

LAW OFFICES

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March 27, 1987

**FILED**

MAR 27 1987

**PUBLIC SERVICE COMMISSION**

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

Re: Case No. AO-87-48

Dear Mr. Hubbs:

By its order issued in the referenced matter on January 30, 1987, the Missouri Public Service Commission authorized UtiliCorp United Inc., d/b/a/ Missouri Public Service, to file its calendar year 1986 data on or before March 30, 1987.

Accordingly, I deliver herewith for filing an original and fourteen (14) copies of the Comments and Data of Missouri Public Service.

Thank you for your attention to this matter

Very truly yours,

HAWKINS, BRYDON & SWEARENGEN P.C.

By:

*James C. Swearingen*  
James C. Swearingen

JCS:kh

Enc.

cc: Mr. Dennis Williams  
All Parties of Record

H.D.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED

MAR 27 1987

PUBLIC SERVICE COMMISSION

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

COMMENTS

On November 3, 1986, the Missouri Public Service Commission issued an Order establishing Docket No. AO-87-48 for the purpose of investigating the revenue effects of the Tax Reform Act of 1986 upon Missouri utilities. The initial response of UtiliCorp United Inc. d.b.a. Missouri Public Service was filed on December 15, 1985, and showed the approximate effect on the Company's 1985 revenue requirement if the 1986 Tax Reform Act had been in effect during that year. Subsequently, the Company filed on March 2, 1987, its response to the Commission's request for information and comments detailing offsetting cost increases and other factors which would indicate current rates are not excessive. Narrative comments made in those filings are equally applicable to the information contained herein and will, therefore, not be repeated.

Schedules 1 through 12 are designed to present electric jurisdictional revenue requirements calculated using 1986 recorded amounts (Schedules 1 through 4), as well as reflecting most substantive changes of the 1986 Tax Reform Act which are currently calculable using the initial blended rate of 40% (Schedules 5 through 8), and the proposed 34% rate which may or may not be in effect in 1988 (Schedules 9 through 12). Comparable information pertaining to gas department operations is shown on Schedules 13 through 24. Schedule 25 presents the difference between the current accumulated deferred tax reserve and a theoretical reserve that would have resulted if, at the time of initial tax deferral, the Tax Reform Act of 1986 had been in effect.

Respectfully submitted,

*Dennis R. Williams*

Dennis R. Williams  
Missouri Public Service

MISSOURI PUBLIC SERVICE  
ELECTRIC JURISDICTIONAL REVENUE REQUIREMENT BASED ON 1986 TAX LAW  
FOR THE YEAR ENDED DECEMBER 31, 1986

	<u>Recorded</u>	<u>Adjustments (1)</u>	<u>Adjusted</u>
Total plant in service	\$492,420,628	\$ -	\$492,420,628
Less- Depreciation reserve	148,040,487	-	148,040,487
Net plant in service	<u>344,380,141</u>	-	<u>344,380,141</u>
Add - Materials and supplies	23,586,269	-	23,586,269
Less- Advances for construction	3,880,445	-	3,880,445
- Deferred income taxes	39,510,965	-	39,510,965
- Pre-1971 unamortized ITC	<u>1,222,282</u>	-	<u>1,222,282</u>
Missouri jurisdictional electric rate base	323,352,718	-	323,352,718
Authorized rate of return	<u>11.24%</u>	-	<u>11.24%</u>
Revenue requirement	36,344,846	-	36,344,846
Net operating income (Schedule 2)	<u>38,909,407</u>	<u>(4,070,707)</u>	<u>34,838,700</u>
Under (over) earnings	<u>\$ (2,564,561)</u>	<u>\$(4,070,707)</u>	<u>\$ 1,506,146</u>

(1) Reflects the remaining effect of rate reductions not fully effective in 1986.

MISSOURI PUBLIC SERVICE  
ELECTRIC JURISDICTIONAL NET OPERATING INCOME  
FOR THE YEAR ENDED DECEMBER 31, 1986

Operating revenues	<u>\$186,354,830</u>	<u>\$ (7,773,495)</u>	<u>\$178,581,335</u>
Operation expenses	80,472,067	-	80,472,067
Maintenance expenses	16,213,390	-	16,213,390
Depreciation and amortization expenses	14,534,100	-	14,534,100
Taxes other than income taxes	<u>15,496,506</u>	<u>-</u>	<u>15,496,506</u>
NOI before income tax	59,638,767	(7,773,495)	51,865,272
Provision for deferred ITC	1,631,368	-	1,631,368
Amortization of ITC	(795,520)	-	(795,520)
Provision for deferred income tax, net (Schedule 3)	4,108,884	-	4,108,884
Income taxes-Current (Schedule 4)	<u>15,784,628</u>	<u>(3,702,788)</u>	<u>12,081,840</u>
Net operating income	<u>\$ 38,909,407</u>	<u>\$ (4,070,707)</u>	<u>\$ 34,838,700</u>

