

SCHEDULE E

INCOME TAXES

KENTUCKY-AMERICAN WATER COMPANY

CASE NO: 2004-00103

Forecasted Test Period: FOR THE TWELVE MONTHS ENDED: NOVEMBER 2005

Base Period: FOR THE TWELVE MONTHS ENDED: JULY 2004

| <u>Schedule</u> | <u>Description</u> |
|-----------------|--|
| E-1.1 | Federal Income Tax Calculation |
| E-1.2 | State Income Tax Calculation |
| E-1.3 | Federal Income Tax Calculation |
| E-1.4 | State Income Tax Calculation |
| E-1.5 | Summary of Income Tax Adjustment |
| E-2 | Development of Jurisdictional Income Taxes |

For electronic version, see KAW_CAPP_EX37E_082404.pdf

KENTUCKY-AMERICANWATER COMPANY
CASE NO: 2004-00103
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
TOTAL COMPANY

DATA: X BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED X REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULEE-1.1
PAGE 1 of 2
Witness Responsible: J.E. Salsler

| Line No | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|---------|--|--------------------------------|-------------|---------------------|
| 1 | | | | |
| 2 | | | | |
| 3 | Operating Revenues | \$44,246,522 | \$0 | \$44,246,522 |
| 4 | | | | |
| 5 | Operating Expenses | | | |
| 6 | Operation & Maintenance Expenses | 20,663,011 | 0 | 20,663,011 |
| 7 | Depreciation & Amortization | 6,775,912 | 0 | 6,775,912 |
| 8 | Taxes other than Income | 2,628,313 | 0 | 2,628,313 |
| 9 | State Income Taxes - Current | 308,428 | 0 | 308,428 |
| 10 | Federal Income Taxes | 0 | 0 | 0 |
| 11 | | | | |
| 12 | Total Operating Expenses before FIT | <u>30,375,664</u> | <u>0</u> | <u>30,375,664</u> |
| 13 | | | | |
| 14 | Operating Income before Federal Income Taxes | 13,870,858 | 0 | 13,870,858 |
| 15 | Reconciling Items; | | | |
| 16 | Interest Charges | (4,961,409) | 0 | (4,961,409) |
| 17 | Book Depreciation | 6,095,369 | 0 | 6,095,369 |
| 18 | Tax Depreciation | (10,553,970) | 0 | (10,553,970) |
| 19 | Taxable Customer Adv and CIAC | (305,860) | 0 | (305,860) |
| 20 | Other Net | (964,896) | 0 | (964,896) |
| 21 | Reserved | 0 | 0 | 0 |
| 22 | Reserved | 0 | 0 | 0 |
| 23 | Reserved | 0 | 0 | 0 |
| 24 | Reserved | 0 | 0 | 0 |
| 25 | Reserved | 0 | 0 | 0 |
| 26 | Reserved | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 |
| 30 | Reserved | 0 | 0 | 0 |
| 31 | | | | |
| 32 | Total Reconciling items | <u>(10,690,766)</u> | <u>0</u> | <u>(10,690,766)</u> |
| 33 | | | | |
| 34 | Federal Taxable Income | 3,180,092 | 0 | 3,180,092 |
| 35 | | | | |
| 36 | Federal Income Tax Rate | 35.00% | 35.00% | 35.00% |
| 37 | Federal Income Tax Liability | 1,113,032 | 0 | 1,113,032 |
| 38 | Adjustment of Prior Year | 0 | 0 | 0 |
| 39 | | | | |
| 40 | Federal Income Taxes - Current | <u>\$966,511</u> | <u>\$0</u> | <u>\$966,511</u> |

The Company uses an effective tax rate for budgeting income taxes. The full detail for the base period reconciling item will not be available until the Company provides the update to the base period data.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
TOTAL COMPANY

DATA: X BASE PERIOD ___ FORECASTED PERIOD
 TYPE OF FILING: ___ ORIGINAL ___ UPDATED X REVISED
 WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.1
 PAGE 2 of 2
 Witness Responsible: J.E. Salsler

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|-------------------------------------|--------------------------------|-------------|--------------------|
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | Deferred Income Taxes: | | | |
| 5 | Def FIT Regulatory Asset/Liability | \$36,030 | \$0 | \$36,030 |
| 6 | Def FIT Other | 1,810,198 | 0 | 1,810,198 |
| 7 | Def FIT Prior Year Adj. | 142,253 | 0 | 142,253 |
| 8 | | <u>1,988,481</u> | <u>0</u> | <u>1,988,481</u> |
| 9 | Amort Deferred ITC | (79,820) | 0 | (79,820) |
| 10 | | <u>\$1,908,661</u> | <u>\$0</u> | <u>\$1,908,661</u> |
| 11 | Total Deferred Federal Income Taxes | | | |
| 12 | Total Federal Income Taxes | <u>\$2,875,172</u> | <u>\$0</u> | <u>\$2,875,172</u> |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
TOTAL COMPANY

DATA: BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.2
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|--|--------------------------------|-------------|---------------------|
| 1 | | | | |
| 2 | | | | |
| 3 | Operating Revenues | \$44,246,522 | \$0 | \$44,246,522 |
| 4 | | | | |
| 5 | Operating Expenses | | | |
| 6 | Operation & Maintenance Expenses | 20,663,011 | 0 | 20,663,011 |
| 7 | Depreciation & Amortization | 6,775,912 | 0 | 6,775,912 |
| 8 | Taxes other than Income | 2,628,313 | 0 | 2,628,313 |
| 9 | State Income Taxes - Current | 0 | 0 | 0 |
| 10 | Federal Income Taxes | 0 | 0 | 0 |
| 11 | | | | |
| 12 | Total Operating Expenses before SIT | <u>30,067,236</u> | <u>0</u> | <u>30,067,236</u> |
| 13 | | | | |
| 14 | Operating Income before State Income Taxes | 14,179,286 | 0 | 14,179,286 |
| 15 | Reconciling Items; | | | |
| 16 | Interest Charges | (4,961,409) | 0 | (4,961,409) |
| 17 | Book Depreciation | 6,095,369 | 0 | 6,095,369 |
| 18 | Tax Depreciation | (10,553,970) | 0 | (10,553,970) |
| 19 | Taxable Customer Adv and CIAC | (305,860) | 0 | (305,860) |
| 20 | Other Net | (714,896) | 0 | (714,896) |
| 21 | Reserved | 0 | 0 | 0 |
| 22 | Reserved | 0 | 0 | 0 |
| 23 | Reserved | 0 | 0 | 0 |
| 24 | Reserved | 0 | 0 | 0 |
| 25 | Reserved | 0 | 0 | 0 |
| 26 | Reserved | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 |
| 30 | Reserved | 0 | 0 | 0 |
| 31 | Reserved | 0 | 0 | 0 |
| 32 | Total Reconciling Items | <u>0</u> | <u>0</u> | <u>(10,440,766)</u> |
| 33 | | | | |
| 34 | State Taxable Income | 3,738,520 | 0 | |
| 35 | | | | |
| 36 | State Income Tax Rate | 8.25% | 8.25% | 8.25% |
| 37 | State Income Tax Liability | 308,428 | 0 | 308,428 |
| 38 | Less: Surtax Credit | 0 | 0 | 4,875 |
| 39 | State Income Taxes - Current | 308,428 | 0 | 303,553 |
| 40 | Less: Prior Year Adjustment | 45,855 | 0 | 45,855 |
| 41 | | <u>\$262,573</u> | <u>\$0</u> | <u>\$262,573</u> |
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The Company uses an effective tax rate for budgeting income taxes. The full detail for the base period reconciling items will not be available until the Company provides the update to the base period data.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
TOTAL COMPANY

DATA: X BASE PERIOD ___ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED X REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULEE-1.2
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salser

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|------------------------------------|--------------------------------|-------------|-------------------|
| 1 | | | | |
| 2 | | | | |
| 3 | Deferred State Income Taxes: | | | |
| 4 | Def SIT Regulatory Asset/Liability | 19,038 | 0 | 19,038 |
| 5 | Def SIT Other | 194,682 | 0 | 194,682 |
| 6 | Def SIT Prior Year Adj | 46,370 | 0 | 46,370 |
| 7 | | <u>260,090</u> | <u>0</u> | <u>260,090</u> |
| 8 | Amort Deferred ITC | 0 | 0 | 0 |
| 9 | | | | |
| 10 | Total Deferred State Income Taxes | <u>\$ 260,090</u> | <u>\$ -</u> | <u>\$ 260,090</u> |
| 11 | | | | |
| 12 | Total State Income Taxes | <u>\$ 522,663</u> | <u>\$ -</u> | <u>\$ 517,788</u> |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: NOVEMBER 30, 2005
TOTAL COMPANY

