missouri Legislature contemplated
13 in Senate Bill 564. Customer charges are finite, and have a greater degree of predictability
14 to insure that bills are not be reduced in an amount any more or less than the Commission
15 intends. Changes to volumetric rate elements may vary based on consumption, which may
16 be influenced by factors such as weather. The point is that this money has been, in fact,
17 collected from ratepayers, and the customer charges are the more accurate mechanism to
18 return ratepayers' monies, short of a direct refund. Because the statute authorizes rate
19 adjustments to realize the benefits of the TCJA, OPC recommends adjustments to the
20 customer charge.

21 **Q. Are you aware that the Commission has been reviewing the impact of the TCJA on**
22 **regulated utilities?**

23 A. Yes, the Commission first ordered Missouri electrical corporations, gas corporations, and
24 Missouri-American Water Company to provide estimates of the tax changes and how their
25 rates would be affected in a working docket, File No. AW-2018-0174, on January 3, 2018.

1 **Q. Did Empire respond to the Commission order?**

2 A. Yes. With its *Response to Order* cover pleading Empire filed on January 31, 2018, a
3 confidential Exhibit A in which it indicated that the tax rate change would cause excess
4 earnings of approximately \$17,837,022⁵ for its electrical utility operations in Missouri.
5 Empire did not file any estimate of the excess ADIT.

6 **Q. When did you obtain information from Empire that would allow you to calculate an**
7 **estimated total for excess ADIT?**

8 A. The morning of Friday, July 6, 2018. Empire provided OPC with answers to OPC data
9 requests late in the afternoon the day before. Emails OPC obtained from Empire is
10 discovery that are attached as Schedule JSR-D-3 indicate that Empire had been working
11 on calculating excess ADIT since as far back as *October of 2017*. As far as I can tell, none
12 of these estimates of excess ADIT were ever provided to the Commission in response to
13 the order from AW-2018-0174 or the Commission's order to show cause in ER-2018-0228.

14 **Q. Empire has filed testimony that argues that this case should be dismissed due to an**
15 **dismissed case No. ER-2018-0228, filed by the Commission Staff. How do you**
16 **respond?**

17 A. ER-2018-0228 was dismissed by the Commission on May 17, 2018, prior to the effective
18 date of the statute, and therefore Empire's argument is misplaced. Empire has not
19 voluntarily provided information to the Commission concerning excess ADIT or made any
20 offers to settle its overearning. Contrary to its responses filed in ER-2018-0228 that
21 indicated an inability to determine any protected or unprotected ADIT until the
22 procurement of software, the attached emails indicate that the Company was working on
23 these excess ADIT calculation even before the Commission made any directives. Empire

⁵ The response was marked confidential but income taxes are cost of service item within the Staff accounting schedules.

1 would like for the provisions of SB 564 to be nullified so the overearnings from January 1
2 till the new rate go into effect can be dismissed.

3 It would appear that the Company is dragging its feet to cling to every dollar of excess
4 earnings that it can. Maybe the Commission should consider a carrying charge to include
5 in Empire's cost of service when a reduction is established.

6 **Q. does this conclude your testimony?**

7 A. Yes.

John S. Riley, CPA
Summary of Case Participation

ST LOUIS COUNTY WATER COMPANY	CASE NO. WR-88-5
SOUTHWESTERN BELL TELEPHONE COMPANY	CASE NO. TC-89-21
EMPIRE DISTRICT ELECTRIC COMPANY	CASE NO. ER-2016-0023
KCP&L GREATER MISSOURI OPERATIONS COMPANY	CASE NO. ER-2016-0156
KANSAS CITY POWER & LIGHT COMPANY	CASE NO. ER-2016-0285
AMEREN MISSOURI	CASE NO. ER-2016-0179
EMPIRE DISTRICT ELECTRIC PRUDENCE REVIEW	CASE NO. EO-2017-0065
LACLEDE GAS COMPANY	CASE NO. GR-2017-0215
MISSOURI AMERICAN WATER COMPANY	CASE NO. WU-2017-0351
EMPIRE DISTRICT ELECTRIC COMPANY	CASE NO. EO-2018-0092
LIBERTY (MIDSTATE NATURAL GAS)	CASE NO. GR-2018-0013
KANSAS CITY POWER & LIGHT COMPANY	CASE NO. ER-2018-0145
KCP&L GREATER MISSOURI OPERATIONS COMPANY	CASE NO. ER-2018-0146

The Empire District Electric Company
-A Liberty Utilities Company

OPC Data Request - 1301

Estimated Annual Missouri Tax Reform Revenue Requirement Impact

Page 1 of 1

CONFIDENTIAL 4 CSR 240-2.135(2)(A)(5)

