

- Q.24. Provide detailed computations by vintage year showing State and Federal deferred income taxes resulting from the use of accelerated tax depreciation associated with post-1969 public utility property, ADR rates, and accelerated tax depreciation associated with post-1980 public utility property under the Accelerated Cost Recovery System (ACRS).
- a) Reconcile and explain any differences in the base used to calculate State and Federal deferred income taxes.
 - b) State whether tax depreciation is based on all rate base items claimed as of the end of the test year, and whether it is the annual tax depreciation at the end of the test year.
 - c) Reconcile differences between the deferred tax balance, as shown as a reduction to rate base, and the deferred tax balance as shown on the balance sheet.
- A.24. PPL Electric does not provide for deferred income taxes related to accelerated depreciation of assets acquired prior to January 1, 1981. However, through December 31, 1980, the Company did provide for deferred taxes related to the difference in tax depreciation resulting from using class lives under the ADR system of depreciation versus tax depreciation from the use of guideline lives in effect prior to the ADR system of depreciation. In accordance with the Commission's order adopted January 31, 1981, at Docket No. R-80031114, the Company terminated provisions for deferred taxes. The Company fully amortized the December 31, 1980 balance of deferred income taxes through December 31, 2005. The Company is deferring federal income taxes associated with the use of accelerated tax depreciation under the Accelerated Cost Recovery System (ACRS) of the Economic Recovery Tax Act of 1981 in compliance with the Commission's order adopted December 18, 1981, at Docket No. R-811636. See Attachment II-D-24 for detailed computations by vintage year.
- a) PPL Electric does not provide for any state deferred income taxes associated with the use of accelerated tax depreciation.
 - b) Tax depreciation is not based on all rate base items claimed as of the end of the test year. Certain assets that are included in rate base are fully depreciated for tax purposes. Additionally, there are basis differences between book cost and tax cost for which tax depreciation is not calculated. Tax depreciation claimed is the annual tax depreciation at the end of the future test year.
 - c) The total deferred tax balances shown on Schedule C-6 of Exhibit Future 1 agree with the rate base reduction shown on Schedule C-1 of Exhibit Future 1. Schedule C-6 of Exhibit Future 1 is cross-referenced to the deferred tax balances shown on the balance sheet provided in Schedule B-1 of Exhibit Future 1.