DATA: _____ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: _ ORIGINAL _ UPDATED _X_ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.3
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salsner

| Line No. | Description | At Current Rates | | At Proposed Rates | |
|----------|--|------------------|-------------|-------------------|--------------|
| | | Unadjusted | Adjustments | Adjusted | Adjusted |
| 1 | | | | | |
| 2 | Operating Revenues | \$43,507,697 | \$0 | \$43,507,697 | \$7,265,788 |
| 3 | | | | | |
| 4 | Operating Expenses | | | | |
| 5 | Operation & Maintenance Expenses | 21,840,429 | 0 | 21,340,429 | 36,825 |
| 6 | Depreciation & Amortization | 7,749,787 | 0 | 7,749,787 | 0 |
| 7 | Taxes other than income | 2,712,460 | 0 | 2,712,460 | 13,580 |
| 8 | State Income Taxes - Current | 502,618 | 0 | 502,618 | 595,269 |
| 9 | Federal Income Taxes | | | | 1,097,887 |
| 10 | | | | | |
| 11 | Total Operating Expenses before FIT | 32,805,294 | 0 | 32,805,294 | 645,674 |
| 12 | | | | | |
| 13 | Operating Income before Federal Income Taxes | 10,702,403 | 0 | 10,702,403 | 6,620,114 |
| 14 | Reconciling items: | | | | |
| 15 | Interest Charges | (5,385,042) | 0 | (5,385,042) | 0 |
| 16 | Book Depreciation | 7,065,762 | 0 | 7,065,762 | 0 |
| 17 | Tax Depreciation | (9,678,540) | 0 | (9,678,540) | 0 |
| 18 | Non-Deductible Meals | 20,760 | 0 | 20,760 | 0 |
| 19 | Additional Taxable AFUDC | (256,108) | 0 | (256,108) | 0 |
| 20 | Deferred Debits | 1,239,221 | 0 | 1,239,221 | 0 |
| 21 | Amortization of UPAA | 21,415 | 0 | 21,415 | 0 |
| 22 | Deferred Maintenance | 483,249 | 0 | 483,249 | 0 |
| 23 | Property Losses | 656,178 | 0 | 656,178 | 0 |
| 24 | Amort Regulatory Assets ■ Liabilities | 25,728 | 0 | 25,728 | 0 |
| 25 | Taxable Advances and CIAC | 753,772 | 0 | 753,772 | 0 |
| 26 | Reserved | 0 | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 | 0 |
| 30 | | | | | |
| 31 | Total Reconciling Items | (5,053,605) | 0 | (5,053,605) | 0 |
| 32 | | | | | |
| 33 | Federal Taxable Income | 5,648,798 | 0 | 5,648,796 | 6,620,114 |
| 34 | | | | | |
| 35 | Federal Income Tax Rate | 35.00% | 35.00% | 35.00% | 35.00% |
| 36 | | | | | |
| 37 | Federal Income Tax Liability | 1,977,079 | 0 | 1,977,079 | 2,317,040 |
| 38 | | | | | |
| 39 | Investment Tax Credits | 0 | 0 | 0 | 0 |
| 40 | | | | | |
| 41 | Federal Income Taxes - Current | \$ 1,977,079 | \$ - | \$ 1,977,079 | \$ 2,317,040 |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: NOVEMBER 30, 2005
TOTAL COMPANY

DATA: ___ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED _X_ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.3
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No | Description | At Current Rates | | | At Proposed Rates | |
|---------|-------------------------------------|--------------------|-------------|--------------------|--------------------|--------------------|
| | | Unadjusted | Adjustments | Adjusted | Adjustments | Adjusted |
| 1 | | | | | | |
| 2 | Deferred Income Taxes | | | | | |
| 3 | Def FIT Regulatory Asset/Liability | \$88,344 | \$0 | \$88,344 | \$0 | \$88,344 |
| 4 | Def FIT UPIS | 547,342 | 0 | 547,342 | 0 | 547,342 |
| 5 | Def FIT Deferred Maintenance | (155,184) | 0 | (155,184) | 0 | (155,184) |
| 6 | Def FIT Deferred Debits | (405,672) | 0 | (405,672) | 0 | (405,672) |
| 7 | Def FIT Property Losses | (210,715) | 0 | (210,715) | 0 | (210,715) |
| 8 | Def FIT Community Education Costs | 0 | 0 | 0 | 0 | 0 |
| 9 | | | | | | |
| 10 | | <u>(135,885)</u> | <u>0</u> | <u>(135,885)</u> | <u>0</u> | <u>(135,885)</u> |
| 11 | Amort Deferred ITC | <u>(84,797)</u> | <u>0</u> | <u>(84,797)</u> | <u>0</u> | <u>(84,797)</u> |
| 12 | | | | | | |
| 13 | Total Deferred Federal Income Taxes | <u>(220,682)</u> | <u>0</u> | <u>(220,682)</u> | <u>0</u> | <u>(220,682)</u> |
| 14 | | | | | | |
| 15 | Total Federal Income Taxes | <u>\$1,756,397</u> | <u>\$0</u> | <u>\$1,756,397</u> | <u>\$2,317,040</u> | <u>\$4,073,437</u> |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: NOVEMBER 30, 2005
TOTAL COMPANY

DATA: ___ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: _ORIGINAL_ _X_ UPDATED _X_ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.4
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted | At Proposed Rates Adjustments | Adjusted |
|----------|--|--------------------------------|-------------|----------------|----------------------------------|----------------|
| 1 | | | | | | |
| 2 | Operating Revenues | \$ 43,507,697 | \$ - | \$ 43,507,697 | \$ 7,265,788 | \$ 50,773,485 |
| 3 | | | | | | |
| 4 | Operating Expenses | | | | | |
| 5 | Operation & Maintenance Expenses | \$ 21,840,429 | \$ - | \$ 21,840,429 | \$ 36,825 | \$ 21,877,254 |
| 6 | Depreciation & Amortization | 7,749,787 | 0 | 7,749,787 | 0 | 7,749,787 |
| 7 | Taxes other than Income | 2,712,460 | 0 | 2,712,460 | 13,580 | 2,726,040 |
| 8 | State Income Taxes - Current | | | | | |
| 9 | Federal Income Taxes | | | | | |
| 10 | | | | | | |
| 11 | Total Operating Expenses before FIT | \$ 32,302,676 | \$ - | \$ 32,302,676 | \$ 50,405 | \$ 32,353,081 |
| 12 | | | | | | |
| 13 | Operating Income before Federal Income Taxes | \$ 11,205,021 | \$ - | \$ 11,205,021 | \$ 7,215,383 | \$ 18,420,404 |
| 14 | Reconciling Items; | | | | | |
| 15 | Interest Charges | (5,385,042) | 0 | (5,385,042) | 0 | (5,385,042) |
| 16 | Book Depreciation | 7,065,762 | 0 | 7,065,762 | 0 | 7,065,762 |
| 17 | Tax Depreciation | (9,678,540) | 0 | (9,678,540) | 0 | (9,678,540) |
| 18 | Non-Deductible Meals | 20,760 | 0 | 20,760 | 0 | 20,760 |
| 19 | Additional Taxable AFUDC | (256,108) | 0 | (256,108) | 0 | (256,108) |
| 20 | Deferred Debits | 1,239,221 | 0 | 1,239,221 | 0 | 1,239,221 |
| 21 | Amortization of UPAA | 21,415 | 0 | 21,415 | 0 | 21,415 |
| 22 | Deferred Maintenance | 483,249 | 0 | 483,249 | 0 | 483,249 |
| 23 | Property Losses | 656,178 | 0 | 656,178 | 0 | 656,178 |
| 24 | Amort Regulatory Assets / Liabilities | 25,728 | 0 | 25,728 | 0 | 25,728 |
| 25 | Community Education Costs | 753,772 | 0 | 753,772 | 0 | 753,772 |
| 26 | Taxable Advances and CIAC | 0 | 0 | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 30 | | | | | | |
| 31 | Total Reconciling Items | \$ (5,053,605) | \$ - | \$ (5,053,605) | \$ - | \$ (5,053,605) |
| 32 | | | | | | |
| 33 | State Taxable Income | \$ 6,151,416 | \$ - | \$ 6,151,416 | \$ 7,215,383 | \$ 13,366,799 |
| 34 | | | | | | |
| 35 | State Income Tax Rate | 8.25% | 8.25% | 8.25% | 8.25% | 8.25% |
| 36 | | | | | | |
| 37 | State Income Tax Liability | \$ 507,492 | \$ - | \$ 507,492 | \$ 595,269 | \$ 1,102,761 |
| 38 | Less: Surtax Credit | 4,874 | | 4,874 | 0 | 4,874 |
| 39 | | | | | | |
| 40 | State Income Taxes - Current | \$ 502,618 | \$ - | \$ 502,618 | \$ 595,269 | \$ 1,097,887 |
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KENTUCKY-AMERICANWATER COMPANY
CASE NO: 2004-00103
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: NOVEMBER 30,2005
TOTAL COMPANY