Line No.	Description Revenue Requirement Component	The Empire District Electric Company		
		21% Federal Income Tax Rate	Corrected Composit Rate	35% Federal Income Tax Rate ⁽¹⁾
	(a)	(b)		(c)
1	OpEx	352,263,768	352,263,768	352,263,768
2	Rate Base	1,345,483,910	1,345,483,910	1,345,483,910
3	ROR	7.33%	7.33%	7.33%
4	Return on Rate Base	98,664,126	98,664,126	98,664,126
5	Interest Sync:			
6	Rate Base	1,345,483,910	1,345,483,910	1,345,483,910
7	Weighted Cost of Debt	2.72%	2.72%	2.72%
8	Interest Deduct	36,650,982	36,650,982	36,650,982
9	Return on Rate Base	98,664,126	98,664,126	98,664,126
10	Interest Deduct	(36,650,982)	(36,650,982)	(36,650,982)
11	Net Income (Equity Portion of Return)	62,013,145	62,013,145	62,013,145
12	Composite Tax Rate	25.12%	25.45%	38.39%
13	Equity x Tax Rate	15,576,772	15,782,345	23,805,978
14	GRCF	1.3354	1.3414	1.6231
15	Taxes	20,801,896	21,169,649	38,638,918
16	Total Rev Req (MO model)	471,729,790	472,097,543	489,566,812
17	Total Rev Req (Per Stipulation)	489,566,812	489,566,812	489,566,812
18	Difference	(17,837,022)	(17,469,269)	0

Footnotes:

⁽¹⁾ Information derived from Docket No. ER-2016-0023

Jurisdictional Revenue

489,566,812

Charlotte North, CPA

From: Steve Williams
Sent: Wednesday, December 06, 2017 5:13 PM
To: Charlotte North
Subject: FW: Tax Reform Impact
Attachments: Tax Reform ADIT Impact.xlsm

Looks okay, with a couple of notes:

- The current DIT rate is 38.0875%, in case you'd like to use that. It's a composite federal and state rate for the whole company, and we use it for all operating segments.
- The captions on lines 46 & 47 should be reversed. Line 46 is the new estimated DIT balance, and line 47 should be the effect of the change (what we'll have to refund to customers over the next 40 years or so.)

Steve Williams, CPA | Empire District – Liberty Utilities Central | Manager of Tax Planning

P: (417) 625-6556 | F: (417) 625-5173 | E: swilliams@empiredistrict.com

PO Box 127 | 602 S. Joplin Ave | Joplin, MO 64802-0127

From: Charlotte North
Sent: Wednesday, December 06, 2017 4:52 PM
To: Steve Williams
Subject: RE: Tax Reform Impact

Thank you Steve for taking time to discuss a quick approach in determining a high level impact calculation on the potential tax reform changes being proposed. I pulled together what I think represents the impact based off of discussions, but I was hoping you could review it quickly and let me know if my approach matches your thoughts. Thanks!

Charlotte T. North, CPA | Empire District – Liberty Utilities Central | Supervisor, Rates and Regulatory Affairs

P: 417-626-5979 | E: Charlotte.North@libertyutilities.com

602 S. Joplin Avenue, Joplin, Missouri 64802

From: Steve Williams
Sent: Wednesday, December 06, 2017 3:29 PM
To: Charlotte North
Subject: RE: Tax Reform Impact

No. Haven't had the time.

Steve Williams, CPA | Empire District – Liberty Utilities Central | Manager of Tax Planning

P: (417) 625-6556 | F: (417) 625-5173 | E: swilliams@empiredistrict.com

PO Box 127 | 602 S. Joplin Ave | Joplin, MO 64802-0127

From: Charlotte North

Sent: Wednesday, December 06, 2017 3:29 PM

To: Steve Williams

Subject: RE: Tax Reform Impact

Thank you Steve, appreciate the guidance. Have you by chance had an opportunity to look at the impact the proposed changes may have on Empire's currently recorded Accumulated Deferred Income Taxes?

Charlotte T. North, CPA | Empire District – Liberty Utilities Central | Supervisor, Rates and Regulatory Affairs

P: 417-626-5979 | E: Charlotte.North@libertyutilities.com

602 S. Joplin Avenue, Joplin, Missouri 64802

From: Steve Williams

Sent: Wednesday, December 06, 2017 2:27 PM

To: Charlotte North

Subject: RE: Tax Reform Impact

Charlotte:

Tax reform is pretty much up in the air. The House and Senate have both passed different bills that will now go to Conference Committee to be worked into something the conferees hope will pass both Houses. Congress's goal is to have legislation to the president for signature by December 22. However, the Republicans have slim majorities in each House, especially in the Senate. The Senate had a lot of trouble getting their bill passed due to objections from a several Republican members over specific provisions in the bill. Whether the Conferees will be able to pull something together is anybody's guess. However, the big accounting firms are fairly sure some kind of tax reform legislation will be enacted in 2017 or early 2018.

Here's are a couple of pages from a Deloitte webcast dealing with the business provisions in both bills. I've made some notes on how they affect regulated utilities. I hope their helpful.

Other than that, I'm not sure that I can tell you much about what's going to happen. Oakville has been in a fluster about the legislation primarily due to a few issues affecting international taxpayers.

