

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND	)	
ELECTRIC COMPANY FOR AN ORDER	)	
APPROVING THE ACCOUNTING TREATMENT	)	CASE NO.
RELATING TO INCOME TAX EXPENSE FOR 2005	)	2005-00180
AND SUBSEQUENT YEARS	)	

AND

APPLICATION OF KENTUCKY UTILITIES	)	
COMPANY FOR AN ORDER APPROVING THE	)	
ACCOUNTING TREATMENT RELATING TO	)	CASE NO.
INCOME TAX EXPENSE FOR 2005 AND	)	2005-00181
SUBSEQUENT YEARS	)	

O R D E R

On April 29, 2005, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") filed applications for authority to establish regulatory liabilities for the excess deferred state income taxes resulting from the enactment of House Bill 272 during the 2005 Regular Session of the Kentucky General Assembly. LG&E and KU also seek approvals of an accounting treatment to flow back the excess deferred state income taxes for book purposes only.

In order to conduct an appropriate review of the proposed regulatory liabilities, the Commission finds that a procedural schedule should be established. The procedural schedule, set forth in Appendix A, may be modified or supplemented at a later date. The Commission further finds that additional information is needed to properly review the applications and that LG&E and KU should file responses to the information requested in Appendix B to this Order.

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in Appendix A, which is attached hereto and incorporated herein, shall be followed.

2. LG&E and KU shall provide the responses to the information requested in Appendix B no later than May 26, 2005.

Done at Frankfort, Kentucky, this 18<sup>th</sup> day of May, 2005.

By the Commission

ATTEST:

  
Executive Director

Case No. 2005-00180  
Case No. 2005-00181

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION  
IN CASE NOS. 2005-00180 AND 2005-00181 DATED May 18, 2005

Responses to the information requested in Appendix B  
to this Order shall be filed no later than.....05/26/05

Any party may request a formal hearing or an opportunity  
to file written comments no later than.....06/03/05

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NOS. 2005-00180 and 2005-00181 DATED May 18, 2005

#### FIRST DATA REQUEST OF COMMISSION STAFF TO LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY

1. Refer to Exhibit 2 of the Application. In determining the amount of the regulatory liability account, the federal income tax rate of 35 percent was utilized.
  - a. Should this calculation also have reflected the impact of the new Internal Revenue Code Section 199, the “Domestic Manufacturing Deduction?” Explain the response.
  - b. If yes to part (a), provide revisions to Exhibits 2 through 4 reflecting the change in the tax code.
2. Concerning the new Internal Revenue Code Section 199:
  - a. Does this new section result in excess deferred federal income taxes for LG&E and KU?
  - b. If yes to part (a), explain why LG&E and KU have not proposed an accounting treatment for the excess deferred federal income taxes resulting from this change in the tax code.
3. Concerning the regulatory liability balance shown on Exhibit 2:
  - a. For LG&E, separate the protected amount, unprotected amount, and total regulatory liability balance between electric and gas operations.

b. For KU, separate the protected amount, unprotected amount, and total regulatory liability balance between Kentucky jurisdictional and other jurisdictional operations.

4. For KU, explain why Exhibit 2 shows a state deferred tax deficiency related to the unprotected amount.