MISSOURI PUBLIC SERVICE  
ELECTRIC JURISDICTIONAL DEFERRED INCOME TAX PROVISION  
FOR THE YEAR ENDED DECEMBER 31, 1986

Electric  
Jurisdictional

Tax depreciation

Straight line depreciation

Difference between tax and straight line depreciation	9,409,554
Effective tax rate	<u>.4749</u>
Calculated provision	4,468,598
Adjustment to prior year	<u>16,952</u>
Current provision for deferred income tax	4,485,550
Amortization of deferred taxes -	
Removal costs	(134,544)
Pollution control facilities	(26,586)
Taxes and pensions capitalized	(15,770)
Repair allowance	(68,438)
Pre-'69 excess depreciation	(29,593)
Jeffrey interest and taxes	(77,340)
Correction of prior AFUDC	(26,963)
Common allocation	<u>2,568</u>
	<u>\$ 4,108,884</u>

MISSOURI PUBLIC SERVICE  
ELECTRIC JURISDICTIONAL CURRENT INCOME TAX CALCULATION  
FOR THE YEAR ENDED DECEMBER 31, 1986

NOI before income tax	\$51,865,272
Less -	
Interest on long-term debt	11,606,250
Interest on associated co. debt	82,988
Interest on electric refund	(153)
Interest on customer deposits	251,084
Interest on notes payable	47,937
Interest on deferred compensation	1,295
Add -	
AFUDC debt component	512,631
AFUDC equity component	(8,508)
Pretax book income	<u>40,379,994</u>
Schedule M Items:	
Deductions -	
Excess tax depreciation	8,996,544
Pensions capitalized	615,813
Taxes capitalized	535,332
Removal costs	1,109,008
AFUDC	504,123
Additions -	
Jeffrey common plant amortization	64,506
Amortization of deferred charges - 1980	<u>47,677</u>
Taxable income	28,731,357
Effective tax rate	<u>.47729</u>
	13,713,208
Investment tax credit	(1,631,368)
	<u><u>\$12,081,840</u></u>

MISSOURI PUBLIC SERVICE  
ELECTRIC JURISDICTIONAL REVENUE REQUIREMENT BASED ON 1987 TAX LAW  
FOR THE YEAR ENDED DECEMBER 31, 1986

	<u>Based On Current Tax Law</u>	<u>Tax Reform Adjustments At 1987 Rates</u>	<u>Based On 1987 Tax Law</u>
Total plant in service	\$492,420,628	\$ -	\$492,420,628
Less- Depreciation reserve	<u>148,040,487</u>	<u>-</u>	<u>148,040,487</u>
Net plant in service	344,380,141	-	344,380,141
Add - Materials and supplies	23,586,269	-	23,586,269
Less- Advances for construction	3,880,445	-	3,880,445
- Deferred income taxes	39,510,965	(454,532)	39,056,433
- Pre-1971 unamortized ITC	<u>1,222,282</u>	<u>-</u>	<u>1,222,282</u>
Missouri Jurisdictional Electric Rate Base	323,352,718	454,532	323,807,250
Authorized rate of return	<u>11.24%</u>	<u>11.24%</u>	<u>11.24%</u>
Revenue requirement	36,344,846	51,089	36,395,935
Net operating income (Schedule 6)	<u>34,838,700</u>	<u>989,292</u>	<u>35,827,992</u>
Under (over) earnings	<u>\$ 1,506,146</u>	<u>\$ (938,203)</u>	<u>\$ 567,943</u>

NOTE: The above information does not reflect the effect of additional external financing costs resulting from reduced cash flows, nor the calculation of the superfund tax.