Steve Williams, CPA | Empire District – Liberty Utilities Central | Manager of Tax Planning

P: (417) 625-6556 | F: (417) 625-5173 | E: swilliams@empiredistrict.com

PO Box 127 | 602 S. Joplin Ave | Joplin, MO 64802-0127

From: Charlotte North
Sent: Wednesday, December 06, 2017 8:30 AM
To: Steve Williams
Subject: Tax Reform Impact

Good Morning Steve-

I hope your week is going well. Could I please get a few minutes of your time to discuss the tax reform impact on the Empire entities? If my understanding was correct from our discussions the other day I believe you may have been doing some high level calculations for Oakville. Please let me know when you have a few minutes of availability. Chris and Jill would like a general idea of the impact by December 8, not for sure if that is a reasonable turnaround, but let me know your thoughts. Thanks!

Charlotte T. North, CPA | Empire District – Liberty Utilities Central | Supervisor, Rates and Regulatory Affairs
P: 417-626-5979 | E: Charlotte.North@libertyutilities.com
602 S. Joplin Avenue, Joplin, Missouri 64802

Charlotte North, CPA

From: Steve Williams
Sent: Wednesday, January 17, 2018 2:34 PM
To: Rob Sager; Jeff Lee; Charlotte North; Travis Gray
Subject: Excess deferred income tax workbook
Attachments: Excess Deferred Tax Estimate - 12-31-17.xlsx

I roughed out a workbook for excess DIT last night based on the one Charlotte prepared as of 10/31/17 and a copy is attached. It's also available at <\\SRV-EMPIRE10\Dept Shares\Finance\Tax\Income Tax\2017\Special Projects\Tax Reform Impact\Excess Deferred Tax Estimate - 12-31-17.xlsx> for those with access to the Tax folder on the Finance share drive. If you'd like, we can use this in our meeting this afternoon.

Let me know if you have questions.

Steve Williams, CPA | [Empire District – Liberty Utilities Central](#) | Manager of Tax Planning
P: (417) 625-6556 | F: (417) 625-5173 | E: swilliams@empiredistrict.com
PO Box 127 | 602 S. Joplin Ave | Joplin, MO 64802-0127

Charlotte North, CPA

From: Charlotte North
Sent: Wednesday, January 17, 2018 4:54 PM
To: Rob Sager
Subject: Tax Reform Revenue Requirement Impact - Draft
Attachments: Tax Reform Revenue Requirement Impact.xlsx

Rob-

As discussed please find attached the draft calculation for the annual impact on the Retail Revenue Requirement. Please let me know if you see any issues with our approach. Thanks!

Charlotte T. North, CPA | Empire District – Liberty Utilities Central | Supervisor, Rates and Regulatory Affairs
P: 417-626-5979 | E: Charlotte.North@libertyutilities.com
602 S. Joplin Avenue, Joplin, Missouri 64802

Charlotte North, CPA

From: Steve Williams
Sent: Friday, January 19, 2018 8:48 AM
To: Johnson, Jeff (US - Kansas City); Tiwald, Richard J (US - Omaha) (rtiwald@deloitte.com)
Cc: Rob Sager; Charlotte North
Subject: Empire District - Excess ADIT preliminary calculation
Attachments: Excess Deferred Tax Estimate - 12-31-17.xlsx

Jeff & Rick:

I'm attaching a copy of our preliminary excess ADIT calculation. Could you please give it a quick look over and let us know if we're in the ball park with our rationale.

Sorry if this will derail your plans for Friday afternoon snow-golf.

Thanks.

Steve Williams, CPA | [Empire District – Liberty Utilities Central](#) | Manager of Tax Planning
P: (417) 625-6556 | F: (417) 625-5173 | E: swilliams@empiredistrict.com
PO Box 127 | 602 S. Joplin Ave | Joplin, MO 64802-0127

Charlotte North, CPA

From: Steve Williams
Sent: Tuesday, January 23, 2018 2:39 PM
To: Charlotte North; Chris Krygier
Cc: Rob Sager
Subject: RE: Tax reform impact workbook

The protected piece will be amortized as timing differences reverse, which could be 40-50 years. The unprotected piece will amortize at the whim of the PSCs of the various states, so negotiate something good for us, please.

We will move out the protected piece when we can determine how much it is. The biggest complicating factor is the fixed asset DIT liability. Part of it is due to different depreciable lives and methods for book and tax (this is the protected portion) and the rest is due to differences between the basis depreciated (the unprotected portion.) Our depreciation software, PowerTax, will eventually be able to separate the two, but it will be an arduous process to get everything configured correctly. Deloitte will be helping us with this.

Sorry I don't have better answers at this point.

Steve Williams, CPA | Empire District – Liberty Utilities Central | Manager of Tax Planning
P: (417) 625-6556 | F: (417) 625-5173 | E: swilliams@empiredistrict.com
PO Box 127 | 602 S. Joplin Ave | Joplin, MO 64802-0127

From: Charlotte North
Sent: Tuesday, January 23, 2018 1:58 PM
To: Steve Williams; Chris Krygier
Cc: Rob Sager
Subject: RE: Tax reform impact workbook

Thanks Steve...appreciate you sharing this information. Upon a quick review and hearing some chatter in the regulatory world I was hoping to get Accounting's thoughts surrounding the anticipated annual amortization of this Excess ADIT Regulatory Liability balance (i.e., the amount deemed protected versus unprotected; the expected amortization period of these two buckets and when the amortization may start).