DATA: __ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: __ ORIGINAL __X_ UPDATED __X_ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULEE-1.4
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates | | Adjusted | At Proposed Rates | |
|----------|------------------------------------|------------------|-------------|------------------|-------------------|--------------------|
| | | Unadjusted | Adjustments | | Adjustments | Adjusted |
| 1 | | | | | | |
| 2 | Deferred Income Taxes: | | | | | |
| 3 | Def SIT Regulatory Asset/Liability | \$45,017 | \$0 | \$45,017 | \$0 | \$45,017 |
| 4 | Def SIT UPIIS | 140,616 | 0 | 140,616 | 0 | 140,616 |
| 5 | Def SIT Deferred Maintenance | (39,870) | 0 | (39,870) | 0 | (39,870) |
| 6 | Def SIT Deferred Debits | (104,220) | 0 | (104,220) | 0 | (104,220) |
| 7 | Def SIT Property Losses | (54,135) | 0 | (54,135) | 0 | (54,135) |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | <u>(12,592)</u> | <u>0</u> | <u>(12,592)</u> | <u>0</u> | <u>(12,592)</u> |
| 11 | Amort Deferred ITC | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| 12 | | | | | | |
| 13 | Total Deferred State Income Taxes | <u>(12,592)</u> | <u>0</u> | <u>(12,592)</u> | <u>0</u> | <u>(12,592)</u> |
| 14 | | | | | | |
| 15 | Total State Income Taxes | <u>\$490,026</u> | <u>\$0</u> | <u>\$490,026</u> | <u>\$595,269</u> | <u>\$1,085,295</u> |
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KENTUCKY-AMERICANWATER COMPANY
CASE NO: 2004-00103
SUMMARY OF INCOME TAX ADJUSTMENTS
TOTAL COMPANY

DATA: _X_ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: _ ORIGINAL — UPDATED _X_ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULEE-1.5
PAGE 1 of 1
WITNESS RESPONSIBLE: J.E. Salser

| Line No. | Reference Base Period | Forecasted Period | Description | At Current Rates Base Period | Present Rates Forecasted Period | Adjustment |
|----------|-----------------------|-------------------|----------------------------|------------------------------|---------------------------------|-----------------------|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | State Income Taxes | | | |
| 4 | Sch E-1.2 | Sch E-1.4 | Current | \$262,573 | \$ 502,618 | \$ 240,045 |
| 5 | Sch E-1.2 | Sch E-1.4 | Deferred | 260,090 | (12,592) | (272,682) |
| 6 | | | Reserved | 0 | 0 | 0 |
| 7 | | | Reserved | 0 | 0 | 0 |
| 8 | | | | | | |
| 9 | | | Total State Income Taxes | <u>\$ 522,663</u> | <u>\$ 490,026</u> | <u>\$ (32,637)</u> |
| 10 | | | | | | |
| 11 | | | Federal Income Taxes | | | |
| 12 | | | Current | \$966,511 | \$ 1,977,079 | \$ 1,010,568 |
| 13 | Sch E-1.1 | Sch E-1.3 | Deferred | 1,988,481 | (135,885) | (2,124,366) |
| 14 | Sch E-1.1 | Sch E-1.3 | Deferred-ITC | (79,820) | (84,797) | (4,977) |
| 15 | Sch E-1.1 | Sch E-1.3 | Reserved | 0 | 0 | 0 |
| 16 | | | Reserved | 0 | 0 | 0 |
| 17 | | | | | | |
| 18 | | | Total Federal Income Taxes | <u>\$ 2,875,172</u> | <u>\$ 1,756,397</u> | <u>\$ (1,118,775)</u> |
| 19 | | | | | | |
| 20 | | | Total Income Taxes | <u>\$ 3,397,835</u> | <u>\$ 2,246,423</u> | <u>\$ (1,151,412)</u> |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: **2004-00103**
DEVELOPMENT OF JURISDICTIONAL FEDERAL AND STATE INCOME TAXES
FOR THE TWELVE MONTHS ENDED: NOVEMBER 30, 2005
TOTAL COMPANY

DATA: BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED REVISED
WORKPAPER REFERENCE NO(S):

SCHEDULE E-2
PAGE 1 of 1
WITNESS RESPONSIBLE: JE. Salser

| Line No | Account Title | Total Utility | Jurisdictional Percent | Jurisdiction | Jurisdictional Code / Explanation |
|---------|---------------|---------------|------------------------|--------------|-----------------------------------|
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NOT APPLICABLE TO KENTUCKY-AMERICAN WATER COMPANY.
100% JURISDICTIONAL FOR KENTUCKY-AMERICAN WATER COMPANY.

KENTUCKY-AMERICANWATER COMPANY
CASE NO: **2004-00103**
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
CENTRAL DIVISION

DATA: BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED REVISED
WORKPAPER REFERENCE NO(S): **W/P-6**

SCHEDULE E-1.1C
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salsner

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|--|--------------------------------|-------------|---------------------|
| 1 | | | | |
| 2 | | | | |
| 3 | Operating Revenues | \$43,416,080 | \$0 | \$43,416,080 |
| 4 | | | | |
| 5 | Operating Expenses | | | |
| 6 | Operation & Maintenance Expenses | 20,117,049 | 0 | 20,117,049 |
| 7 | Depreciation & Amortization | 6,733,572 | 0 | 6,733,572 |
| 8 | Taxes other than Income | 2,622,067 | 0 | 2,622,067 |
| 9 | State Income Taxes - Current | 300,757 | 0 | 300,757 |
| 10 | Federal Income Taxes | 0 | 0 | 0 |
| 11 | | | | |
| 12 | Total Operating Expenses before FIT | <u>29,773,445</u> | <u>0</u> | <u>29,773,445</u> |
| 13 | | | | |
| 14 | Operating Income before Federal Income Taxes | 13,642,635 | 0 | 13,642,635 |
| 15 | Reconciling Items; | | | |
| 16 | Interest Charges | (4,872,599) | 0 | (4,872,599) |
| 17 | Book Depreciation | 6,045,715 | 0 | 6,045,715 |
| 18 | Tax Depreciation | (10,468,483) | 0 | (10,468,483) |
| 19 | Taxable Customer Adv and CIAC | (300,385) | 0 | (300,385) |
| 20 | Other Net | (947,625) | 0 | (947,625) |
| 21 | Reserved | 0 | 0 | 0 |
| 22 | Reserved | 0 | 0 | 0 |
| 23 | Reserved | 0 | 0 | 0 |
| 24 | Reserved | 0 | 0 | 0 |
| 25 | Reserved | 0 | 0 | 0 |
| 26 | Reserved | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 |
| 30 | Reserved | 0 | 0 | 0 |
| 31 | | | | |
| 32 | Total Reconciling Items | <u>(10,543,377)</u> | <u>0</u> | <u>(10,543,377)</u> |
| 33 | | | | |
| 34 | Federal Taxable Income | 3,099,258 | 0 | 3,099,258 |
| 35 | | | | |
| 36 | Federal Income Tax Rate | 35.00% | 35.00% | 35.00% |
| 37 | Federal income Tax Liability | <u>1,084,740</u> | <u>0</u> | <u>1,084,740</u> |
| 38 | Adjustment of Prior Year | <u>143,899</u> | <u>0</u> | <u>143,899</u> |
| 39 | | | | |
| 40 | Federal Income Taxes - Current | <u>\$940,841</u> | <u>\$0</u> | <u>\$940,841</u> |