MISSOURI PUBLIC SERVICE  
ADJUSTED ELECTRIC JURISDICTIONAL NET OPERATING INCOME  
FOR THE YEAR ENDED DECEMBER 31, 1986

	Based On Current Tax Law	Tax Reform Adjustments At 1987 Rates	Based on 1987 Tax Law
Operating Revenues	<u>\$178,581,335</u>	<u>\$ -</u>	<u>\$178,581,335</u>
Operation expenses	80,472,067	-	80,472,067
Maintenance expenses	16,213,390	-	16,213,390
Depreciation and amortization expenses	14,534,100	-	14,534,100
Taxes other than income taxes	<u>15,496,506</u>	<u>-</u>	<u>15,496,506</u>
NOI before income tax	51,865,272		51,865,272
Provision for deferred ITC	1,631,368	(1,631,368)	-
Amortization of ITC	(795,520)	-	(795,520)
Provision for deferred income tax, net (Schedule 7)	4,108,884	(454,532)	3,654,352
Income taxes-Current (Schedule 8)	<u>12,081,840</u>	<u>1,096,608</u>	<u>13,178,448</u>
Net operating income	<u>\$ 34,838,700</u>	<u>\$ (989,292)</u>	<u>\$ 35,827,992</u>

NOTE: The above information does not reflect the effect of additional external financing costs resulting from reduced cash flows, nor the calculation of the superfund tax.



MISSOURI PUBLIC SERVICE  
ADJUSTED ELECTRIC JURISDICTIONAL DEFERRED INCOME TAX PROVISION  
FOR THE YEAR ENDED DECEMBER 31, 1986

	<u>Based On Current Tax Law</u>	<u>Tax Reform Adjustments At 1987 Rates</u>	<u>Based On 1987 Tax Law</u>
Straight line depreciation			
Difference between tax and straight line depreciation	9,409,554	184,295	9,593,849
Effective tax rate	<u>.4749</u>	<u>          </u>	<u>.4184</u>
Calculated provision	4,468,598	(454,532)	4,014,066
Adjustment to prior year	<u>16,952</u>	<u>-</u>	<u>16,952</u>
Current provision for deferred income tax	4,485,550	(454,532)	4,031,018
Amortization of deferred taxes -			
Removal costs	(134,544)	-	(134,544)
Pollution control facilities	(26,586)	-	(26,586)
Taxes and pensions capitalized	(15,770)	-	(15,770)
Repair allowance	(68,438)	-	(68,438)
Pre-1969 excess depreciation	(29,593)	-	(29,593)
Jeffrey interest and taxes	(77,340)	-	(77,340)
Correction of prior AFUDC	(26,963)	-	(26,963)
Common allocation	<u>2,568</u>	<u>-</u>	<u>2,568</u>
Provision for deferred income tax, net	<u>\$ 4,108,884</u>	<u>\$ (454,532)</u>	<u>\$ 3,654,352</u>

MISSOURI PUBLIC SERVICE  
ADJUSTED ELECTRIC JURISDICTIONAL CURRENT INCOME TAX CALCULATION  
FOR THE YEAR ENDED DECEMBER 31, 1986

	Based On Current Tax Law	Tax Reform Adjustments At 1987 Rates	Based On 1987 Tax Law
NOI before income tax	\$51,865,272	\$ -	\$51,865,272
Less -			
Interest on long-term debt	11,606,250	-	11,606,250
Interest on associated co. debt	82,988	-	82,988
Interest on deferred compensation	1,295	-	1,295
Interest on customer deposits	251,084	-	251,084
Interest on notes payable	47,937	-	47,937
Interest on electric refund	(153)	-	(153)
Add -			
AFUDC debt component	512,631	-	512,631
AFUDC equity component	(8,508)	-	(8,508)
Pretax book income	<u>40,379,994</u>	<u>-</u>	<u>40,379,994</u>
Schedule M Items:			
Deductions -			
Excess tax depreciation	8,996,544	(400,394)	8,596,150
Pensions capitalized	615,813	(615,813)	-
Taxes capitalized	535,332	(535,332)	-
Removal costs	1,109,008	(1,109,008)	-
AFUDC	504,123	-	504,123
Additions -			
Jeffrey common plant amortization	64,506	-	64,506
Amortization of deferred charges - 1980	47,677	-	47,677
Taxable income	<u>28,731,357</u>	<u>2,660,547</u>	<u>31,391,904</u>
Effective tax rate	.47729		.41980
	<u>13,713,208</u>	<u>(534,760)</u>	<u>13,178,448</u>
Investment tax credit	(1,631,368)	1,631,368	-
	<u></u>	<u></u>	<u></u>
Current income tax provision	<u>\$12,081,840</u>	<u>\$ 1,096,608</u>	<u>\$13,178,448</u>

NOTE: The above information does not reflect the effect of additional external financing costs resulting from reduced cash flows, nor the calculation of the superfund tax.