I understand we are very early in this process, but thought you guys might have some preliminary numbers. In addition, I noted that on this spreadsheet the ADIT balance for GL Account 282100 is all deemed unprotected...do you anticipate an amount being moved to protected at some juncture?

Charlotte T. North, CPA | Empire District – Liberty Utilities Central | Supervisor, Rates and Regulatory Affairs
P: 417-626-5979 | E: Charlotte.North@libertyutilities.com
602 S. Joplin Avenue, Joplin, Missouri 64802

From: Steve Williams
Sent: Tuesday, January 23, 2018 9:18 AM
To: Charlotte North; Chris Krygier
Cc: Rob Sager
Subject: Tax reform impact workbook

Charlotte & Chris:

For your reference, I'm attaching a copy of the workbook we've used to estimate excess ADIT resulting from TCJA (Tax Cuts & Jobs Act of 2017). We're booking journal entries today to set up the regulatory liability and revalue the deferred income tax accounts. For the time being, we've put the entire regulatory liability in the Missouri ledger account, but we'll reclassify it to other jurisdictions as more information becomes available.

Please let me know if you have questions or comments.

Steve Williams, CPA | [Empire District – Liberty Utilities Central](#) | Manager of Tax Planning
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Charlotte North, CPA

From: Julie Maus
Sent: Thursday, January 25, 2018 11:46 AM
To: David Swain; Blake Mertens; Rob Sager; Brent Baker; Chris Krygier; Peter Eichler
Cc: Jillian Campbell; Charlotte North; Jill Schwartz; Elizabeth Dumm
Subject: Tax Reform Talking Points
Attachments: Tax Rate Change Q&A 01-25-18.docx

Attached is an updated version of draft talking points based upon on our meeting this morning. Please reply with any recommended edits.

For those not on the email yesterday, we've had a couple of media inquiries on this topic, including local talk radio, where there has been a fair amount of chatter on the subject, including other utilities voluntarily filings. It will be good PR to have a response when asked.

Thank you,

Julie Maus | [Empire District - Liberty Utilities Central](#) | Director of Corporate Communications
P: 417-625-5101 | C: 417-850-7930 | E: jmaus@empiredistrict.com
602 S. Joplin Avenue, Joplin, MO 64801

Charlotte North, CPA

From: Charlotte North, CPA
Sent: Monday, February 26, 2018 5:27 PM
To: David Swain; Blake Mertens; Mike Beatty
Cc: Jill Schwartz (Jill.Schwartz@libertyutilities.com); Chris Krygier
Subject: Tax Reform Regulatory Tracker
Attachments: Tax Reform active dockets.xlsx

David/Blake/Mike-

We wanted to provide an update to the regulatory activity surrounding the various Tax Reform Dockets in the Central Region. Therefore, for a more detailed analysis of the various jurisdictions I would direct you to the attached document, which tracks each jurisdiction and its specific guidance as it relates to tax reform. However, below I attempted to provide a high level overview of the most recent updates:

-
- Missouri: Outside legal counsel is in the process of drafting responses for the show cause cases (EDE and EDG only). Currently our approach is to echo our initial 01/31/18 filing in the docket which reiterates that rates can only be changed in a general rate case proceeding or through a complaint case. It is our understanding that Ameren also intends to file a similar response as well.

We will continue to provide updates as the information becomes available. However, if we can answer any questions or if you have any additional comments, please let us know. Thanks!

