

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

**In the Matter of:**

**KENTUCKY INDUSTRIAL UTILITY  
CUSTOMERS, INC.**

\_\_\_\_\_ )  
 )  
**KENTUCKY UTILITIES COMPANY** )  
**AND** )  
**LOUISVILLE GAS AND ELECTRIC COMPANY** )

**CASE NO.**  
**2018-00034**

**RESPONSE OF**  
**KENTUCKY UTILITIES COMPANY**  
**AND**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**TO**  
**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**  
**DATED FEBRUARY 20, 2018**

**FILED: February 28, 2018**

**VERIFICATION**

**COMMONWEALTH OF KENTUCKY )**  
**) SS:**  
**COUNTY OF JEFFERSON )**

The undersigned, **Kent W. Blake**, being duly sworn, deposes and says that he is Chief Financial Officer for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

*Kent W. Blake*

\_\_\_\_\_ **Kent W. Blake**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this *21<sup>st</sup>* day of *February* 2018.

*Judy Schooler* (SEAL)  
 \_\_\_\_\_  
 Notary Public

My Commission Expires:  
**JUDY SCHOOLER**  
 Notary Public, State at Large, KY  
**My commission expires July 11, 2018**  
 Notary ID # 512743

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Controller for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

  
Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 21<sup>st</sup> day of February 2018.

 (SEAL)  
Notary Public

My Commission Expires:  
**JUDY SCHOOLER**  
Notary Public, State at Large, KY  
**My commission expires July 11, 2018**  
Notary ID # 512743

**KENTUCKY UTILITIES COMPANY  
AND  
LOUISVILLE GAS AND COMPANY**

**Response to Commission Staff's Second Request for Information  
Dated February 20, 2018**

**Case No. 2018-00034**

**Question No. 1**

**Witness: Kent W. Blake / Christopher M. Garrett**

- Q-1. For each utility, provide a schedule of Excess Accumulated Deferred Income Tax ("ADIT"), broken down between protected and unprotected Excess ADIT for the test year utilized in Case Nos. 2016-00370 and 2016-00371, and for the test year utilized in the proposed Offer of Acceptance and Satisfaction tendered on January 29, 2018. Provide a copy of the response in an Excel spreadsheet format with formulas intact and unprotected, and all rows and columns fully accessible.
- A-1. Under Generally Accepted Accounting Principles (GAAP), the tax effect of changes in tax laws must be recognized in the period in which the law is enacted. GAAP requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment of the Tax Cuts and Job Act ("Tax Act") in December 2017, LG&E and KUs' deferred taxes were remeasured based upon the new U.S. federal corporate income tax rate of 21%. The difference between the 35% tax rate and the new 21% tax rate is Excess ADIT.

See attachment A provided in excel format for the Excess ADIT balances for the periods of December 2017 through April 2018 attributable to the Tax Act. A calculation of the Excess ADIT balances by temporary difference as of December 31, 2017 is provided to show the breakdown between protected and unprotected Excess ADIT balances.

Because LG&E and KU utilize the average rate assumption method required by the tax code to amortize protected Excess ADIT, LG&E and KU still have a small Excess ADIT balance attributable to the Tax Reform Act of 1986 and Kentucky Tax Act of 2005. Included in Attachment B are the protected Excess ADIT balances utilized in the previous test year in Case No. 2016-00370 and 2016-00371 for the periods of June 2017 through June 2018 attributable to changes in prior tax laws.