The Company uses an effective tax rate for budgeting income taxes. The full detail for the base period reconciling item will not be available until the Company provides the update to the base period data.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: **2004-00103**
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
CENTRAL DIVISION

DATA: X_ BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL **UPDATED** X_ REVISED
WORKPAPER REFERENCE NO(S): **W/P-6**

SCHEDULE **E-1.1C**
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|-------------------------------------|--------------------------------|-------------|--------------------|
| 1 | | | | |
| 2 | | | | |
| 3 | Deferred Income Taxes: | | | |
| 4 | Def FIT Regulatory Asset/Liability | \$35,385 | \$0 | \$35,385 |
| 5 | Def FIT Other | 1,777,796 | 0 | 1,777,796 |
| 6 | Def FIT Prior Year | <u>139,707</u> | <u>0</u> | <u>139,707</u> |
| 7 | | 1,952,888 | 0 | 1,952,888 |
| 8 | Amort Deferred ITC | <u>(79,820)</u> | <u>0</u> | <u>(79,820)</u> |
| 9 | | | | |
| 10 | Total Deferred Federal Income Taxes | <u>\$1,873,068</u> | <u>\$0</u> | <u>\$1,873,068</u> |
| 11 | | | | |
| 12 | Total Federal Income Taxes | <u>\$2,813,909</u> | <u>\$0</u> | <u>\$2,813,909</u> |
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KENTUCKY-AMERICANWATER COMPANY
CASE NO: 2004-00103
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31,2004
CENTRAL DIVISION

DATA: BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULEE-1.2C
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|--|--------------------------------|-------------|---------------------|
| 1 | | | | |
| 2 | | | | |
| 3 | Operating Revenues | \$43,416,080 | \$0 | \$43,416,080 |
| 4 | | | | |
| 5 | Operating Expenses | | | |
| 6 | Operation & Maintenance Expenses | 20,117,049 | 0 | 20,117,049 |
| 7 | Depreciation & Amortization | 6,733,572 | 0 | 6,733,572 |
| 8 | Taxes other than Income | 2,622,067 | 0 | 2,622,067 |
| 9 | State Income Taxes - Current | 0 | 0 | 0 |
| 10 | Federal Income Taxes | 0 | 0 | 0 |
| 11 | | | | |
| 12 | Total Operating Expenses before SIT | <u>29,472,688</u> | <u>0</u> | <u>29,472,688</u> |
| 13 | | | | |
| 14 | Operating Income before State Income Taxes | 13,943,392 | 0 | 13,943,392 |
| 15 | Reconciling Items; | | | |
| 16 | Interest Charges | (4,872,599) | 0 | (4,872,599) |
| 17 | Book Depreciation | 6,045,715 | 0 | 6,045,715 |
| 18 | Tax Depreciation | (10,468,483) | 0 | (10,468,483) |
| 19 | Taxable Customer Adv and CIAC | (300,385) | 0 | (300,385) |
| 20 | Other Net | (702,100) | 0 | (702,100) |
| 21 | Reserved | 0 | 0 | 0 |
| 22 | Reserved | 0 | 0 | 0 |
| 23 | Reserved | 0 | 0 | 0 |
| 24 | Reserved | 0 | 0 | 0 |
| 25 | Reserved | 0 | 0 | 0 |
| 26 | Reserved | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 |
| 30 | Reserved | 0 | 0 | 0 |
| 31 | Reserved | 0 | 0 | 0 |
| 32 | Total Reconciling Items | <u>(10,297,852)</u> | <u>0</u> | <u>(10,297,852)</u> |
| 33 | | | | |
| 34 | State Taxable Income | 3,645,540 | 0 | 3,645,540 |
| 35 | | | | |
| 36 | State Income Tax Rate | 8.25% | 8.25% | 8.25% |
| 37 | State Income Tax Liability | 300,757 | 0 | 300,757 |
| 38 | Less: Surtax Credit | 0 | 0 | 4,875 |
| 39 | State Income Taxes - Current | 300,757 | 0 | 295,882 |
| 40 | Less: Prior Year Adjustment | 45,034 | 0 | 45,034 |
| 41 | | <u>\$255,723</u> | <u>\$0</u> | <u>\$250,848</u> |
| 42 | | | | |
| 43 | | | | |
| 44 | The Company uses an effective tax rate for budgeting income taxes. The full detail | | | |
| 45 | for the base period reconciling items will not be available until the Company provides | | | |
| 46 | the update to the base period data. | | | |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
CENTRAL DIVISION

DATA: BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED REVISED
WORKPAPER REFERENCE NO(S): WIP-6

SCHEDULE E-1.2C
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|------------------------------------|--------------------------------|-------------|------------|
| 1 | | | | |
| 2 | | | | |
| 3 | Deferred State Income Taxes: | | | |
| 4 | Def SIT Regulatory Asset/Liability | \$18,697 | \$ | \$ 18,697 |
| 5 | Def SIT Other | 191,198 | 0 | 191,198 |
| 6 | Def SIT Prior Year Adj | 45,540 | 0 | 45,540 |
| 7 | | 255,435 | 0 | 255,435 |
| 8 | Amort Deferred ITC | 0 | 0 | 0 |
| 9 | | | | |
| 10 | Total Deferred State Income Taxes | \$ 255,435 | \$ | \$ 255,435 |
| 11 | | | | |
| 12 | Total State Income Taxes | \$ 511,158 | \$ | \$ 506,283 |
| 13 | | | | |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
CENTRAL DIVISION

DATA: ___ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED _X_ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.3C
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No | Description | At Current Rates Unadjusted | Adjustments | Adjusted | At Proposed Rates Adjustments | Adjusted |
|---------|--|--------------------------------|-------------|--------------|----------------------------------|--------------|
| 1 | | | | | | |
| 2 | Operating Revenues | \$42,589,390 | \$0 | \$42,589,390 | \$6,930,931 | \$49,520,321 |
| 3 | | | | | | |
| 4 | Operating Expenses | | | | | |
| 5 | Operation & Maintenance Expenses | 21,141,110 | 0 | 21,141,110 | 35,128 | 21,176,238 |
| 6 | Depreciation & Amortization | 7,626,635 | 0 | 7,626,635 | 0 | 7,626,635 |
| 7 | Taxes other than Income | 2,652,009 | 0 | 2,652,009 | 12,954 | 2,664,963 |
| 8 | State Income Taxes - Current | 507,657 | 0 | 507,657 | 567,835 | 1,075,492 |
| 9 | Federal Income Taxes | | | | | |
| 10 | | | | | | |
| 11 | Total Operating Expenses before FIT | 31,927,411 | 0 | 31,927,411 | 615,917 | 32,543,328 |
| 12 | | | | | | |
| 13 | Operating Income before Federal Income Taxes | 10,661,979 | 0 | 10,661,979 | 6,315,014 | 16,976,993 |
| 14 | Reconciling Items, | | | | | |
| 15 | Interest Charges | (5,282,813) | 0 | (5,282,813) | 0 | (5,282,813) |
| 16 | Book Depreciation | 6,950,974 | 0 | 6,950,974 | 0 | 6,950,974 |
| 17 | Tax Depreciation | (9,521,263) | 0 | (9,521,263) | 0 | (9,521,263) |
| 18 | Non-Deductible Meals | 20,366 | 0 | 20,366 | 0 | 20,366 |
| 19 | Additional Taxable AFUDC | (249,219) | 0 | (249,219) | 0 | (249,219) |
| 20 | Deferred Debits | 1,239,221 | 0 | 1,239,221 | 0 | 1,239,221 |
| 21 | Amortization of UPAA | 13,051 | 0 | 13,051 | 0 | 13,051 |
| 22 | Deferred Maintenance | 473,916 | 0 | 473,916 | 0 | 473,916 |
| 23 | Property Losses | 656,178 | 0 | 656,178 | 0 | 656,178 |
| 24 | Amort Regulatory Assets / Liabilities | 25,728 | 0 | 25,728 | 0 | 25,728 |
| 25 | Taxable Advances and CIAC | 715,612 | 0 | 715,612 | 0 | 715,612 |
| 26 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 30 | | | | | | |
| 31 | Total Reconciling Items | (4,958,249) | 0 | (4,958,249) | 0 | (4,958,249) |
| 32 | | | | | | |
| 33 | Federal Taxable Income | 5,703,730 | 0 | 5,703,730 | 6,315,014 | 12,018,744 |
| 34 | | | | | | |
| 35 | Federal Income Tax Rate | 35.00% | 35.00% | 35.00% | 35.00% | 35.00% |
| 36 | | | | | | |
| 37 | Federal Income Tax Liability | 1,996,306 | 0 | 1,996,306 | 2,210,255 | 4,206,560 |
| 38 | | | | | | |
| 39 | Investment Tax Credits | | 0 | 0 | 0 | |
| 40 | | | | | | |
| 41 | Federal Income Taxes - Current | \$ 1,996,306 | \$ | \$ 1,996,306 | \$ 2,210,255 | \$ 4,206,560 |
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KENTUCKY-AMERICANWATER COMPANY
CASE NO: 2004-00103
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31,2004
CENTRAL DIVISION