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Line No.	Description	Account	Balance	Non-Cash	Non-Electric	Net NOL Against Plant	Disallowed Plant	Exclude as Already Tax Effected	Exclude in MO Last Case Per Staff EMS	Include in Rate Base	Wholesale		Retail				Protected Unprotected (2)
											Missouri	Kansas	Missouri	Kansas	Oklahoma	Arkansas	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	
1	Acc Df Tx-Ozark Beach Loss Gen	190112	(5,245,691)							(5,245,691)	(182,442)	(6,833)	(4,494,556)	(267,194)	(141,813)	(152,853)	Possibly partially protected
2	Def TTC Cr-Adv Coal	190113	1,808,482	(1,808,482)													Unprotected
3	Def Tax Asset - Reg Plan Amort	190114	7,928,326							7,928,326	275,742	10,328	6,793,062	403,836	214,336	231,022	Unprotected
4	Def Fd Inc Tx-Acr Rate Ref-Ark	190122	3,652														Possibly partially protected
5	Def Inc Tax - Hedge Trans Gain	190123	1,065,910							1,065,910	37,072	1,389	913,282	54,293	28,816	31,059	Unprotected
6	Def Fd Tax Asset - Misc	190124	(6,839,765)							(6,839,765)	(237,883)	(8,910)	(5,860,373)	(348,389)	(184,907)	(199,302)	Unprotected
7	FAS123 Deferred Tax Asset	190125	1,050,395						(1,050,395)								Unprotected
8	Def Inc Tx - Disallow Plant	190211	1,540,695				(1,540,695)										Possibly partially protected
9	Def Tx Net Operating Loss	190230	5,380,769			(5,380,769)											This may be possibly protected if generated by bonus
10	Def Fd Inc Tx-Of & Dir Def Com	190260	183,750							183,750	6,391	239	157,439	9,359	4,968	5,354	Unprotected
11	Def Fd Inc Tx-Contrb-Aid Const	190310	10,524,787							10,524,787	366,046	13,710	9,017,734	536,089	284,529	306,679	Unprotected
12	Def Inc Tx-Def Tx Asset Fas109	190320	12,647,861	(12,647,861)													Unprotected
13	Def Inc Tx-Pbop Costs	190330	(623,455)							(623,455)	(21,683)	(812)	(534,182)	(31,756)	(16,855)	(18,167)	Unprotected
14	Def Inc Tx-Postret Ben-Pension	190331	(7,353,448)							(7,353,448)	(255,749)	(9,579)	(6,300,502)	(374,554)	(198,794)	(214,270)	Unprotected
15	Accm Def Inc Tx-Int Capitalized	190340	17,596,138							17,596,138	611,983	22,922	15,076,533	896,274	475,697	512,730	Unprotected
16	Accm Def Inc Tx - All Minm Tax	190350	637,414					(637,414)									Unprotected
17	Deferred Tax - FAS 158	190356	22,969,188	(22,969,188)													Unprotected
18	SWPA Oz Beach Def Tx - AR	190410	242,761							242,761	8,443	316	208,000	12,365	6,563	7,074	Unprotected
19	SWPA Oz Beach Def Tx - KS	190420	194,943							194,943	6,780	254	167,029	9,930	5,270	5,680	Unprotected
20	SWPA Oz Beach Def Tx - MO	190430	2,371,851							2,371,851	82,492	3,090	2,032,224	120,812	64,121	69,113	Unprotected
21	SWPA Oz Beach Def Tx - OK	190440	107,353							107,353	3,734	140	91,981	5,468	2,902	3,128	Unprotected
22	SWPA Oz Beach Def Tx - FERC	190450	662,449							662,449	23,040	863	567,593	33,742	17,909	19,303	Unprotected
23	Accum Def Fed Inc Tx-Ld Elect	282100	(434,316,360)			5,380,769	1,540,695			(427,394,897)	(14,864,543)	(556,747)	(366,195,869)	(21,769,720)	(11,554,264)	(12,453,754)	Possibly partially protected
24	Accum Def Fed Inc Tx-Ld Ks Jur	282120	(646,629)							(646,629)	(22,489)	(842)	(554,038)	(32,937)	(17,481)	(18,842)	Possibly partially protected
25	Acc Def Fed Inc Tx-LD NonUT DR	282130	60,000		(60,000)												Possibly partially protected
26	Acc Def Fed Inc Tx-LD NonUT CR	282135	48,055		(48,055)												Possibly partially protected
27	Accum Def Fed Inc Tx-Ld Ok Jur	282140	(147,755)							(147,755)	(5,139)	(192)	(126,598)	(7,526)	(3,994)	(4,305)	Possibly partially protected
28	Accm Def Fed Inc Tx-Ld Ferc Jr	282150	(339,226)							(339,226)	(11,798)	(442)	(290,652)	(17,279)	(9,171)	(9,885)	Unprotected
29	Accm Def Fed Inc Tx-2Nd Str-Mn	283100	(47,159)							(47,159)	(1,640)	(61)	(40,406)	(2,402)	(1,275)	(1,374)	Unprotected
30	Acc Def Tx-Repair Allowance	283103	(4,057,281)							(4,057,281)	(141,110)	(5,285)	(3,476,315)	(206,651)	(109,685)	(118,224)	Unprotected
31	Def Tax Liab-Liand Def Charges	283116	(5,395,854)							(5,395,854)	(187,665)	(7,029)	(4,623,217)	(274,842)	(145,872)	(157,228)	Unprotected
32	Def Inc Tax - Hedge Trans Loss	283123	(2,293,711)						1,946,242	(347,469)	(12,085)	(453)	(297,715)	(17,699)	(9,394)	(10,125)	Unprotected
33	Deferred Tax Liab Fuel Costs	283139	(4,783,673)							(4,783,673)	(166,373)	(6,231)	(4,098,695)	(243,660)	(129,323)	(139,390)	Unprotected
34	Def Tx-ITC Tx Basis Red-Itan	283366	(9,310,443)	9,310,443													Unprotected
35	Accm Def Fed Inc Tx-Lic Softwr	283400	(3,635,426)							(3,635,426)	(126,438)	(4,736)	(3,114,866)	(185,174)	(98,281)	(105,932)	Unprotected
36	Acc Def Tx-Loss Reseq Debt	283900	(3,059,033)							(3,059,033)	(106,391)	(3,985)	(2,621,008)	(155,814)	(82,698)	(89,136)	Unprotected
37	Def Inc Tax - FAS158	283914	(22,969,188)	22,969,188													Unprotected
38	Def Inc Tax-Defx Liab Fas 109	283915	(13,333,421)	13,333,421													Unprotected
39	Def Tx Liab-Equity AFUDC	283917	(24,196,411)	24,195,572	839					(0)	(0)	(0)	(0)	(0)	(0)	(0)	Unprotected
40	Def Inc Tx Ice Storm Exp	283921	(139,517)							(139,517)	(4,852)	(182)	(119,540)	(7,106)	(3,772)	(4,065)	Unprotected
41	Total Accumulated Deferred Income Taxes:		(461,708,666)	32,383,093	(107,216)			(637,414)	895,847	(429,174,356)	(14,926,431)	(559,065)	(367,720,526)	(21,860,358)	(11,602,370)	(12,505,605)	
42	Current Composite Tax Rate:									38.09%	38.09%	38.09%	38.09%	38.09%	38.09%	38.09%	
43	Line 42 / Line 43									(1,126,811,567)	(39,189,843)	(1,467,845)	(965,462,489)	(57,395,099)	(30,462,409)	(32,833,883)	
44	Proposed Composite Tax Rate:									25.64%	25.64%	25.64%	25.64%	25.64%	25.64%	25.64%	
45	Estimated Balance of ADIT after Reform:									(288,920,599)	(10,048,488)	(376,363)	(247,549,820)	(14,716,415)	(7,810,727)	(8,418,786)	
46	Estimated Excess ADIT (Regulatory Liability):	254430								(140,253,757)	(4,877,943)	(182,702)	(120,170,706)	(7,143,944)	(3,791,643)	(4,086,819)	
47	Composite Gross Up Conversion Factor									1.3448	1.3448	1.3448	1.3448	1.3448	1.3448	1.3448	
48	Estimated Excess ADIT (Gross-Up)									(188,615,788)	(6,559,946)	(245,701)	(161,607,738)	(9,607,305)	(5,099,070)	(5,496,029)	
49	Gross Up Regulatory Portion:	254100								(48,362,031)	(1,682,003)	(62,999)	(41,437,032)	(2,463,361)	(1,307,427)	(1,409,209)	