MISSOURI PUBLIC SERVICE  
ELECTRIC JURISDICTIONAL REVENUE REQUIREMENT BASED ON 1988 TAX LAW  
FOR THE YEAR ENDED DECEMBER 31, 1986

	Based On Current Tax Law	Tax Reform Adjustments At 1988 Rates	Based On 1988 Tax Law
Total plant in service	\$492,420,628	\$ -	\$492,420,628
Less- Depreciation reserve	148,040,487	-	148,040,487
Net plant in service	<u>344,380,141</u>	-	<u>344,380,141</u>
Add - Materials and supplies	23,586,269	-	23,586,269
Less- Advances for construction	3,880,445	-	3,880,445
- Deferred income taxes	39,510,965	(993,706)	38,517,259
- Pre-1971 unamortized ITC	<u>1,222,282</u>	<u>-</u>	<u>1,222,282</u>
Missouri Jurisdictional Electric Rate Base	323,352,718	993,706	324,346,424
Authorized rate of return	<u>11.24%</u>	<u>11.24%</u>	<u>11.24%</u>
Revenue requirement	36,344,846	111,692	36,456,538
Net operating income (Schedule 10)	<u>34,838,700</u>	<u>3,292,651</u>	<u>38,131,351</u>
Under (over) earnings	<u>\$ 1,506,146</u>	<u>\$(3,180,959)</u>	<u>\$ (1,674,813)</u>

NOTE: The above information does not reflect the effect of additional external financing costs resulting from reduced cash flows, nor the calculation of the superfund tax.

MISSOURI PUBLIC SERVICE  
ADJUSTED ELECTRIC JURISDICTIONAL NET OPERATING INCOME  
FOR THE YEAR ENDED DECEMBER 31, 1986

	Based On Current Tax Law	Tax Reform Adjustments At 1988 Rates	Based on 1988 Tax Law
Operating Revenues	<u>\$178,581,335</u>	<u>\$ -</u>	<u>\$178,581,335</u>
Operation expenses	80,472,067	-	80,472,067
Maintenance expenses	16,213,390	-	16,213,390
Depreciation and amortization expenses	14,534,100	-	14,534,100
Taxes other than income taxes	<u>15,496,506</u>	<u>-</u>	<u>15,496,506</u>
NOI before income tax	51,865,272	-	51,865,272
Provision for deferred ITC	1,631,368	(1,631,368)	-
Amortization of ITC	(795,520)	-	(795,520)
Provision for deferred income tax, net (Schedule 11)	4,108,884	(993,706)	3,115,178
Income taxes-Current (Schedule 12)	<u>12,081,840</u>	<u>(667,577)</u>	<u>11,414,263</u>
Net operating income	<u>\$ 34,838,700</u>	<u>\$ 3,292,651</u>	<u>\$ 38,131,351</u>

NOTE: The above information does not reflect the effect of additional external financing costs resulting from reduced cash flows, nor the calculation of the superfund tax.

MISSOURI PUBLIC SERVICE  
ADJUSTED ELECTRIC JURISDICTIONAL DEFERRED INCOME TAX PROVISION  
FOR THE YEAR ENDED DECEMBER 31, 1986

	<u>Based On Current Tax Law</u>	<u>Tax Reform Adjustments At 1988 Rates</u>	<u>Based On 1988 Tax Law</u>
Difference between tax and straight line depreciation	9,409,554	184,295	9,593,849
Effective tax rate	<u>.4749</u>	<u>          </u>	<u>.3622</u>
Calculated provision	4,468,598	(993,706)	3,474,892
Adjustment to prior year	<u>16,952</u>	<u>-</u>	<u>16,952</u>
Current provision for deferred income tax	4,485,550	(993,706)	3,491,844
Amortization of deferred taxes -			
Removal costs	(134,544)	-	(134,544)
Pollution control facilities	(26,586)	-	(26,586)
Taxes and pensions capitalized	(15,770)	-	(15,770)
Repair allowance	(68,438)	-	(68,438)
Pre-1969 excess depreciation	(29,593)	-	(29,593)
Jeffrey interest and taxes	(77,340)	-	(77,340)
Correction of prior AFUDC	(26,963)	-	(26,963)
Common allocation	<u>2,568</u>	<u>-</u>	<u>2,568</u>
Provision for deferred income tax, net	<u>\$ 4,108,884</u>	<u>\$ (993,706)</u>	<u>\$ 3,115,178</u>

NOTE: The above information does not reflect the effect of additional external financing costs resulting from reduced cash flows.

