1.29 The adjustment proposed in Exhibit No. \_\_ (KHB-2) adjusts revenue requirement to reflect the Company’s property related book-tax differences on a flow-through basis. Please provide Staff’s rationale for proposing normalization for the Company’s non-property related book-tax differences.

**RESPONSE:**

Staff is not proposing to change from flow-through to normalization whenever it is lawful to do so. Therefore, Exhibit No. \_\_\_ (KHB-2) removes the Company’s only adjustment to reflect current year normalization as stated in Exhibit No. \_\_\_ (RBD-1T) at page 18, lines 11 through 15. In this case, Staff is not proposing normalization for any book/tax differences, other than with respect to the repairs deduction.