ADIT Allocator:			
Missouri	85.68%	WP PIS	
Kansas	5.09%	WP PIS	
Arkansas	2.91%	WP PIS	
Oklahoma	2.70%	WP PIS	
MO - Resale	3.48%	WP PIS	
KS - Resale	0.13%	WP PIS	
Total:	100.00%	WP PIS	
MO - Resale	96.39%	WP PIS	
KS - Resale	3.61%	WP PIS	

Based on total percentage allocation of jurisdictional portion of Total Plant

Line No.	Description	Account	Balance	Non-Cash	Non-Electric	Net NOL Against Plant	Disallowed Plant	Exclude as Already Tax Effected	Excluded In MO Last Case Per Staff EMS	Include in Rate Base	Wholesale		Retail				Protected Unprotected (2)
											Missouri	Kansas	Missouri	Kansas	Oklahoma	Arkansas	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	
1	Acc Df Tx-Ozark Beach Loss Gen	190112	(5,245,691)							(5,245,691)	N/A	(6,833)	N/A	(267,194)	(141,813)	(152,853)	Possibly partially protected
2	Def Fd Inc Tx-Acr Rate Ref-Ark	190122	3,652						3,652	N/A	5	N/A	186	99	106	Possibly partially protected	
3	Def Inc Tx - Disallow Plant	190211	1,540,695				(1,540,695)		-	-	-	-	-	-	-	Possibly partially protected	
																This mat be possibly protected if generated by bonus depreciation	
4	Def Tx Net Operating Loss	190230	5,380,769			(5,380,769)			-	-	-	-	-	-	-	-	Possibly partially protected
5	Accum Def Fed Inc Tx-Ld Elect	282100	(434,316,360)				1,540,695		(432,775,665)	(15,051,683)	(563,757)	(370,806,161)	(22,043,794)	(11,699,728)	(12,610,543)	Possibly partially protected	
6	Accum Def Fed Inc Tx-Ld Ks Jur	282120	(646,629)						(646,629)	N/A	(842)	N/A	(32,937)	(17,481)	(18,842)	Possibly partially protected	
7	Acc Def Fed Inc Tx-LD NonUT DR	282130	60,000		(60,000)				-	-	-	-	-	-	-	-	Possibly partially protected
8	Acc Def Fed Inc Tx-LD NonUT CR	282135	48,055		(48,055)				-	-	-	-	-	-	-	-	Possibly partially protected
9	Accum Def Fed Inc Tx-Ld Ok Jur	282140	(147,755)						(147,755)	N/A	(192)	N/A	(7,526)	(3,994)	(4,305)	Possibly partially protected	
10	Accm Def Fed Inc Tx-Ld Ferc Jr	282150	(339,226)						(339,226)	(11,798)	(442)	(290,652)	(17,279)	(9,171)	(9,885)	Possibly partially protected	
11	Total Accumulated Deferred Income Taxes:		(433,662,491)	-	(108,055)	(5,380,769)	-	-	(439,151,314)	(15,063,481)	(572,062)	(371,096,813)	(22,368,543)	(11,872,089)	(12,796,321)		
12	Current Composite Tax Rate:								38.39%	38.39%	38.39%	38.39%	38.39%	38.39%	38.39%	38.39%	
13	Line 42 / Line 43								(1,143,921,110)	(39,238,033)	(1,490,133)	(966,649,681)	(58,266,588)	(30,924,951)	(33,332,433)		
14	Proposed Composite Tax Rate:								25.45%	25.45%	25.45%	25.45%	25.45%	25.45%	25.45%	25.45%	
15	Estimated Balance of ADIT after Reform:								(291,127,923)	(9,986,079)	(379,239)	(246,012,344)	(14,828,847)	(7,870,400)	(8,483,104)		
16	Estimated Excess ADIT (Regulatory Liability):	254430							(148,023,392)	(5,077,401)	(192,823)	(125,084,469)	(7,539,697)	(4,001,689)	(4,313,217)		
17	Composite Gross Up Conversion Factor								1.3414	1.3414	1.3448	1.3414	1.3448	1.3448	1.3448	1.3448	
18	Estimated Excess ADIT (Gross-Up)								(198,551,176)	(6,810,572)	(259,312)	(167,782,052)	(10,139,520)	(5,381,543)	(5,800,492)		
19	Gross Up Regulatory Portion:	254100							(50,527,785)	(1,733,171)	(66,489)	(42,697,583)	(2,599,824)	(1,379,855)	(1,487,275)		