**MISSOURI PUBLIC SERVICE**  
**ADJUSTED ELECTRIC JURISDICTIONAL CURRENT INCOME TAX CALCULATION**  
**FOR THE YEAR ENDED DECEMBER 31, 1986**

	Based On Current Tax Law	Tax Reform Adjustments At 1988 Rates	Based On 1988 Tax Law
NOI before income tax	\$51,865,272	\$ -	\$51,865,272
Less -			
Interest on long-term debt	11,606,250	-	11,606,250
Interest on associated co. debt	82,988	-	82,988
Interest on deferred compensation	1,295	-	1,295
Interest on customer deposits	251,084	-	251,084
Interest on notes payable	47,937	-	47,937
Interest on electric refund	(153)	-	(153)
Add -			
AFUDC debt component	512,631	-	512,631
AFUDC equity component	(8,508)	-	(8,508)
Pretax book income	<u>40,379,994</u>	<u>-</u>	<u>40,379,994</u>
Schedule M Items:			
Deductions -			
Excess tax depreciation	8,996,544	(400,394)	8,596,150
Pensions capitalized	615,813	(615,813)	-
Taxes capitalized	535,332	(535,332)	-
Removal costs	1,109,008	(1,109,008)	-
AFUDC	504,123	-	504,123
Additions -			
Jeffrey common plant amortization	64,506	-	64,506
Amortization of deferred charges - 1980	47,677	-	47,677
Taxable income	<u>28,731,357</u>	<u>2,660,547</u>	<u>31,391,904</u>
Effective tax rate	.47729		.363605
	<u>13,713,208</u>	<u>(2,298,945)</u>	<u>11,414,263</u>
Investment tax credit	(1,631,368)	1,631,368	-
	<u>\$12,081,840</u>	<u>\$ (667,577)</u>	<u>\$11,414,263</u>

NOTE: The above information does not reflect the effect of additional external financing costs resulting from reduced cash flows, nor the calculation of the superfund tax.

MISSOURI PUBLIC SERVICE  
GAS REVENUE REQUIREMENT BASED ON 1986 TAX LAW  
FOR THE YEAR ENDED DECEMBER 31, 1986

Total plant in service	\$37,351,650
Less - Depreciation reserve	<u>12,193,211</u>
Net plant in service	25,158,439
Add - Materials and supplies	683,451
Less - Advances for construction	415,920
- Deferred income taxes	2,218,919
- Pre-1971 unamortized ITC	<u>60,698</u>
Missouri jurisdictional gas rate base	23,146,353
Authorized rate of return	<u>11.24%</u>
Revenue requirement	2,601,650
Net operating income (Schedule 14)	<u>714,245</u>
Under earnings	<u>\$ 1,887,405</u>

MISSOURI PUBLIC SERVICE  
GAS NET OPERATING INCOME  
FOR THE YEAR ENDED DECEMBER 31, 1986

Operating revenues	\$30,235,918
Operation expenses	25,831,655
Maintenance expenses	1,121,099
Depreciation and amortization expenses	923,065
Taxes other than income taxes	<u>2,035,154</u>
NOI before income tax	324,945
Provision for deferred ITC	78,479
Amortization of ITC	(42,711)
Provision for deferred income tax, net (Schedule 15)	386,420
Income taxes - Current (Schedule 16)	<u>(811,488)</u>
Net operating income	<u><u>\$ 714,245</u></u>



MISSOURI PUBLIC SERVICE  
GAS DEFERRED INCOME TAX PROVISION  
FOR THE YEAR ENDED DECEMBER 31, 1986

Difference between tax and straight line depreciation	\$ 851,759
Effective tax rate	.4749
Calculated provision	<u>404,500</u>
Adjustment to prior year	<u>(708)</u>
Current provision for deferred income tax	403,792
Amortization of deferred taxes -	
Removal costs	9,186
Taxes and pensions capitalized	1,294
Pre-1969 excess depreciation	7,288
Common allocation	<u>(396)</u>
Provision for deferred income tax, net	<u>\$ 386,420</u>