DATA: ___ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED _X_ REVISED
WORKPAPER REFERENCE NO(S): WIP-6

SCHEDULEE-1.3C
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salsner

| Line No. | Description | At Current Rates | | Adjusted | At Proposed Rates | |
|----------|-------------------------------------|--------------------|-------------|--------------------|--------------------|--------------------|
| | | Unadjusted | Adjustments | | Adjustments | Adjusted |
| 1 | | | | | | |
| 2 | Deferred Income Taxes: | | | | | |
| 3 | Def FIT Regulatory Asset/Liability | \$86,908 | \$0 | \$86,908 | \$0 | \$86,908 |
| 4 | Def FIT UPIS | 538,448 | 0 | 538,448 | 0 | 538,448 |
| 5 | Def FIT Deferred Maintenance | (152,184) | 0 | (152,184) | 0 | (152,184) |
| 6 | Def FIT Deferred Debits | (402,984) | 0 | (402,984) | 0 | (402,984) |
| 7 | Def FIT Properly Losses | (210,715) | 0 | (210,715) | 0 | (210,715) |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | <u>(140,527)</u> | <u>0</u> | <u>(140,527)</u> | <u>0</u> | <u>(140,527)</u> |
| 11 | Amort Deferred ITC | <u>(84,797)</u> | <u>0</u> | <u>(84,797)</u> | <u>0</u> | <u>(84,797)</u> |
| 12 | | | | | | |
| 13 | Total Deferred Federal Income Taxes | <u>(225,324)</u> | <u>0</u> | <u>(225,324)</u> | <u>0</u> | <u>(225,324)</u> |
| 14 | | | | | | |
| 15 | Total Federal Income Taxes | <u>\$1,770,982</u> | <u>\$0</u> | <u>\$1,770,982</u> | <u>\$2,210,255</u> | <u>\$3,981,236</u> |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
CENTRAL DIVISION

DATA: ___ BASE PERIOD ___ X FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ X UPDATED ___ X REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.4C
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salser

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted | At Proposed Rates Adjustments | Adjusted |
|----------|--|--------------------------------|-------------|----------------|----------------------------------|----------------|
| 1 | | | | | | |
| 2 | Operating Revenues | \$ 42,589,390 | \$ | \$ 42,589,390 | \$ 6,930,931 | \$ 49,520,321 |
| 3 | | | | | | |
| 4 | Operating Expenses | | | | | |
| 5 | Operation & Maintenance Expenses | \$ 21,141,110 | \$ | \$ 21,141,110 | \$ 35,128 | \$ 21,176,238 |
| 6 | Depreciation & Amortization | 7,626,635 | 0 | 7,626,635 | 0 | 7,626,635 |
| 7 | Taxes other than Income | 2,652,009 | 0 | 2,652,009 | 12,954 | 2,664,963 |
| 8 | State Income Taxes - Current | | | | | |
| 9 | Federal Income Taxes | | | | | |
| 10 | | | | | | |
| 11 | Total Operating Expenses before FIT | \$ 31,419,754 | \$ | \$ 31,419,754 | \$ 48,082 | \$ 31,467,836 |
| 12 | | | | | | |
| 13 | Operating Income before Federal Income Taxes | \$ 11,169,636 | \$ | \$ 11,169,638 | \$ 6,882,849 | \$ 18,052,485 |
| 14 | Reconciling Items: | | | | | |
| 15 | Interest Charges | (5,282,813) | 0 | (5,282,813) | 0 | (5,282,813) |
| 16 | Book Depreciation | 6,950,974 | 0 | 6,950,974 | 0 | 6,950,974 |
| 17 | Tax Depreciation | (9,521,263) | 0 | (9,521,263) | 0 | (9,521,263) |
| 18 | Non-Deductible Meals | 20,366 | 0 | 20,366 | 0 | 20,366 |
| 19 | Additional Taxable AFUDC | (249,219) | 0 | (249,219) | 0 | (249,219) |
| 20 | Deferred Debits | 1,239,221 | 0 | 1,239,221 | 0 | 1,239,221 |
| 21 | Amortization of UPAA | 13,051 | 0 | 13,051 | 0 | 13,051 |
| 22 | Deferred Maintenance | 473,916 | 0 | 473,916 | 0 | 473,916 |
| 23 | Property Losses | 656,178 | 0 | 656,178 | 0 | 656,178 |
| 24 | Amort Regulatory Assets / Liabilities | 25,728 | 0 | 25,728 | 0 | 25,728 |
| 25 | Taxable Advances and CIAC | 715,612 | 0 | 715,612 | 0 | 715,612 |
| 26 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 30 | | | | | | |
| 31 | Total Reconciling Items | \$ (4,958,249) | \$ | \$ (4,958,249) | \$ | \$ (4,958,249) |
| 32 | | | | | | |
| 33 | State Taxable Income | \$ 6,211,387 | \$ | \$ 6,211,387 | \$ 6,882,849 | \$ 13,094,236 |
| 34 | | | | | | |
| 35 | State Income Tax Rate | 8.25% | 8.25% | 8.25% | 8.25% | 8.25% |
| 36 | | | | | | |
| 37 | State Income Tax Liability | \$ 512,439 | \$ | \$ 512,439 | \$ 567,835 | \$ 1,080,274 |
| 38 | Less Surtax Credit | 4,782 | | 4,782 | 0 | 4,782 |
| 39 | | | | | | |
| 40 | State Income Taxes - Current | \$ 507,657 | \$ | \$ 507,657 | \$ 567,835 | \$ 1,075,492 |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
CENTRAL DIVISION

DATA: ___ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED _X_ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.4C
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line NO. | Description | At Current Rates | | | At Proposed Rates | |
|----------|------------------------------------|------------------|-------------|------------------|-------------------|--------------------|
| | | Unadjusted | Adjustments | Adjusted | Adjustments | Adjusted |
| 1 | | | | | | |
| 2 | Deferred Income Taxes: | | | | | |
| 3 | Def SIT Regulatory Asset/Liability | \$44,285 | \$0 | \$44,285 | \$0 | \$44,285 |
| 4 | Def SIT UPIS | 138,331 | 0 | 138,331 | 0 | 138,331 |
| 5 | Def SIT Deferred Maintenance | (39,102) | 0 | (39,102) | 0 | (39,102) |
| 6 | Def SIT Deferred Debits | (103,536) | 0 | (103,536) | 0 | (103,536) |
| 7 | Def SIT Property Losses | (54,135) | 0 | (54,135) | 0 | (54,135) |
| 8 | | | | | | 0 |
| 9 | | | | | | |
| 10 | | (14,157) | 0 | (14,157) | 0 | (14,157) |
| 11 | Amort Deferred ITC | 0 | 0 | 0 | 0 | 0 |
| 12 | | | | | | |
| 13 | Total Deferred State Income Taxes | <u>(14,157)</u> | <u>0</u> | <u>(14,157)</u> | <u>0</u> | <u>(14,157)</u> |
| 14 | | | | | | |
| 15 | Total State Income Taxes | <u>\$493,500</u> | <u>\$0</u> | <u>\$493,500</u> | <u>\$567,835</u> | <u>\$1,061,335</u> |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
SUMMARY OF INCOME TAX ADJUSTMENTS
CENTRAL DIVISION

