

**Development of Excess Deferred Taxes**

<u>Description</u>	<u>Source</u>	<u>A</u> <u>7/03-6/04</u>	<u>B</u> <u>7/04-6/05</u>	<u>C=B-A</u> <u>Delta</u>	<u>D=(A+B)*-.5</u> <u>Reserve Change</u>
1 Total Company	Note 1	\$97,677	\$65,548	(\$32,130)	(\$81,612)
2 Interstate	Note 2	\$19,021	\$12,462	(\$6,559)	(\$15,741)
		<b>52.28%</b>	<b>47.72%</b>		
		<b><u>Common Line</u></b>	<b><u>Special Access</u></b>	<b><u>Total</u></b>	
3 Excess Deferred Tax	Note 3	(\$3,429)	(\$3,130)	(\$6,559)	
4 Excess Deferred Tax Reserve	Note 3	(\$8,229)	(\$7,512)	(\$15,741)	
5 Net Rate base	Line 4 *-1.0	\$8,229	\$7,512	\$15,741	
6 Return	Line 5 * 0.1125	\$926	\$845	\$1,771	
7 Federal Income Tax Change	(Ln6-Ln3)*0.35/(1.0-.35)-Ln3	\$5,774	\$5,271	\$11,045	
8 Revenue Impact	Line 6 + Line 7	\$6,700	\$6,117	\$12,817	

Note 1: Column A from Transmittal No. 783 Form EXG-EDT. Column B from corporate tax.

Note 2: ARMIS 43-01 row 1840 interstate ratios = 0.19012

Note 3: SUM1Col. A used for Basket allocations

Corporate Tax

<u>2004</u>	<u>2005</u>	<u>Total</u>	<u>Midpoint</u>
\$78,412	\$52,683	\$131,095	\$65,548

		<u>Ratio</u>
Interstate Common Line Revenues (t-1) Form Sum 1 line 120	\$ 63,824,398	0.5228
Interstate Special Access Revenues (t-1) Form Sum 1 line 340	\$ 58,259,538	0.4772
Total	\$ 122,083,936	1.00

**Development of Investment Tax Credit (ITC)**

<u>Description</u>	<u>Source</u>	<u>A</u> <u>7/03-6/04</u>	<u>B</u> <u>7/04-6/05</u>	<u>C=B-A</u> <u>Delta</u>
1 Total Company	Note 1	\$647,473	\$571,995	(\$75,478)
2 Interstate	Note 2	\$145,500	\$128,538	(\$16,962)
		<b>52.28%</b> <b><u>Common Line</u></b>	<b>47.72%</b> <b><u>Special Access</u></b>	<b><u>Total</u></b>
3 Investment Tax Credit	Note 3	(\$8,867)	(\$8,094)	(\$16,962)
4 Federal Income Tax	Line 3/(1-.35)*-1	\$13,642	\$12,454	\$26,096
8 Revenue Impact		\$13,642	\$12,454	\$26,096

Note 1: Column A from Transmittal No. 783 Form EXG-ITC. Column B from corporate tax.

Note 2: EXD-ITC. CBT internal worksheet used to calculate interstate amounts = 0.22472

Note 3: SUM1 Col A used Basket for allocations

<u>Corporate Tax</u>	<u>2004</u>	<u>2005</u>	<u>Total</u>	<u>Midpoint</u>
	\$609,318	\$534,672	\$1,143,990	\$571,995

	<u>Ratio</u>
Interstate Common Line R Form Sum 1 line 120	\$ 63,824,398 0.5228
Interstate Special Access Form Sum 1 line 340	\$ 58,259,538 0.4772
Total	\$ 122,083,936 1.00

## Summary of Exogenous Changes

EXG-SUM  
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	<u>Description</u>	<u>Source</u>	<u>Common Line</u>	<u>Special Access</u>	<u>Total</u>
1	ITC Amortization	EXG-ITC	\$13,642	\$12,454	\$26,096
2	Excess Deferred Taxes	EXG-EDT	\$6,700	\$6,117	\$12,817
	Total Exogenous	Sum (Line 1.... Line 2)	\$20,342	\$18,571	\$38,913