MISSOURI PUBLIC SERVICE  
GAS CURRENT INCOME TAX CALCULATION  
FOR THE YEAR ENDED DECEMBER 31, 1986

NOI before income tax	\$ 324,944
Less -	
Interest on long-term debt	837,164
Interest on associated co. debt	5,986
Interest on deferred compensation	10
Interest on customer deposits	58,819
Interest on notes payable	3,458
Add -	
AFUDC debt component	2,219
AFUDC equity component	(38)
Pretax book income	<u>(578,312)</u>
Schedule M Items:	
Deductions -	
Excess tax depreciation	648,748
Pensions capitalized	108,710
Taxes capitalized	86,988
Removal costs	110,766
AFUDC	<u>2,181</u>
Taxable income	(1,535,705)
Effective tax rate	<u>.47731</u>
	(733,009)
Investment tax credit	<u>78,479</u>
Current income tax provision	<u>\$ (811,488)</u>

MISSOURI PUBLIC SERVICE  
GAS REVENUE REQUIREMENT BASED ON 1987 TAX LAW  
FOR THE YEAR ENDED DECEMBER 31, 1986

	Based On Current Tax Law	Tax Reform Adjustments At 1987 Rates	Based On 1987 Tax Law
Total plant in service	\$37,351,650	\$ -	\$37,351,650
Less- Depreciation reserve	<u>12,193,211</u>	<u>-</u>	<u>12,193,211</u>
Net plant in service	25,158,439	-	25,158,439
Add - Materials and supplies	683,451	-	683,451
Less- Advances for construction	415,920	-	415,920
- Deferred income taxes	2,218,919	(95,958)	2,122,961
- Pre-1971 unamortized ITC	<u>60,698</u>	<u>-</u>	<u>60,698</u>
Missouri Jurisdictional Gas Rate Base	23,146,353	95,958	23,242,311
Authorized rate of return	<u>11.24%</u>	<u>11.24%</u>	<u>11.24%</u>
Revenue requirement	2,601,650	10,786	2,612,436
Net operating income (Schedule 18)	<u>714,245</u>	<u>(137,264)</u>	<u>576,981</u>
Under earnings	<u>\$ 1,887,405</u>	<u>\$ 148,050</u>	<u>\$ 2,035,455</u>

NOTE: The above information does not reflect the effect of additional external financing costs resulting from reduced cash flows, nor the calculation of the superfund tax.

MISSOURI PUBLIC SERVICE  
ADJUSTED GAS NET OPERATING INCOME  
FOR THE YEAR ENDED DECEMBER 31, 1986

	Based On Current Tax Law	Tax Reform Adjustments At 1987 Rates	Based on 1987 Tax Law
Operating Revenues	<u>\$30,235,918</u>	<u>\$ -</u>	<u>\$30,235,918</u>
Operation expenses	25,831,655	-	25,831,655
Maintenance expenses	1,121,099	-	1,121,099
Depreciation and amortization expenses	923,065	-	923,065
Taxes other than income taxes	<u>2,035,154</u>	<u>-</u>	<u>2,035,154</u>
NOI before income tax	324,945	-	324,945
Provision for deferred ITC	78,479	(78,479)	-
Amortization of ITC	(42,711)	-	(42,711)
Provision for deferred income tax, net (Schedule 19)	386,420	(95,958)	290,462
Income taxes-Current (Schedule 20)	<u>(811,488)</u>	<u>311,701</u>	<u>(499,787)</u>
Net operating income	<u>\$ 714,245</u>	<u>\$ (137,264)</u>	<u>\$ 576,981</u>

NOTE: The above information does not reflect the effect of additional external financing costs resulting from reduced cash flows, nor the calculation of the superfund tax.

MISSOURI PUBLIC SERVICE  
ADJUSTED GAS DEFERRED INCOME TAX PROVISION  
FOR THE YEAR ENDED DECEMBER 31, 1986

	<u>Based On Current Tax Law</u>	<u>Tax Reform Adjustments At 1987 Rates</u>	<u>Based On 1987 Tax Law</u>
Difference between tax and straight line depreciation	\$ 851,759	\$ (114,327)	\$ 737,432
Effective tax rate	.4749		.4184
Calculated provision	<u>404,500</u>	<u>(95,958)</u>	<u>308,542</u>
Adjustment to prior year	(708)	-	(708)
Current provision for deferred income tax	403,792	(95,958)	307,834
Amortization of deferred taxes -			
Removal costs	9,186	-	9,186
Taxes and pensions capitalized	1,294	-	1,294
Pre-1969 excess depreciation	7,288	-	7,288
Common allocation	<u>(396)</u>	<u>-</u>	<u>(396)</u>
Provision for deferred income tax, net	<u>\$ 386,420</u>	<u>\$ (95,958)</u>	<u>\$ 290,462</u>