DATA: BASE PE OD FOREC
TYPE OF FILING: ORIGINAL RE
WORKPAPER REVIEW: INCE NO(S): WIP-6

SCHEDULEE-1.5C
PAGE 1 of 1
WITNESS RESPONSIBLE: J.E. Salsler

| Line NO. | Reference Base Period | Forecasted Period | Description | At Current Rates Base Period | Present Rates Forecasted Period | Adjustment |
|----------|-----------------------|-------------------|----------------------------|------------------------------|---------------------------------|----------------|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | State Income Taxes | | | |
| 4 | Sch E-1.2 | Sch E-1.4 | Current | \$255,723 | \$507,657 | \$251,934 |
| 5 | Sch E-1.2 | Sch E-1.4 | Deferred | 255,435 | (14,157) | (269,592) |
| 6 | | | Reserved | 0 | 0 | 0 |
| 7 | | | Reserved | 0 | 0 | 0 |
| 8 | | | | | | |
| 9 | | | Total State Income Taxes | \$ 511,158 | \$ 493,500 | \$ (17,658) |
| 10 | | | | | | |
| 11 | | | Federal Income Taxes | | | |
| 12 | | | Current | \$940,841 | \$1,996,306 | \$1,055,465 |
| 13 | Sch E-1.1 | Sch E-1.3 | Deferred | 1,952,888 | (140,527) | (2,093,415) |
| 14 | Sch E-1.1 | Sch E-1.3 | Deferred - ITC | (79,820) | (84,797) | (4,977) |
| 15 | Sch E-1.1 | Sch E-1.3 | Reserved | 0 | 0 | 0 |
| 16 | | | Reserved | 0 | 0 | 0 |
| 17 | | | | | | |
| 18 | | | Total Federal Income Taxes | \$ 2,813,909 | \$ 1,770,982 | \$ (1,042,927) |
| 19 | | | | | | |
| 20 | | | Total Income Taxes | \$ 3,325,067 | \$ 2,264,482 | \$ (1,060,585) |
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KENTUCKY-AMERICANWATER COMPANY
CASE NO: **2004-00103**
DEVELOPMENT OF JURISDICTIONAL FEDERAL AND STATE INCOME TAXES
FOR THE TWELVE MONTHS ENDED: JULY 31,2004
CENTRAL DIVISION

DATA: X BASE PERIOD X FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED X REVISED
WORKPAPER REFERENCE NO(S):

SCHEDULE E-2C
PAGE 1 of 1
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Account Title | Total Utility | Jurisdictional Percent | Jurisdiction | Jurisdictional Code / Explanation |
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NOT APPLICABLE TO KENTUCKY-AMERICANWATER COMPANY.
100% JURISDICTIONAL FOR KENTUCKY-AMERICANWATER COMPANY.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 200400103
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
TRI VILLAGE

DATA: X BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED X REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.1T
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|--|--------------------------------|-------------|-----------|
| 1 | | | | |
| 2 | | | | |
| 3 | Operating Revenues | \$785,938 | \$0 | \$785,938 |
| 4 | | | | |
| 5 | Operating Expenses | | | |
| | Operation & Maintenance Expenses | 501,978 | 0 | 501,978 |
| | Depreciation & Amortization | 42,340 | 0 | 42,340 |
| | Taxes other than Income | 6,246 | 0 | 6,246 |
| 9 | State Income Taxes - Current | 8,316 | 0 | 8,316 |
| 10 | Federal Income Taxes | 0 | 0 | 0 |
| 11 | | | | |
| 12 | Total Operating Expenses before FIT | 558,880 | 0 | 558,880 |
| 13 | | | | |
| 14 | Operating Income before Federal income Taxes | 227,058 | 0 | 227,058 |
| 15 | Reconciling Items: | | | |
| 16 | Interest Charges | (86,329) | 0 | (86,329) |
| 17 | Book Depreciation | 42,340 | 0 | 42,340 |
| 18 | Tax Depreciation | (72,822) | 0 | (72,822) |
| 19 | Taxable Customer Adv and CIAC | (5,322) | 0 | (5,322) |
| 20 | Other Net | (16,789) | 0 | (16,789) |
| 21 | Reserved | 0 | 0 | 0 |
| 22 | Reserved | 0 | 0 | 0 |
| 23 | Reserved | 0 | 0 | 0 |
| 24 | Reserved | 0 | 0 | 0 |
| 25 | Reserved | 0 | 0 | 0 |
| 26 | Reserved | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 |
| 30 | Reserved | 0 | 0 | 0 |
| 31 | | | | |
| 32 | Total Reconciling Items | (128,822) | 0 | (128,822) |
| 33 | | | | |
| 34 | Federal Taxable Income | 88,136 | 0 | 88,136 |
| 35 | | | | |
| 36 | Federal Income Tax Rate | 35.00% | 35.00% | 35.00% |
| 37 | Federal Income Tax Liability | 30,848 | 0 | 30,848 |
| 38 | Adjustment of Prior Year | 2,549 | 0 | 2,549 |
| 39 | | | | |
| 40 | Federal Income Taxes - Current | 28,299 | \$0 | \$28,299 |
| 41 | | | | |

The Company uses an effective tax rate for budgeting income taxes. The full detail for the base period reconciling item will not be available until the Company provides the update to the base period data.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
TRIVILLAGE

DATA: X BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED X REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULEE-1.1T
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|---------|-------------------------------------|--------------------------------|-------------|-----------------|
| 1 | | | | |
| 2 | | | | |
| 3 | Deferred Income Taxes | | | |
| 4 | Def FIT Regulatory Asset/Liability | \$627 | \$0 | \$627 |
| 5 | Def FIT Other | 31,497 | 0 | 31,497 |
| 6 | Def FIT Prior Year Adj | <u>2,475</u> | <u>0</u> | <u>2,475</u> |
| 7 | | 34,599 | 0 | 34,599 |
| 8 | Amort Deferred ITC | <u>0</u> | <u>0</u> | <u>0</u> |
| 9 | | | | |
| 10 | Total Deferred Federal Income Taxes | <u>\$34,599</u> | <u>\$0</u> | <u>\$34,599</u> |
| 11 | | | | |
| 12 | Total Federal Income Taxes | <u>\$62,898</u> | <u>\$0</u> | <u>\$62,898</u> |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
TRI VILLAGE

DATA: X BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED X REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.2T
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|---------|--|--------------------------------|-------------|-----------|
| 1 | | | | |
| 2 | | | | |
| 3 | Operating Revenues | \$785,938 | \$0 | \$785,938 |
| 4 | | | | |
| 5 | Operating Expenses | | | |
| 6 | Operation & Maintenance Expenses | 501,978 | 0 | 501,978 |
| 7 | Depreciation & Amortization | 42,340 | 0 | 42,340 |
| 8 | Taxes other than Income | 6,246 | 0 | 6,246 |
| 9 | State Income Taxes - Current | 0 | 0 | 0 |
| 10 | Federal Income Taxes | 0 | 0 | 0 |
| 11 | | | | |
| 12 | Total Operating Expenses before SIT | 550,564 | 0 | 550,564 |
| 13 | | | | |
| 14 | Operating Income before State Income Taxes | 235,374 | 0 | 235,374 |
| 15 | Reconciling Items; | | | |
| 16 | Interest Charges | (86,329) | 0 | (86,329) |
| 17 | Book Depreciation | 42,340 | 0 | 42,340 |
| 18 | Tax Depreciation | (72,822) | 0 | (72,822) |
| 19 | Taxable Customer Adv and CIAC | (5,322) | 0 | (5,322) |
| 20 | Other Net | (12,439) | 0 | (12,439) |
| 21 | Reserved | 0 | 0 | 0 |
| 22 | Reserved | 0 | 0 | 0 |
| 23 | Reserved | 0 | 0 | 0 |
| 24 | Reserved | 0 | 0 | 0 |
| 25 | Reserved | 0 | 0 | 0 |
| 26 | Reserved | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 |
| 30 | Reserved | 0 | 0 | 0 |
| 31 | Reserved | 0 | 0 | 0 |
| 32 | Total Reconciling Items | (134,572) | 0 | (134,572) |
| 33 | | | | |
| 34 | State Taxable Income | 100,802 | 0 | 100,802 |
| 35 | | | | |
| 36 | State Income Tax Rate | 8.25% | 8.25% | 8.25% |
| 37 | State Income Tax Liability | 8,316 | 0 | 8,316 |
| 38 | Less: Surtax Credit | 0 | 0 | 0 |
| 39 | State Income Taxes - Current | 8,316 | 0 | 8,316 |
| 40 | Less: Prior Year Adjustment | 798 | 0 | 798 |
| 41 | | \$7,518 | \$0 | \$7,518 |
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The Company uses an effective tax rate for budgeting income taxes. The full detail for the base period reconciling items will not be available until the Company provides the update to the base period data.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
TRI VILLAGE

