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PUBLIC SERVICE  
COMMISSION

Ms. Stephanie L. Stumbo  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

**Kentucky Utilities Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

September 11, 2008

Robert M. Conroy  
Director  
T 502-627-3324  
F 502-627-3213  
robert.conroy@eon-us.com

**RE: *Application of Kentucky Utilities Company for an Adjustment  
of Base Rates – Case No. 2008-00251  
and  
Application of Kentucky Utilities Company to file  
Depreciation Study – Case No. 2007-00565***

Dear Ms. Stumbo:

Please find enclosed and accept for filing the Supplemental Response of Kentucky Utilities Company to Question No. 26(a)(8) of the Commission Staff's First Set of Data Requests dated July 16, 2008, in the above-referenced matters.

Also, enclosed are an original and ten (10) copies of a Petition for Confidential Protection regarding the contents of this Supplemental Response of Kentucky Utilities Company to Question No. 26(a)(8).

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

Robert M. Conroy

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 11<sup>th</sup> day of September, 2008.

Sammy J. Ely (SEAL)  
Notary Public

My Commission Expires:

November 9, 2010

**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**Response to First Data Request of Commission Staff  
Dated July 16, 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	(\$1,901,264)
Total		(\$7,489,542)

(7) See attached.

(8) The 2007 federal and state income tax returns are in the process of being prepared. E.ON U.S. Investments Corp. will file its consolidated federal return with the Internal Revenue Service prior to the September 15, 2008 filing deadline and will file its state returns with the appropriate state revenue departments prior to the October 15, 2008 filing deadlines. Returns for KU will be provided to the Commission at that time through a supplemental data response and pursuant to a petition for confidential protection.

(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.

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PUBLIC SERVICE  
COMMISSION

**COMMONWEALTH OF KENTUCKY  
BEFORE THE 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)(k) 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) (“Commission Staff DRs”). In support of this Petition, the Applicants state as follows:

1. The 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 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 Applicants are now providing their federal income tax returns through supplemental responses to the Commission Staff DRs. (The Applicants anticipate filing additional supplemental responses to provide their state income tax returns in approximately one month.)

2. The Commission Staff DRs ask the Applicants to provide federal income tax returns and supporting schedules for 2007. These tax-related documents and information merit confidential protection. KRS 61.878(1)(k) exempts from public disclosure “all public records or information the disclosure of which is prohibited by federal law or regulation.” Under 26 U.S.C.A. § 6103(a), state officials are prohibited from publicly disclosing any federal income tax return or its contents. Therefore, the Applicants’ federal income tax returns and supporting schedules fall within the exemption provided by KRS 61.878(1)(k) and are exempt from disclosure.

3. 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).

4. 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: September 11, 2008

Respectfully submitted,



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E.ON U.S. LLC  
220 West Main Street  
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Telephone: (502) 627-2088

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 11th day of September 2008 upon the following persons:

Dennis G. Howard II  
Lawrence W. Cook  
Assistant Attorneys General  
Office of the Attorney General  
Office of Rate Intervention  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204

David C. Brown  
Stites & Harbison, PLLC  
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Counsel for Kentucky Utilities Company  
and Louisville Gas and Electric Company

**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

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