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**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

OCT 24 2008
PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY)
UTILITIES COMPANY FOR AN) CASE NO. 2008-00251
ADJUSTMENT OF BASE RATES)

In the Matter of:

APPLICATION OF KENTUCKY)
UTILITIES COMPANY TO FILE) CASE NO. 2007-00565
DEPRECIATION STUDY)

In the Matter of:

AN ADJUSTMENT OF THE ELECTRIC)
AND GAS RATES, TERMS AND) CASE NO. 2008-00252
CONDITIONS OF LOUISVILLE GAS)
AND ELECTRIC COMPANY)

In the Matter of:

APPLICATION OF LOUISVILLE GAS)
AND ELECTRIC COMPANY TO FILE) CASE NO. 2007-00564
DEPRECIATION STUDY)

**JOINT PETITION OF KENTUCKY UTILITIES COMPANY
AND LOUISVILLE GAS AND ELECTRIC COMPANY
FOR CONFIDENTIAL PROTECTION FOR RESPONSES
TO CERTAIN DATA REQUESTS OF THE COMMISSION STAFF**

Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively "Applicants") hereby petition the Kentucky Public Service Commission ("Commission") pursuant to 807 KAR 5:001, Section 7, and KRS 61.878(1)(l) to grant confidential protection for the items described herein, which the Applicants seek to provide as supplemental responses to First Request of Commission Staff to KU No. 26(a)(8) and First Request of Commission Staff to LG&E No. 26(a)(8) ("First Commission Staff DRs") and to

Second Request of Commission Staff to KU No. 129 and Second Request of Commission Staff to LG&E No. 105 (“Second Commission Staff DRs”). In support of this Petition, the Applicants state as follows:

1. The First Commission Staff DRs asked the Applicants to provide a copy of their federal and state income tax returns for the taxable year ended during the test year, including supporting schedules. In their responses to the First Commission Staff DRs, the Applicants stated that their 2007 federal and state income tax returns were being prepared for filing by September 15, 2008 (federal), and October 15, 2008 (state).

The Second Commission Staff DRs asked each of the Applicants to provide, “[f]or each of the past 5 years [3 years for LG&E], ... a list of the companies that have filed a consolidated state income tax return with ... [the utility]. For each year provide the taxable income or tax losses incurred by each company.” The Applicants’ state income tax returns were not available at the time the Applicants filed their responses to the Second Commission Staff DRs.

2. The Applicants are now providing their state income tax returns through supplemental responses to the First and Second Commission Staff DRs. (The Companies provided their federal income tax returns, and sought confidential protection for them, on September 11, 2008.)

3. The tax-related documents and information the Companies are producing in response to the First and Second Commission Staff DRs merit confidential protection. KRS 61.878(1)(1) exempts from public disclosure, “Public records or information the disclosure of which is prohibited or restricted or otherwise made confidential by enactment of the General Assembly[.]” KRS 131.190(1) requires that all income tax information filed with the Kentucky

Department of Revenue be treated in a confidential manner. Thus, state income tax returns are confidential in nature and are protected from disclosure by KRS 61.878(1)(l).

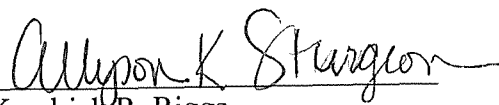
4. If the Commission disagrees with this request for confidential protection, it must hold an evidentiary hearing (a) to protect the Applicants' due process rights and (b) to supply the Commission with a complete record to enable it to reach a decision with regard to this matter. Utility Regulatory Commission v. Kentucky Water Service Company, Inc., Ky. App., 642 S.W.2d 591, 592-94 (1982).

5. The Applicants will disclose the confidential information, pursuant to a protective agreement, to intervenors and others with a legitimate interest in this information and as required by the Commission. In accordance with the provisions of 807 KAR 5:001 Section 7, the Applicants herewith file with the Commission one copy of the above-discussed responses with the confidential information highlighted and ten (10) copies of its response without the confidential information.

WHEREFORE, Kentucky Utilities Company and Louisville Gas and Electric Company respectfully request that the Commission grant confidential protection for the information at issue, or in the alternative, schedule an evidentiary hearing on all factual issues while maintaining the confidentiality of the information pending the outcome of the hearing.