DATA: BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED REVISED
WORKPAPER REFERENCE NO(S): WIP-6

SCHEDULEE-1.2T
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|---------|------------------------------------|--------------------------------|-------------|------------------|
| 1 | | | | |
| 2 | | | | |
| 3 | Deferred State Income Taxes | | | |
| 4 | Def SIT Regulatory Asset/Liability | \$331 | \$ 0 | \$ 331 |
| 5 | Def SIT Other | 3,387 | 0 | 3,387 |
| 6 | Def SIT Prior Year Adj | 807 | 0 | 807 |
| 7 | | 4,525 | 0 | 4,525 |
| 8 | Amort Deferred ITC | 0 | 0 | 0 |
| 9 | | \$ 4,525 | \$ 0 | \$ 4,525 |
| 10 | Total Deferred State Income Taxes | <u>\$ 4,525</u> | <u>\$ 0</u> | <u>\$ 4,525</u> |
| 11 | | | | |
| 12 | Total State Income Taxes | <u>\$ 12,043</u> | <u>\$ 0</u> | <u>\$ 12,043</u> |
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KENTUCKY-AMERICANWATER COMPANY
CASE NO: **2004-00103**
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31,2004
TRI VILLAGE

DATA: ___BASE PERIOD_X_FORECASTEDPERIOD
TYPE OF FILING: ORIGINAL UPDATED X_REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE **E-1.3T**
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salser

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted | At Proposed Rates Adjustments | Adjusted |
|----------|--|--------------------------------|---------------|--------------------|----------------------------------|------------------|
| 1 | | | | | | |
| 2 | Operating Revenues | \$825,059 | 90 | \$825,059 | \$307,042 | \$1,132,101 |
| 3 | | | | | | |
| 4 | Operating Expenses | | | | | |
| 5 | Operation & Maintenance Expenses | 603,762 | 0 | 603,762 | 1,556 | 605,318 |
| 6 | Depreciation & Amortization | 113,150 | 0 | 113,150 | 0 | 113,150 |
| 7 | Taxes other than Income | 54,286 | 0 | 54,286 | 574 | 54,860 |
| 8 | State Income Taxes - Current | (3,280) | 0 | (3,280) | 25,155 | 21,875 |
| 9 | Federal Income Taxes | | | | | |
| 10 | | | | | | |
| 11 | Total Operating Expenses before FIT | <u>767,918</u> | <u>0</u> | <u>767,918</u> | <u>27,285</u> | <u>795,203</u> |
| 12 | | | | | | |
| 13 | Operating Income before Federal Income Taxes | 57,141 | 0 | 57,141 | 279,757 | 336,898 |
| 14 | Reconciling Items: | | | | | |
| 15 | Interest Charges | (99,459) | 0 | (99,459) | 0 | (99,459) |
| 16 | Book Depreciation | 107,474 | 0 | 107,474 | 0 | 107,474 |
| 17 | Tax Depreciation | (147,211) | 0 | (147,211) | 0 | (147,211) |
| 18 | Non-Deductible Meals | 384 | 0 | 384 | 0 | 384 |
| 19 | Additional Taxable AFUDC | (6,889) | 0 | (6,889) | 0 | (6,889) |
| 20 | Deferred Debits | 0 | 0 | 0 | 0 | 0 |
| 21 | Amortization of UPAA | 5,676 | 0 | 5,676 | 0 | 5,676 |
| 22 | Deferred Maintenance | 9,333 | 0 | 9,333 | 0 | 9,333 |
| 23 | Property Losses | 0 | 0 | 0 | 0 | 0 |
| 24 | Amort Regulatory Assets ■ Liabilities | 0 | 0 | 0 | 0 | 0 |
| 25 | Taxable Advances and CIAC | 38,160 | 0 | 38,160 | 0 | 38,160 |
| 26 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 30 | | | | | | |
| 31 | Total Reconciling Items | <u>(92,532)</u> | <u>0</u> | <u>(92,532)</u> | <u>0</u> | <u>(92,532)</u> |
| 32 | | | | | | |
| 33 | Federal Taxable Income | (35,391) | 0 | (35,391) | 279,757 | 244,366 |
| 34 | | | | | | |
| 35 | Federal Income Tax Rate | <u>35.00%</u> | <u>35.00%</u> | <u>35.00%</u> | <u>35.00%</u> | <u>35.00%</u> |
| 36 | | | | | | |
| 37 | Federal Income Tax Liability | (12,387) | 0 | (12,387) | 97,915 | 85,528 |
| 38 | | | | | | |
| 39 | Investment Tax Credits | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| 40 | | | | | | |
| 41 | Federal Income Taxes - Current | <u>\$ (12,387)</u> | <u>\$</u> | <u>\$ (12,387)</u> | <u>\$ 97,915</u> | <u>\$ 85,528</u> |
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KENTUCKY-AMERICANWATER COMPANY
CASE NO: 2004-00103
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
TRI VILLAGE

DATA: ___ BASE PERIOD ___X_ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED ___X_ REVISED
WORKPAPER REFERENCE NO(S): WIP-6

SCHEDULEE-1.3T
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates | | | At Proposed Rates | | |
|----------|-------------------------------------|------------------|-------------|-----------|-------------------|----------|--|
| | | Unadjusted | Adjustments | Adjusted | Adjustments | Adjusted | |
| 1 | | | | | | | |
| 2 | Deferred Income Taxes | | | | | | |
| 3 | Def FIT Regulatory Asset/Liability | \$1,344 | \$0 | \$1,344 | \$0 | \$1,344 | |
| 4 | Def FIT UPIS | 8,325 | 0 | 8,325 | 0 | 8,325 | |
| 5 | Def FIT Deferred Maintenance | (3,000) | 0 | (3,000) | 0 | (3,000) | |
| 6 | Def FIT Deferred Debits | (1,824) | 0 | (1,824) | 0 | (1,824) | |
| 7 | Def FIT Property Losses | 0 | 0 | 0 | 0 | 0 | |
| 8 | | | | | | | |
| 9 | | | | | | | |
| 10 | | 4,845 | 0 | 4,845 | 0 | 4,845 | |
| 11 | Amort Deferred ITC | 0 | 0 | 0 | 0 | 0 | |
| 12 | | | | | | | |
| 13 | Total Deferred Federal Income Taxes | 4,845 | 0 | 4,845 | 0 | 4,845 | |
| 14 | | | | | | | |
| 15 | Total Federal Income Taxes | (\$7,542) | \$0 | (\$7,542) | \$97,915 | \$90,373 | |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
TRI VILLAGE

