

## Development of Excess Deferred Taxes

<u>Description</u>	<u>Source</u>	<u>A</u> <u>7/05-6/06</u>	<u>B</u> <u>7/06-6/07</u>	<u>C=B-A</u> <u>Delta</u>	<u>D=(A+B)*.5</u> <u>Reserve Change</u>
1 Total Company	Note 1	\$44,040	\$29,590	(\$14,451)	(\$36,815)
2 Interstate	Note 2	\$7,827	\$5,165	(\$2,662)	(\$6,496)
		<b>48.91%</b>	<b>51.09%</b>		
		<b><u>Common Line</u></b>	<b><u>Special Access</u></b>	<b><u>Total</u></b>	
3 Excess Deferred Tax	Note 3	(\$1,302)	(\$1,360)	(\$2,662)	
4 Excess Deferred Tax Reserve	Note 3	(\$3,177)	(\$3,319)	(\$6,496)	
5 Net Rate base	Line 4 *-1.0	\$3,177	\$3,319	\$6,496	
6 Return	Line 5 * 0.1125	\$357	\$373	\$731	
7 Federal Income Tax Change	(Ln6-Ln3)*0.35/(1.0-.35)-Ln3	\$2,195	\$2,293	\$4,488	
8 Revenue Impact	Line 6 + Line 7	\$2,553	\$2,667	\$5,220	

Note 1: Column A from Transmittal No. 800 Form EXG-EDT. Column B from corporate tax.

Note 2: ARMIS 43-01 row 1840 interstate ratios = 0.17457

Note 3: SUM1Col. A used for Basket allocations

Corporate Tax

<u>2006</u>	<u>2007</u>	<u>Total</u>	<u>Midpoint</u>
\$35,397	\$23,782	\$59,179	\$29,590

		<u>Ratio</u>
Interstate Common Line Revenues (t-1) Form Sum 1 line 120	\$ 58,936,555	0.4891
Interstate Special Access Revenues (t-1) Form Sum 1 line 340	\$ 61,558,756	0.5109
Total	\$ 120,495,311	1.00

## Development of Investment Tax Credit (ITC)

<u>Description</u>	<u>Source</u>	<u>A</u> <u>7/05-6/06</u>	<u>B</u> <u>7/06-6/07</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	\$113,041	(\$15,497)
		<b>48.91%</b> <b><u>Common Line</u></b>	<b>51.09%</b> <b><u>Special Access</u></b>	<b><u>Total</u></b>
3 Investment Tax Credit	Note 3	(\$7,580)	(\$7,917)	(\$15,497)
4 Federal Income Tax	Line 3/(1-.35)*-1	\$11,662	\$12,182	\$23,843
8 Revenue Impact		\$11,662	\$12,182	\$23,843

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 = 0.22508

Note 3: SUM1 Col A used Basket for allocations

Corporate Tax	<b><u>2005</u></b> \$534,672	<b><u>2006</u></b> \$469,770	<b><u>Total</u></b> \$1,004,442	<b><u>Midpoint</u></b> \$502,221
			<b><u>Ratio</u></b>	
Interstate Common Line R Form Sum 1 line 120		\$ 58,936,555	0.4891	
Interstate Special Access Form Sum 1 line 340		\$ 61,558,756	0.5109	
Total		\$ 120,495,311	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	\$11,662	\$12,182	\$23,843
2	Excess Deferred Taxes	EXG-EDT	\$2,553	\$2,667	\$5,220
	Total Exogenous	Sum (Line 1.... Line 2)	\$14,214	\$14,849	\$29,063