MISSOURI PUBLIC SERVICE  
ADJUSTED GAS CURRENT INCOME TAX CALCULATION  
FOR THE YEAR ENDED DECEMBER 31, 1986

	Based On Current Tax Law	Tax Reform Adjustments At 1987 Rates	Based On 1987 Tax Law
NOI before income tax	\$ 324,944	\$ -	\$ 324,944
Less -			
Interest on long-term debt	837,164	-	837,164
Interest on associated co. debt	5,986	-	5,986
Interest on deferred compensation	10	-	10
Interest on customer deposits	58,819	-	58,819
Interest on notes payable	3,458	-	3,458
Add -			
AFUDC debt component	2,219	-	2,219
AFUDC equity component	(38)	-	(38)
Pretax book income	<u>(578,312)</u>	<u>-</u>	<u>(578,312)</u>
Schedule M Items:			
Deductions -			
Excess tax depreciation	648,748	(38,715)	610,033
Pensions capitalized	108,710	(108,710)	-
Taxes capitalized	86,988	(86,988)	-
Removal costs	110,766	(110,766)	-
AFUDC	<u>2,181</u>	<u>-</u>	<u>2,181</u>
Taxable income	(1,535,705)	345,179	(1,190,526)
Effective tax rate	.47731	233,222	.41980
	<u>(733,009)</u>	<u>(78,479)</u>	<u>(499,787)</u>
Investment tax credit	78,479	(78,479)	-
Current income tax provision	<u>\$ (811,488)</u>	<u>\$ 311,701</u>	<u>\$ (499,787)</u>

NOTE: The above information does not reflect the effect of additional external financing costs resulting from reduced cash flows, nor the calculation of the superfund tax.

MISSOURI PUBLIC SERVICE  
GAS REVENUE REQUIREMENT BASED ON 1988 TAX LAW  
FOR THE YEAR ENDED DECEMBER 31, 1986

	Based On 1986 Tax Law	Tax Reform Adjustments At 1988 Rates	Based On 1988 Tax Law
Total plant in service	\$37,351,650	\$ -	\$37,351,650
Less- Depreciation reserve	<u>12,193,211</u>	<u>-</u>	<u>12,193,211</u>
Net plant in service	25,158,439	-	25,158,439
Add - Materials and supplies	683,451	-	683,451
Less- Advances for construction	415,920	-	415,920
- Deferred income taxes	2,218,919	(137,402)	2,081,517
- Pre-1971 unamortized ITC	<u>60,698</u>	<u>-</u>	<u>60,698</u>
Missouri Jurisdictional Gas Rate Base	23,146,353	137,402	23,283,755
Authorized rate of return	<u>11.24%</u>	<u>11.24%</u>	<u>11.24%</u>
Revenue requirement	2,601,650	15,444	2,617,094
Net operating income (Schedule 22)	<u>714,245</u>	<u>(162,727)</u>	<u>551,518</u>
Under earnings	<u>\$ 1,887,405</u>	<u>\$ 178,171</u>	<u>\$ 2,065,576</u>

NOTE: The above information does not reflect the effect of additional external financing costs resulting from reduced cash flows, nor the calculation of the superfund tax.

MISSOURI PUBLIC SERVICE  
ADJUSTED GAS NET OPERATING INCOME  
FOR THE YEAR ENDED DECEMBER 31, 1986

	Based On 1986 Tax Law	Tax Reform Adjustments At 1988 Rates	Based on 1988 Tax Law
Operating Revenues	\$30,235,918	\$ -	\$30,235,918
Operation expenses	25,831,655	-	25,831,655
Maintenance expenses	1,121,099	-	1,121,099
Depreciation and amortization expenses	923,065	-	923,065
Taxes other than income taxes	<u>2,035,154</u>	<u>-</u>	<u>2,035,154</u>
NOI before income tax	324,945	-	324,945
Provision for deferred ITC	78,479	(78,479)	-
Amortization of ITC	(42,711)	-	(42,711)
Provision for deferred income tax, net (Schedule 23)	385,420	(137,402)	249,018
Income taxes-Current (Schedule 24)	<u>(811,488)</u>	<u>378,608</u>	<u>(432,880)</u>
Net operating income	<u>\$ 714,245</u>	<u>\$ (162,727)</u>	<u>\$ 551,518</u>

NOTE: The above information does not reflect the effect of additional external financing costs resulting from reduced cash flows, nor the calculation of the superfund tax.



