



an e-on company

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

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PUBLIC SERVICE  
COMMISSION

**Louisville Gas and  
Electric Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
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October 24, 2008

**RE: *Application of Louisville Gas and Electric Company for an Adjustment  
of Electric and Gas Base Rates – Case No. 2008-00252***  
**and**  
***Application of Louisville Gas and Electric Company to file  
Depreciation Study – Case No. 2007-00564***

Dear Ms. Stumbo:

Please find enclosed and accept for filing the Supplemental Response of Louisville Gas and Electric Company to Question No. 26(a)(8) of the Commission Staff's First Set of Data Requests dated July 16, 2008, and to Question No. 105 of the Commission Staff's Second Set of Data Requests dated August 27, 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 the Supplemental Response of Louisville Gas and Electric Company to Question No. 26(a)(8) and Question No. 105.

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

Sincerely,

Robert M. Conroy

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2008-00252**

**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:

(1) Federal operating income taxes deferred – accelerated tax depreciation:		
Account 410101		\$21,382,794
Account 411101		<u>(\$20,397,452)</u>
Total		\$985,342

(2) Federal operating income taxes deferred – other:		
Account 410101		\$9,785,281
Account 411101		<u>(\$2,675,050)</u>
Total		\$7,110,231

The \$7,110,231 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 taxes — operating:	Account 409101	\$32,975,343
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(4) Income credits:		
From A-26 (a)(1) above	Account 411101	(\$20,397,452)
From A-26 (a)(2) above	Account 411101	<u>(\$2,675,050)</u>
Total		<u>(\$23,072,502)</u>

(5) Investment tax credit:

(i) Realized:	\$7,679,626
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(ii) Amortized – Pre-Revenue Act of 1971:	(\$219)
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(iii) Amortized – Revenue Act of 1971:	(\$3,931,393)
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(6) State operating income taxes deferred – accelerated tax depreciation:		
Account 410102		\$4,641,407
Account 411102		<u>(\$4,202,662)</u>
Total		\$438,745

State operating income taxes deferred – other:		
Account 410102		\$1,994,779
Account 411102		<u>(\$1,175,570)</u>
Total		\$819,209

The \$819,209 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:	Account 409102	\$6,784,324
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State Income Credits:

From state “depreciation” above	Account 411102	(\$4,202,662)
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From state “other” above	Account 411102	<u>(\$1,175,570)</u>
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Total		<u>(\$5,378,232)</u>
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(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) City of Radcliff - \$65,936. This pass-through gas franchise consists of 3% billed to all non-industrial customers by LG&E and then remitted to the City of Radcliff by LG&E.

City of West Point - \$25,039. These pass-through electric and gas franchises consist of 3% billed to all non-industrial customers by LG&E and then remitted to the City of West Point by LG&E.

City of Muldraugh - \$26,526. These pass-through electric and gas franchises consist of 3% billed to all non-industrial customers by LG&E and then remitted to the City of Muldraugh by LG&E.

City of Louisville - \$528,489. Basis is the annual gas franchise fee payment per the 1998 gas franchise agreement between the City of Louisville and LG&E. This is not a pass-through franchise and is booked as an expense.

b. See attached.