

Development of Excess Deferred Taxes

<u>Description</u>	<u>Source</u>	<u>A</u> <u>7/04-6/05</u>	<u>B</u> <u>7/05-6/06</u>	<u>C=B-A</u> <u>Delta</u>	<u>D=(A+B)*-.5</u> <u>Reserve Change</u>
1 Total Company	Note 1	\$65,548	\$44,040	(\$21,508)	(\$54,794)
2 Interstate	Note 2	\$12,462	\$7,827	(\$4,635)	(\$10,144)
		50.90%	49.10%		
		Common Line	Special Access	Total	
3 Excess Deferred Tax	Note 3	(\$2,360)	(\$2,276)	(\$4,635)	
4 Excess Deferred Tax Reserve	Note 3	(\$5,164)	(\$4,980)	(\$10,144)	
5 Net Rate base	Line 4 *-1.0	\$5,164	\$4,980	\$10,144	
6 Return	Line 5 * 0.1125	\$581	\$560	\$1,141	
7 Federal Income Tax Change	(Ln6-Ln3)*0.35/(1.0-.35)-Ln3	\$3,943	\$3,803	\$7,746	
8 Revenue Impact	Line 6 + Line 7	\$4,524	\$4,364	\$8,888	

Note 1: Column A from Transmittal No. 791 Form EXG-EDT. Column B from corporate tax.

Note 2: ARMIS 43-01 row 1840 interstate ratios = 0.17772

Note 3: SUM1Col. A used for Basket allocations

Corporate Tax

<u>2005</u>	<u>2006</u>	<u>Total</u>	<u>Midpoint</u>
\$52,683	\$35,397	\$88,080	\$44,040

		<u>Ratio</u>
Interstate Common Line Revenues (t-1) Form Sum 1 line 120	\$ 60,253,093	0.5090
Interstate Special Access Revenues (t-1) Form Sum 1 line 340	\$ 58,113,663	0.4910
Total	\$ 118,366,756	1.00

Development of Investment Tax Credit (ITC)

<u>Description</u>	<u>Source</u>	<u>A</u> <u>7/04-6/05</u>	<u>B</u> <u>7/05-6/06</u>	<u>C=B-A</u> <u>Delta</u>
1 Total Company	Note 1	\$571,995	\$502,221	(\$69,774)
2 Interstate	Note 2	\$128,538	\$112,429	(\$16,109)
		50.90% <u>Common Line</u>	49.10% <u>Special Access</u>	<u>Total</u>
3 Investment Tax Credit	Note 3	(\$8,200)	(\$7,909)	(\$16,109)
4 Federal Income Tax	Line 3/(1-.35)*-1	\$12,616	\$12,169	\$24,785
8 Revenue Impact		\$12,616	\$12,169	\$24,785

Note 1: Column A from Transmittal No. 791 Form EXG-ITC. Column B from corporate tax.

Note 2: EXD-ITC. CBT internal worksheet used to calculate interstate amounts = 0.22386

Note 3: SUM1 Col A used Basket for allocations

<u>Corporate Tax</u>	<u>2005</u>	<u>2006</u>	<u>Total</u>	<u>Midpoint</u>
	\$534,672	\$469,770	\$1,004,442	\$502,221

		<u>Ratio</u>
Interstate Common Line R Form Sum 1 line 120	\$ 60,253,093	0.5090
Interstate Special Access Form Sum 1 line 340	\$ 58,113,663	0.4910
Total	\$ 118,366,756	1.00

Summary of Exogenous Changes

EXG-SUM
Page 1 of 1

	<u>Description</u>	<u>Source</u>	<u>Common Line</u>	<u>Special Access</u>	<u>Total</u>
1	ITC Amortization	EXG-ITC	\$12,616	\$12,169	\$24,785
2	Excess Deferred Taxes	EXG-EDT	\$4,524	\$4,364	\$8,888
	Total Exogenous	Sum (Line 1.... Line 2)	\$17,140	\$16,533	\$33,673