ADIT Allocator:		
Missouri	85.68%	WP PIS
Kansas	5.09%	WP PIS
Arkansas	2.91%	WP PIS
Oklahoma	2.70%	WP PIS
MO - Resale	3.48%	WP PIS
KS - Resale	0.13%	WP PIS
Total:	100.00%	WP PIS
MO - Resale	96.39%	WP PIS
KS - Resale	3.61%	WP PIS

Based on total percentage allocation of jurisdictional portion of Total Plant

(174,592,625) company considered Protected

Line No.	Description	Account	Balance	Non-Cash	Non-Electric	Net NOL Against Plant	Disallowed Plant	Exclude as Already Tax Effected	Excluded In MO Last Case Per Staff EMS	Include in Rate Base	Wholesale		Retail				Protected Unprotected (2)
											Missouri	Kansas	Missouri	Kansas	Oklahoma	Arkansas	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	
1	Def ITC Cr-Adv Coal	190113	1,808,482	(1,808,482)												Unprotected	
2	Def Tax Asset - Reg Plan Amort	190114	7,928,326						7,928,326	N/A		10,328	N/A	403,836	214,336	231,022	Unprotected
3	Def Inc Tax - Hedge Trans Gain	190123	1,065,910						1,065,910	N/A		1,389	N/A	54,293	28,816	31,059	Unprotected
4	Def Fd Tax Asset - Misc	190124	(6,839,765)						(6,839,765)		(237,883)	(8,910)	(5,860,373)	(348,389)	(184,907)	(199,302)	Unprotected
5	FAS123 Deferred Tax Asset	190125	1,050,395					(1,050,395)									Unprotected
6	Def Fd Inc Tx-Of & Dir Def Com	190260	183,750						183,750		6,391	239	157,439	9,359	4,968	5,354	Unprotected
7	Def Fd Inc Tx-Contrb-Aid Const \$10,524,787	190310	-						-		-	-	-	-	-	-	Unprotected
8	Def Inc Tx-Def Tx Asset Fas109 \$12,647,861	190320	-						-		-	-	-	-	-	-	Unprotected
9	Def Inc Tx-Pbop Costs	190330	(623,455)						(623,455)		(21,683)	(812)	(534,182)	(31,756)	(16,855)	(18,167)	Unprotected
10	Def Inc Tx-Postret Ben-Pension	190331	(7,353,448)						(7,353,448)		(255,749)	(9,579)	(6,300,502)	(374,554)	(198,794)	(214,270)	Unprotected
11	Acm Def Inc Tx-Int Capitalized \$17,596138	190340	-						-		-	-	-	-	-	-	Unprotected
12	Acm Def Inc Tx - Alt Minmn Tax	190350	637,414					(637,414)	-		-	-	-	-	-	-	Unprotected
13	Deferred Tax - FAS 158	190356	22,969,188	(22,969,188)					-		-	-	-	-	-	-	Unprotected
14	SWPA Oz Beach Def Tx -AR	190410	-						-		-	-	-	-	-	-	Unprotected
15	SWPA Oz Beach Def Tx - KS	190420	-						-		-	-	-	-	-	-	Unprotected
16	SWPA Oz Beach Def Tx -MO	190430	-						-		-	-	-	-	-	-	Unprotected
17	SWPA Oz Beach Def Tx -OK	190440	-						-		-	-	-	-	-	-	Unprotected
18	SWPA Oz Beach Def Tx -FERC	190450	-						-		-	-	-	-	-	-	Unprotected
19	Accm Def Fed Inc Tx-2Nd SYr Mn	283100	(47,159)						(47,159)		(1,640)	(61)	(40,406)	(2,402)	(1,275)	(1,374)	Unprotected
20	Acc Def Tax-Repair Allowance	283103	(4,057,281)						(4,057,281)		(141,110)	(5,285)	(3,476,315)	(206,661)	(109,685)	(118,224)	Unprotected
21	Def Tax Liab-Iatan Def Charges	283116	(5,395,854)						(5,395,854)		(187,665)	(7,029)	(4,623,217)	(274,842)	(145,872)	(157,228)	Unprotected
22	Def Inc Tax - Hedge Trans Loss	283123	(2,293,711)	(1,946,242)				1,946,242	(2,293,711)		(79,774)	(2,988)	(1,965,273)	(116,832)	(62,009)	(66,836)	Unprotected
