

**BASIS OF ALLOCATION
UTILITY FACTORS-ELECTRIC**

The electric utility allocation factors for Missouri Public Service (“MPS”) and St. Joseph Light & Power (“L&P”) are listed below by FERC account. These factors were used to distribute adjustments to the Income Statement into utility components. The test year income statement uses the product allocation method within the PeopleSoft financial accounting system. This method direct assigns when possible and all other costs are then allocated on either the Massachusetts Formula, which uses margin, payroll and net plant, or number of customers.

ELECTRIC UTILITY ALLOCATION FACTORS

<u>FERC AC</u>	<u>FERC AC DESCRIPTION</u>	<u>MPS</u>	<u>L&P</u>
901000	Customer Accts Supervision	81.025%	89.078%
902000	Customer Accts Meter Reading Exp	86.549%	91.710%
903000	Customer Accts Records & Collection	81.323%	91.879%
904000	Uncollectible Accounts	66.974%	89.869%
905000	Miscellaneous Customer Accts	84.694%	93.038%
907000	Customer Service Supervision	86.738%	90.047%
909000	Informational & Instructional Ads	82.194%	94.953%
910000	Miscellaneous Customer Service & Info	80.856%	90.159%
911000	Sales Supervision	84.214%	89.594%
912000	Sales Demonstrating & Selling	100.000%	100.000%
913000	Sales Advertising Expenses	90.241%	89.388%
916000	Miscellaneous Sales Expenses	94.019%	97.164%
920000	Admin & General Salaries	84.636%	90.421%
921000	Office Supplies & Expense	86.874%	92.058%
922000	Admin Expense Trans Credit	87.939%	92.398%
922001	FDC Loading	87.858%	92.712%
923000	Outside Services Employed	88.001%	91.319%
924000	Property Insurance	100.000%	89.140%
925000	Injuries & Damages	64.912%	92.730%
926000	Employee Pensions & Benefits	86.804%	89.690%
928000	Regulatory Commission Exp	82.241%	89.978%
929000	Duplicate Charges – Credit	100.000%	92.680%
930200	Miscellaneous General Exp	87.193%	91.677%
930201	Environ Remediation – MPS Electric	100.000%	00.000%
931000	A&G Rents	86.539%	90.857%
935000	Maintenance General Plant	92.808%	88.029%
408100	Property Taxes	94.922%	93.178%
	Net Plant	91.505%	97.834%

**BASIS OF ALLOCATION
JURISDICTIONAL FACTORS**

MISSOURI PUBLIC SERVICE ("MPS")

The allocation factors listed below were used to distribute Rate Base, the test year Income Statement, and any corresponding adjustments into Jurisdictional and Non-Jurisdictional segments. A description of each basis is provided.



MPS JURISDICTIONAL ALLOCATION FACTORS

Juris Number 1	-	100.00%		
Juris Number 2	-	0.00%		
Juris Number 3	-	99.462%	Demand	Calculated 12 MO ended 12/02
Juris Number 4	-	99.462%	Transmission	Calculated 12 MO ended 12/02
Juris Number 5	-	99.833%	Distribution	Calculated 12 MO ended 12/02
Juris Number 6	-	99.642%	Total Plant	Calculated 12 MO ended 12/02
Juris Number 7	-	99.462%	KWH	Calculated 12 MO ended 12/02
Juris Number 9	-	100.00%	Cust. Acctg.	Calculated 12 MO ended 12/02
Juris Number 10	-	99.626%	Total Payroll	Calculated 12 MO ended 12/02

GENERAL PROCEDURE

Whenever possible, allocations are based on actual dollars charged, such as Revenue for Resale, Regulatory Expense, etc. However, most transactions benefit or relate to both the Jurisdictional (Missouri Electric Retail) and the Non-Jurisdictional (Missouri Electric Wholesale) operations of the MPS. For this reason, various allocation methods are used to achieve an equitable distribution of dollars.

ALLOCATION OF RATE BASE

Plant and Reserve

Juris Numbers 3, 4 and 5 (described in the Cost-of-Service section) are used to allocate Production, Transmission and Distribution Plant as appropriate. Any "common" portion is allocated using Juris Number 6, described below.

Fuel Inventories

Juris Number 7, the KWH Factor, is used to allocate Fuel Inventories to Jurisdictions. The calculation of the factor is provided below.

1 **Materials and Supplies**

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3 Common Transmission and Distribution Inventories and Undistributed Stores Inventories are
4 distributed to jurisdictions using an average of **Juris Number 4 and Juris Number 5**.
5 Production and Jeffrey Energy Center Materials and Supplies and Production Stores Inventories
6 are allocated based on **Juris Number 3**.

