

KENTUCKY UTILITIES COMPANY

Case No. 2018-00294

**November 12, 2018 Supplemental Response to Commission Staff's
First Request for Information
Dated September 19, 2018**

Question No. 48

Responding Witness: Christopher M. Garrett

Q-48. Provide the following tax data for the most recent calendar year:

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.
 - (a) Investment credit realized.
 - (b) Investment credit amortized - Pre-Revenue Act of 1971.
 - (c) Investment credit amortized - Revenue Act of 1971.
- (6) The information in Item 48a(1-4) for state income taxes.
- (7) A reconciliation of book to federal taxable income as shown in Schedule 48a(1) and a calculation of the book federal income tax expense for the base period using book taxable income as the starting point.
- (8) A reconciliation of book to state taxable income as shown in Schedule 48a(2) and a calculation of the book state income tax expense for the base period using book taxable income as the starting point.
- (9) A copy of federal and state income tax returns for the most recent tax year, including supporting schedules.

(10) 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 Schedule 48b.

A-48. **Original Response:**

a. Income Taxes:

(1) Federal operating income taxes deferred – accelerated tax depreciation:

Account 410101	\$181,208,381
Account 411101	<u>(\$137,933,308)</u>
Total	\$43,275,073

(2) Federal operating income taxes deferred – other:

Account 410101	\$129,822,887
Account 411101	<u>(\$35,535,951)</u>
Total	\$94,286,936

The \$94,286,936 represents taxes on all temporary differences other than depreciation-related items (e.g. employee benefits differences, regulatory adjustments, cash basis adjustments, net operating losses, etc.).

(3) Federal Income Tax – operating: Account 409101 \$ 971,580

(4) Income Credits

From A-48 (a)(1) above	Account 411101	(\$137,933,308)
From A-48 (a)(2) above	Account 411101	<u>(\$35,535,951)</u>
Total		(\$173,469,259)

(5) Investment tax credit:

(a) Realized:	\$10,450
(b) Amortized – Pre-Revenue Act of 1971:	\$0
(c) Amortized – Revenue Act of 1971:	(\$1,926,636)

(6) State operating income taxes deferred – accelerated tax depreciation:

Account 410102	\$30,590,876
Account 411102	<u>(\$20,954,944)</u>
Total	\$9,635,932

State operating income taxes deferred – other:

Account 410102	\$10,986,800
Account 411102	<u>(\$4,204,417)</u>
Total	\$6,782,383

The \$6,782,383 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	\$6,811,912
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Income credits:

From state “depreciation” above	Account 411102	(\$20,954,944)
From state “other” above	Account 411102	<u>(\$4,204,417)</u>
Total		(\$25,159,361)

- (7) See attached.
- (8) See attached.
- (9) The 2017 pro forma federal income tax return is attached and provided under seal. The 2017 pro forma state income tax returns are in the process of being prepared. The Company will file the state returns prior to their respective filing deadlines; October 15, 2018 (KY and TN) and November 15, 2018 (VA). The state returns will be provided to the KY Commission at that time. The tax returns are considered confidential and are being filed under seal pursuant to a Petition for Confidential Protection.
- (10) Franchise fees are collected from customers and remitted to the city or municipality imposing the franchise fee; therefore, they are not included in the forecasted test year. The below information is for calendar year 2017.

See Attachment 1. Franchise payments remitted to each city imposing the franchise are 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 city.

See Attachment 2. Franchise payments remitted to each city imposing the franchise are based on 3.00% of the total retail electric sales (i.e., residential, commercial, industrial, and public authority) generated for the period on customer accounts located within the boundaries of that city.

See Attachment 3. Franchise payments remitted to each city imposing the franchise are based on a franchise percentage other than 3.00%. The franchise fee percentages listed in the attachment are applied to total retail

electric sales (i.e., residential, commercial, industrial, and public authority) generated for the period on customer accounts located within the boundaries of that city.

b. See attached.

October 23, 2018 Supplemental Response for Question No. 48(a)(9):

The 2017 pro forma state income tax returns for Kentucky and Tennessee are attached and provided under seal. The tax returns are considered confidential and are being filed under seal pursuant to a Petition for Confidential Protection.

November 12, 2018 Supplemental Response for Question No. 48(a)(9):

The 2017 pro forma state income tax returns for Virginia are attached and provided under seal. The tax returns are considered confidential and are being filed under seal pursuant to a Petition for Confidential Protection.