23	Deferred Tax Liab Fuel Costs	283139	(4,783,673)						(4,783,673)		(166,373)	(6,231)	(4,098,695)	(243,660)	(129,323)	(139,390)	Unprotected
24	Def Tx-ITC Tx Basis Red-Iatan	283366	(9,310,443)	9,310,443					-		-	-	-	-	-	-	Unprotected
25	Accm Def Fed Inc Tx-Lic Softwr	283400	(3,635,426)						(3,635,426)		(126,438)	(4,736)	(3,114,866)	(185,174)	(98,281)	(105,932)	Unprotected
26	Acc Def Tx-Loss Reacq Debt	283900	(3,059,033)						(3,059,033)		(106,391)	(3,985)	(2,621,008)	(155,814)	(82,698)	(89,136)	Unprotected
27	Def Inc Tax - FAS158	283914	(22,969,188)	22,969,188					-		-	-	-	-	-	-	Unprotected
28	Def Inc Tax-DefTx Liab Fas 109	283915	(13,333,421)						(13,333,421)		(463,729)	(17,369)	(11,424,198)	(679,149)	(360,458)	(388,519)	Unprotected
29	Def Tx Liab-Equity AFUDC	283917	(24,196,411)	24,196,572	839				(0)		(0)	(0)	(0)	(0)	(0)	(0)	Unprotected
30	Def Inc Tx Ice Storm Exp	283921	(139,517)						(139,517)		(4,852)	(182)	(119,540)	(7,106)	(3,772)	(4,065)	Unprotected
31	Ozark Beach Loss Generation	190112	(5,245,691)						(5,245,691)		(182,442)	(6,833)	(4,494,556)	(267,194)	(141,813)	(152,853)	Unprotected
31	Total Accumulated Deferred Income Taxes:		<u>(77,640,011)</u>	<u>29,751,291</u>	<u>839</u>	<u>-</u>	<u>-</u>	<u>(637,414)</u>	<u>895,847</u>	<u>(47,629,448)</u>	<u>(1,969,338)</u>	<u>(62,045)</u>	<u>(48,515,692)</u>	<u>(2,426,046)</u>	<u>(1,287,622)</u>	<u>(1,387,863)</u>	
32	Current Composite Tax Rate:								<u>38.39%</u>	<u>38.39%</u>	<u>38.39%</u>	<u>38.39%</u>	<u>38.39%</u>	<u>38.39%</u>	<u>38.39%</u>	<u>38.39%</u>	
33	Line 42 / Line 43								<u>(124,067,330)</u>	<u>(5,129,821)</u>	<u>(161,617)</u>	<u>(126,375,858)</u>	<u>(6,319,474)</u>	<u>(3,354,057)</u>	<u>(3,615,167)</u>		
34	Proposed Composite Tax Rate:								<u>25.45%</u>	<u>25.45%</u>	<u>25.45%</u>	<u>25.45%</u>	<u>25.45%</u>	<u>25.45%</u>	<u>25.45%</u>	<u>25.45%</u>	
35	Estimated Balance of ADIT after Reform:								<u>(31,575,136)</u>	<u>(1,305,540)</u>	<u>(41,131)</u>	<u>(32,162,656)</u>	<u>(1,608,306)</u>	<u>(853,607)</u>	<u>(920,060)</u>		
36	Estimated Excess ADIT (Regulatory Liability):	254430							<u>(16,054,313)</u>	<u>(663,799)</u>	<u>(20,913)</u>	<u>(16,353,036)</u>	<u>(817,740)</u>	<u>(434,015)</u>	<u>(467,803)</u>		
37	Composite Gross Up Conversion Factor								<u>1.3414</u>	<u>1.3448</u>	<u>1.3448</u>	<u>1.3448</u>	<u>1.3448</u>	<u>1.3448</u>	<u>1.3448</u>	<u>1.3448</u>	
38	Estimated Excess ADIT (Gross-Up)								<u>(21,534,452)</u>	<u>(892,689)</u>	<u>(28,124)</u>	<u>(21,991,859)</u>	<u>(1,099,711)</u>	<u>(583,671)</u>	<u>(629,109)</u>		
39	Gross Up Regulatory Portion:	254100							<u>(5,480,140)</u>	<u>(228,890)</u>	<u>(7,211)</u>	<u>(5,638,822)</u>	<u>(281,972)</u>	<u>(149,656)</u>	<u>(161,307)</u>		

ADIT Allocator:		
Missouri	85.68%	WP PIS
Kansas	5.09%	WP PIS
Arkansas	2.91%	WP PIS
Oklahoma	2.70%	WP PIS
MO - Resale	3.48%	WP PIS
KS - Resale	0.13%	WP PIS
Total:	100.00%	WP PIS
MO - Resale	96.39%	WP PIS
KS - Resale	3.61%	WP PIS

Based on total percentage allocation of jurisdictional portion of Total Plant

(22,884,547) Unprotected