Dated: October 24, 2008

Respectfully submitted,



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Counsel for Kentucky Utilities Company and
Louisville Gas and Electric Company

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Joint Petition for Confidential Protection was served via U.S. mail, first-class, postage prepaid, this 24th day of October 2008 upon the following persons:

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Lawrence W. Cook
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Office of the Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
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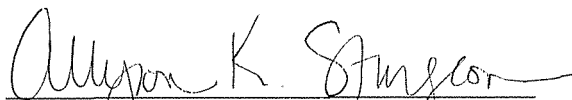
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KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

Supplemental Response to First Data Request of Commission Staff
Dated July 16, 2008

Supplemental Response filed October 21, 2008

Question No. 26

Responding Witness: Valerie L. Scott

Q-26. Provide the following tax data for the test year for total company:

a. Income taxes:

- (1) Federal operating income taxes deferred – accelerated tax depreciation.
- (2) Federal operating income taxes deferred – other (explain).
- (3) Federal income taxes – operating.
- (4) Income credits resulting from prior deferrals of federal income taxes.
- (5) Investment tax credit net.
 - (i) Investment credit realized.
 - (ii) Investment credit amortized – Pre-Revenue Act of 1971.
 - (iii) Investment credit amortized – Revenue Act of 1971.
- (6) The information in Item 23(a)(1-4) for state income taxes.
- (7) A reconciliation of book to taxable income as shown in Format 23(a)(7) and a calculation of the book federal and state income tax expense for the test year using book taxable income as the starting point.
- (8) A copy of federal and state income tax returns for the taxable year ended during the test year, including supporting schedules.
- (9) A schedule of franchise fees paid to cities, towns, or municipalities during the test year, including the basis of these fees.

b. An analysis of Kentucky other operating taxes as shown in Format 23b.

A-26. a. Income Taxes:

Federal operating income taxes deferred – accelerated tax depreciation:

(1) Account 410101	\$27,520,636
Account 411101	<u>(\$31,061,850)</u>
Total	(\$3,541,214)

Federal operating income taxes deferred – other:

(2) Account 410101	\$7,132,527
Account 411101	<u>(\$10,957,946)</u>
Total	(\$3,825,419)

The (\$3,825,419) represents taxes on all temporary differences other than depreciation-related items (e.g. employee benefits differences, regulatory adjustments, cash basis adjustments, etc.).

(3) Federal Income Tax – operating	\$31,655,468
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(4) Income Credits

From A-26 (a)(1) above	Account 411101	(\$31,061,850)
From A-26 (a)(2) above	Account 411101	<u>(\$10,957,946)</u>
Total		(\$42,019,796)

(5) i)Realized:	\$35,891,647
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ii) Amortized – Pre-Revenue Act of 1971:	\$0
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iii)Amortized – Revenue Act of 1971:	(\$498,975)
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(6) State operating income taxes deferred – accelerated tax depreciation:

Account 410102	\$6,009,813
Account 411102	<u>(\$5,588,278)</u>
Total	\$421,535

State operating income taxes deferred – other:

Account 410102	\$828,656
Account 411102	<u>(\$1,901,264)</u>
Total	(\$1,072,608)

The (\$1,072,608) represents taxes on all temporary differences other than depreciation-related items (e.g. employee benefits differences, regulatory adjustments, cash basis adjustments, etc.).

State income taxes – operating:		\$11,712,923
Income credits:		
From state “depreciation” above	Account 411102	(\$5,588,278)
From state “other” above	Account 411102	<u>(\$1,901,264)</u>
Total		(\$7,489,542)

- (7) See attached.

- (8) The 2007 federal and state income tax returns are being filed under seal pursuant to a petition for confidential treatment.

- (9) See attached. For each franchise location (except for the cities of Shelbyville, Lexington, and Madisonville) the franchise payment remitted is based on 3.00% of the total residential and commercial electric sales generated for the period on customer accounts located within the boundaries of that franchise location.

For the cities of Shelbyville and Lexington, the franchise payment remitted is based on 2.10% and 3.00%, respectively, of the total retail electric sales (i.e. residential, commercial, industrial, and public authority) generated for the period on customer accounts located within the city limits.

For the city of Madisonville, the franchise payment remitted is based on 3.75% of the residential and commercial electric sales generated on customer accounts located within the city limits. Franchise fees for Madisonville originated in January 2008. Any franchise fees paid to a franchise location are collected from the customers located in that city, town, or municipality.

- b. See attached.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Supplemental Response to Second Data Request of Commission Staff
Dated August 27, 2008**

Supplemental Response filed October 24, 2008

Question No. 129

Responding Witness: Valerie L. Scott

- Q-129. For each of the past 5 years, provide a list of the companies that have filed a consolidated state income tax return with KU. Identify which companies are regulated and which are not regulated. For each year provide the taxable income or tax losses incurred by each company.
- A-129. The 2007 Consolidated State Income Tax Return has been filed and the requested information is being filed pursuant to a Petition for Confidential Protection.

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Valerie L. Scott**, being duly sworn, deposes and says that she is the Controller, for Kentucky Utilities Company, that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Valerie L. Scott
VALERIE L. SCOTT

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 23rd day of October, 2008.

Sammy J. Ely (SEAL)
Notary Public

My Commission Expires:
November 9, 2010