

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> |
|---------------|-------------|-------------|--------------|-----------------|
| Corporate Tax | \$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% | 52.49% | |
| | | <u>Common Line</u> | <u>Special Access</u> | <u>Total</u> |
| 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

| <u>Corporate Tax</u> | <u>2007</u> | <u>2008</u> | <u>Total</u> | <u>Midpoint</u> |
|---|-------------|----------------|--------------|-----------------|
| | \$469,770 | \$362,645 | \$832,415 | \$416,208 |
| | | | <u>Ratio</u> | |
| 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) |