

Development of Excess Deferred Taxes

<u>Description</u>	<u>Source</u>	<u>A</u> <u>7/06-6/07</u>	<u>B</u> <u>7/07-6/08</u>	<u>C=B-A</u> <u>Delta</u>	<u>D=(A+B)*-.5</u> <u>Reserve Change</u>
1 Total Company	Note 1	\$29,590	\$166,548	\$136,958	(\$98,069)
2 Interstate	Note 2	\$5,165	\$43,133	\$37,968	(\$24,149)
		47.51%	52.49%		
		<u>Common Line</u>	<u>Special Access</u>	<u>Total</u>	
3 Excess Deferred Tax	Note 3	\$18,039	\$19,929	\$37,968	
4 Excess Deferred Tax Reserve	Note 3	(\$11,474)	(\$12,676)	(\$24,149)	
5 Net Rate base	Line 4 *-1.0	\$11,474	\$12,676	\$24,149	
6 Return	Line 5 * 0.1125	\$1,291	\$1,426	\$2,717	
7 Federal Income Tax Change	(Ln6-Ln3)*0.35/(1.0-.35)-Ln3	(\$27,058)	(\$29,892)	(\$56,949)	
8 Revenue Impact	Line 6 + Line 7	(\$25,767)	(\$28,465)	(\$54,232)	

Note 1: Column A from Transmittal No. 808 Form EXG-EDT. Column B from corporate tax.

Note 2: ARMIS 43-01 row 1840 interstate ratios = 0.2590

Note 3: SUM1Col. A used for Basket allocations

Corporate Tax

<u>2007</u>	<u>2008</u>	<u>Total</u>	<u>Midpoint</u>
\$23,782	\$309,313	\$333,095	\$166,548

		<u>Ratio</u>
Interstate Common Line Revenues (t-1Form Sum 1 line 120	\$ 56,528,692	0.4751
Interstate Special Access Revenues (t-Form Sum 1 line 340	\$ 62,449,362	0.5249
Total	\$ 118,978,054	1.00

Development of Investment Tax Credit (ITC)

<u>Description</u>	<u>Source</u>	<u>A</u> <u>7/06-6/07</u>	<u>B</u> <u>7/07-6/08</u>	<u>C=B-A</u> <u>Delta</u>
1 Total Company	Note 1	\$502,221	\$416,208	(\$86,014)
2 Interstate	Note 2	\$113,041	\$94,028	(\$19,013)
		47.51% Common Line	52.49% Special Access	Total
3 Investment Tax Credit	Note 3	(\$9,033)	(\$9,980)	(\$19,013)
4 Federal Income Tax	Line 3/(1-.35)*-1	\$13,898	\$15,354	\$29,252
8 Revenue Impact		\$13,898	\$15,354	\$29,252

Note 1: Column A from Transmittal No. 808 Form EXG-ITC. Column B from corporate tax.
Note 2: EXD-ITC. CBT internal worksheet used to calculate interstate amounts = 0.22592
Note 3: SUM1 Col A used Basket for allocations

Corporate Tax	2007 \$469,770	2008 \$362,645	Total \$832,415	Midpoint \$416,208
			Ratio	
Interstate Common Line f Form Sum 1 line 120		\$ 56,528,692	0.4751	
Interstate Special Access Form Sum 1 line 340		\$ 62,449,362	0.5249	
Total		\$ 118,978,054	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	\$13,898	\$15,354	\$29,252
2	Excess Deferred Taxes	EXG-EDT	(\$25,767)	(\$28,465)	(\$54,232)
	Total Exogenous	Sum (Line 1.... Line 2)	(\$11,869)	(\$13,110)	(\$24,980)