MISSOURI PUBLIC SERVICE  
ADJUSTED GAS DEFERRED INCOME TAX PROVISION  
FOR THE YEAR ENDED DECEMBER 31, 1986

	<u>Based On 1986 Tax Law</u>	<u>Tax Reform Adjustments At 1988 Rates</u>	<u>Based On 1988 Tax Law</u>
Difference between tax and straight line depreciation	\$ 851,759	\$ (114,327)	\$ 737,432
Effective tax rate	.4749		.3622
Calculated provision	<u>404,500</u>	<u>(137,402)</u>	<u>267,098</u>
Adjustment to prior year	<u>(708)</u>	<u>-</u>	<u>(708)</u>
Current provision for deferred income tax	403,792	(137,402)	266,390
Amortization of deferred taxes -			
Removal costs	9,186	-	9,186
Taxes and pensions capitalized	1,294	-	1,294
Pre-1969 excess depreciation	7,288	-	7,288
Common allocation	<u>(396)</u>	<u>-</u>	<u>(396)</u>
Provision for deferred income tax, net	<u>\$ 386,420</u>	<u>\$ (137,402)</u>	<u>\$ 249,018</u>

MISSOURI PUBLIC SERVICE  
ADJUSTED GAS CURRENT INCOME TAX CALCULATION  
FOR THE YEAR ENDED DECEMBER 31, 1986

	Based On 1986 Tax Law	Tax Reform Adjustments At 1988 Rates	Based On 1988 Tax Law
NOI before income tax	\$ 324,944	\$ -	\$ 324,944
Less -			
Interest on long-term debt	837,164	-	837,164
Interest on associated co. debt	5,986	-	5,986
Interest on deferred compensation	10	-	10
Interest on customer deposits	58,819	-	58,819
Interest on notes payable	3,458	-	3,458
Add -			
AFUDC debt component	2,219	-	2,219
AFUDC equity component	(38)	-	(38)
Pretax book income	<u>(578,312)</u>	<u>-</u>	<u>(578,312)</u>
Schedule M Items:			
Deductions -			
Excess tax depreciation	648,748	(38,715)	610,033
Pensions capitalized	108,710	(108,710)	-
Taxes capitalized	86,988	(86,988)	-
Removal costs	110,766	(110,766)	-
AFUDC	<u>2,181</u>	<u>-</u>	<u>2,181</u>
Taxable income	(1,535,705)	345,179	(1,190,526)
Effective tax rate	.47731	-	.36360
	<u>(733,009)</u>	<u>300,129</u>	<u>(432,880)</u>
Investment tax credit	<u>78,479</u>	<u>(78,479)</u>	<u>-</u>
Current income tax provision	<u>\$ (811,488)</u>	<u>\$ 378,608</u>	<u>\$ (432,880)</u>

NOTE: The above information does not reflect the effect of additional external financing costs resulting from reduced cash flows, nor the calculation of the superfund tax.

MISSOURI PUBLIC SERVICE  
SUMMARY OF EXCESS DEFERRED TAX RESERVE  
DECEMBER 31, 1986

<u>VINTAGE</u>	<u>ELECTRIC</u>	<u>GAS</u>	<u>COMMON</u>	<u>TOTAL</u>
1970	\$ 115,750	\$ 7,510	\$ 0	\$ 123,260
1971	197,995	15,173	46	213,214
1972	596,771	17,063	330	614,164
1973	444,091	29,072	185	473,348
1974	349,641	22,147	3,831	375,619
1975	454,758	17,563	164	472,485
1976	357,764	26,693	1,276	385,733
1977	543,032	23,765	3,071	569,868
1978	1,296,239	23,251	1,754	1,321,244
1979	528,261	20,613	7,643	556,517
1980	858,579	22,253	10,109	890,941
1981	508,941	33,028	24,688	566,657
1982	407,906	38,701	41,230	487,837
1983	886,213	43,198	129,637	1,059,048
1984	384,378	42,116	162,581	589,075
1985	254,511	36,769	78,504	369,784
1986	247,760	22,702	112,657	383,119
<b>TOTAL</b>	<u><u>\$8,432,590</u></u>	<u><u>\$441,617</u></u>	<u><u>\$577,706</u></u>	<u><u>\$9,451,913</u></u>