7
8 **Prepayments**

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10 **Juris Number 3, Demand, and Juris Number 6, Total Plant** are used to allocate prepaid
11 charges. The factor chosen is dependent upon ~~the nature of the prepayment~~

12
13 **Emission Allowances**

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15 **Juris Number 3, Demand**, is used to allocate Emission Allowances to jurisdictions.

16
17 **Rate Base Offsets**

18
19 Deferred Income Taxes are allocated using **Juris Number 3, Demand, and Juris**
20 **Number 6, Total Plant**

21 Customer Advances are allocated 100% to Jurisdictional, **Juris Number 1**.

22 Customer Deposits are allocated 100% to Jurisdictional, **Juris Number 1**.

23
24 **COST-OF-SERVICE ALLOCATION**

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26 **Operating Revenues**

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28 Revenues charged to account 447010 – Municipal Resale, are considered to be 100% Non-
29 Jurisdictional. Those charged to account 447030 – Other Resale, and account 456000-Other
30 Electric Revenue, use **Juris Number 7** to allocate between the jurisdictions.

31
32 **Production Expense**

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34 Production expenses are allocated based on either Demand or KWH depending on the type of
35 production expense.

36
37 **Juris Number 3:** The demand factor was calculated using a four Coincidental
38 Peak Method.

39 All Production demand expenses are distributed using this basis.

40
41 **Juris Number 7:** The KWH Sales Basis is calculated by dividing Municipal
42 Resale KWH Sales by Total Division KWH Sales including Municipal Resale
43 KWH Sales. Other Resale KWH Sales are excluded from the calculation.

44
45 The KWH Factor, **Juris Number 7**, is used to allocate the following accounts:

46
47 501 – Fuel, Steam Power Generation

48 510-514 – Steam Maintenance

1 547 – Fuel, Other Power Generation
2 551-554 – Other Generation Maintenance
3 555-557 – Other Supply (Purchased Power Energy)

4 **Transmission Expense**

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6 **Juris Number 4:** Transmission expenses are allocated on the same basis as
7 Demand related expenses. All transmission expenses are allocated using this
8 method.
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10 **Distribution Expense**

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12 **Juris Number 5:** Distribution Plant is analyzed to determine what portion is
13 attributable to Jurisdictional operations. The resulting percentage is applied to all
14 distribution expenses.
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16 **Customer Accounting and Collection Expense**

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18 **Juris Number 9:** Customer Accounting Expenses are allocated based on the
19 number of customers in each Jurisdiction. Accounts 901 through 905 are
20 allocated using this method except for account 904 which is considered 100%
21 Jurisdictional.
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23 **Customer Service and Information Expense**

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25 Accounts 907 through 910 are considered to be 100% Missouri Jurisdictional expense.
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27 **Sales Expense**

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29 Accounts 911 through 916 are considered to be 100% Missouri Jurisdictional expense.
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31 **Administrative & General Expense**

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33 Account 928, Regulatory Commission Expense, is analyzed to allow a direct assignment to
34 Jurisdictions when possible. The remaining “common” charges are allocated using **Juris**
35 **Number 6 or Juris Number 10** as described below.
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37 **Juris Number 6:** A composite rate is determined by allocating individual
38 components of total plant using Juris Numbers 3, 4 and 5. The resulting rate is
39 used to allocate the following account:
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41 924 - Property Insurance
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44 **Juris Number 10:** The Payroll Factor is calculated by examining payroll charges
45 and allocating them using Juris Numbers 3, 4, 5 and 10 above. The composite
46 rate arrived at is used to allocate the following accounts.
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48 920 - Administrative and General Salaries

1	921	-	Office Supplies and Expense
2	922	-	Administrative Transfer Credit
3	923	-	Outside Service
4	925	-	Injuries and Damages
5	926	-	Employee Benefits
6	929	-	Duplicate Charges
7	930	-	Miscellaneous General Expense
8	931	-	Rents
9	935	-	Maintenance of General Plant

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Depreciation & Amortization

Depreciation Expense, account 403, and Amortization expense, account 404, are allocated on **Juris Number 6**. Amortization of Other Plant Expense, account 405, is 100% Jurisdictional.

Taxes Other Than Income Taxes

Other Taxes are allocated using **Juris Number 10**, Total Payroll, except for the portion related to Property Taxes which are allocated with **Juris Number 6**, Total Plant, and Corporate Franchise Taxes and City Franchise Taxes which are 100% Jurisdictional. The computation of these methods of allocation was provided above.

Current Income Taxes

Current income taxes are allocated to Jurisdictional based on the pre-tax income for which taxes should be provided.

Deferred Income Taxes & ITC

All deferred taxes were allocated to Jurisdictions using **Juris Number 6**, Total Plant.