DATA: ___ BASE PERIOD ___X_ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED ___X_ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULEE-1.4T
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted | At Proposed Rates Adjustments | Adjusted |
|----------|--|--------------------------------|--------------|--------------------|----------------------------------|--------------------|
| 1 | | | | | | |
| 2 | Operating Revenues | \$825,059 | \$0 | \$825,059 | \$307,042 | \$1,132,101 |
| 3 | | | | | | |
| 4 | Operating Expenses | | | | | |
| 5 | Operation & Maintenance Expenses | 603,762 | 0 | 603,762 | 1,556 | 605,318 |
| 6 | Depreciation & Amortization | 113,150 | 0 | 113,150 | 0 | 113,150 |
| 7 | Taxes other than Income | 54,286 | 0 | 54,286 | 574 | 54,860 |
| 8 | State Income Taxes - Current | | | | | |
| 9 | Federal Income Taxes | | | | | |
| 10 | | | | | | |
| 11 | Total Operating Expenses before FIT | <u>771,198</u> | <u>0</u> | <u>771,198</u> | <u>2,130</u> | <u>773,328</u> |
| 12 | | | | | | |
| 13 | Operating Income before Federal Income Taxes | 53,861 | 0 | 53,861 | 304,912 | 358,773 |
| 14 | Reconciling Items; | | | | | |
| 15 | interest Charges | (99,459) | 0 | (99,459) | 0 | (99,459) |
| 16 | Book Depreciation | 107,474 | 0 | 107,474 | 0 | 107,474 |
| 17 | Tax Depreciation | (147,211) | 0 | (147,211) | 0 | (147,211) |
| 18 | Non-Deductible Meals | 384 | 0 | 384 | 0 | 384 |
| 19 | Additional Taxable AFUDC | (6,889) | 0 | (6,889) | 0 | (6,889) |
| 20 | Deferred Debits | 0 | 0 | 0 | 0 | 0 |
| 21 | Amortization of UPAA | 5,676 | 0 | 5,676 | 0 | 5,676 |
| 22 | Deferred Maintenance | 9,333 | 0 | 9,333 | 0 | 9,333 |
| 23 | Property Losses | 0 | 0 | 0 | 0 | 0 |
| 24 | Amort Regulatory Assets /Liabilities | 0 | 0 | 0 | 0 | 0 |
| 25 | Taxable Advances and CIAC | 38,160 | 0 | 38,160 | 0 | 38,160 |
| 26 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 30 | | | | | | |
| 31 | Total Reconciling Items | <u>\$ (92,532)</u> | <u>\$</u> | <u>\$ (92,532)</u> | <u>\$</u> | <u>\$ (92,532)</u> |
| 32 | | | | | | |
| 33 | State Taxable income | <u>\$ (38,671)</u> | <u>\$</u> | <u>\$ (38,671)</u> | <u>\$ 304,912</u> | <u>\$ 266,241</u> |
| 34 | | | | | | |
| 35 | State Income Tax Rate | <u>8.25%</u> | <u>8.25%</u> | <u>8.25%</u> | <u>8.25%</u> | <u>8.25%</u> |
| 36 | | | | | | |
| 37 | State Income Tax Liability | <u>\$ (3,190)</u> | <u>\$ -</u> | <u>\$ (3,190)</u> | <u>\$ 25,155</u> | <u>\$ 21,965</u> |
| 38 | Less. Surtax Credit | <u>90</u> | <u></u> | <u>90</u> | <u>0</u> | <u>90</u> |
| 39 | | | | | | |
| 40 | State Income Taxes - Current | <u>\$ (3,280)</u> | <u>\$ -</u> | <u>\$ (3,280)</u> | <u>\$ 25,155</u> | <u>\$ 21,875</u> |
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KENTUCKY-AMERICANWATER COMPANY
CASE NO: 2004-00103
STATE INCOMETAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31,2004
TRI VILLAGE

DATA: ___BASE PERIOD_X_ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED_X_ REVISED
WORKPAPER REFERENCE(S): W/P-6

SCHEDULEE-1.4T
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates | | | At Proposed Rates | |
|----------|------------------------------------|------------------|-------------|------------------|-------------------|-----------------|
| | | Unadjusted | Adjustments | Adjusted | Adjustments | Adjusted |
| 1 | | | | | | |
| 2 | Deferred Income Taxes: | | | | | |
| 3 | Def SIT Regulatory Asset/Liability | \$685 | \$0 | \$685 | \$0 | \$685 |
| 4 | Def SIT UPIIS | 2,139 | 0 | 2,139 | 0 | 2,139 |
| 5 | Def SIT Deferred Maintenance | (768) | 0 | (768) | 0 | (768) |
| 6 | Def SIT Deferred Debits | (468) | 0 | (468) | 0 | (468) |
| 7 | Def SIT Property Losses | 0 | 0 | 0 | 0 | 0 |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | <u>1,588</u> | <u>0</u> | <u>1,588</u> | <u>0</u> | <u>1,588</u> |
| 11 | Amort Deferred ITC | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| 12 | | | | | | |
| 13 | Total Deferred State Income Taxes | <u>1,588</u> | <u>0</u> | <u>1,588</u> | <u>0</u> | <u>1,588</u> |
| 14 | | | | | | |
| 15 | Total State Income Taxes | <u>(\$1,692)</u> | <u>\$0</u> | <u>(\$1,692)</u> | <u>\$25,155</u> | <u>\$23,463</u> |
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KENTUCKY-AMERICANWATER COMPANY
CASE NO: 2004-00103
SUMMARY OF INCOME TAX ADJUSTMENTS
TRI VILLAGE

DATA: X BASE PERIOD X FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED X REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.5T
PAGE 1 of 1
WITNESS RESPONSIBLE: J.E. Salser

| Line No. | Reference Base Period | Forecasted Period | Description | At Current Rates Base Period | Present Rates Forecasted Period | Adjustment |
|----------|-----------------------|-------------------|----------------------------|------------------------------|---------------------------------|-------------|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | State Income Taxes | | | |
| 4 | Sch E-1.2 | Sch E-1.4 | current | \$ 7,518 | \$ (3,280) | \$ (10,798) |
| 5 | Sch E-1.2 | Sch E-1.4 | Deferred | 4,525 | 1,588 | (2,937) |
| 6 | | | Reserved | 0 | 0 | 0 |
| 7 | | | Reserved | 0 | 0 | 0 |
| 8 | | | | | | |
| 9 | | | Total State Income Taxes | \$ 12,043 | \$ (1,692) | \$ (13,735) |
| 10 | | | | | | |
| 11 | | | Federal Income Taxes | | | |
| 12 | | | current | \$ 28,299 | \$ (12,387) | \$ (40,686) |
| 13 | Sch E-1.1 | Sch E-1.3 | Deferred | 34,599 | 4,845 | (29,754) |
| 14 | Sch E-1.1 | Sch E-1.3 | Deferred - ITC | 0 | 0 | 0 |
| 15 | Sch E-1.1 | Sch E-1.3 | Reserved | 0 | 0 | 0 |
| 16 | | | Reserved | 0 | 0 | 0 |
| 17 | | | | | | |
| 18 | | | Total Federal Income Taxes | \$ 62,898 | \$ (7,542) | \$ (70,440) |
| 19 | | | | | | |
| 20 | | | Total Income Taxes | \$ 74,941 | \$ (9,234) | \$ (84,175) |
| 21 | | | | | | |
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KENTUCKY-AMERICANWATER COMPANY
CASE NO: **2004-00103**
DEVELOPMENT OF JURISDICTIONAL FEDERAL AND STATE INCOME TAXES
FOR THE TWELVE MONTHS ENDED: JULY 31,2004
TRIVILLAGE

DATA: BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED REVISED
WORKPAPER REFERENCE NO(S):

SCHEDULE E-2T
PAGE 1 of 1
WITNESS RESPONSIBLE: JE. **Salsar**

| Line No. | Account Title | Total Utility | Jurisdictional Percent | Jurisdiction | Jurisdictional Code / Explanation |
|----------|---------------|---------------|------------------------|--------------|-----------------------------------|
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NOT APPLICABLE TO KENTUCKY-AMERICANWATER COMPANY.
100% JURISDICTIONAL FOR KENTUCKY-AMERICANWATER COMPANY.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
ELK LAKE

DATA: X BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED X REVISED
WORKPAPER REFERENCE NO(S): WIP-6

SCHEDULE E-1.1E
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salser

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|--|--------------------------------|-------------|-----------|
| 1 | | | | |
| 2 | | | | |
| 3 | Operating Revenues | \$44,504 | \$0 | \$44,504 |
| 4 | | | | |
| 5 | Operating Expenses | | | |
| 6 | Operation & Maintenance Expenses | 43,984 | 0 | 43,984 |
| 7 | Depreciation & Amortization | 0 | 0 | 0 |
| 8 | Taxes other than Income | 0 | 0 | 0 |
| 9 | State income Taxes - Current | (645) | 0 | (645) |
| 10 | Federal Income Taxes | | | |
| 11 | | | | |
| 12 | Total Operating Expenses before FIT | 43,339 | 0 | 43,339 |
| 13 | | | | |
| 14 | Operating income before Federal Income Taxes | 1,165 | 0 | 1,165 |
| 15 | Reconciling Items; | | | |
| 16 | Interest Charges | (2,481) | 0 | (2,481) |
| 17 | Book Depreciation | 7,314 | 0 | 7,314 |
| 18 | Tax Depreciation | (12,665) | 0 | (12,665) |
| 19 | Taxable Customer Adv and CIAC | (153) | 0 | (153) |
| 20 | Other Net | (482) | 0 | (482) |
| 21 | Reserved | 0 | 0 | 0 |
| 22 | Reserved | 0 | 0 | 0 |
| 23 | Reserved | 0 | 0 | 0 |
| 24 | Reserved | 0 | 0 | 0 |
| 25 | Reserved | 0 | 0 | 0 |
| 26 | Reserved | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 |
| 30 | Reserved | 0 | 0 | 0 |
| 31 | | | | |
| 32 | Total Reconciling Items | (8,467) | 0 | (8,467) |
| 33 | | | | |
| 34 | Federal Taxable Income | (7,302) | 0 | (7,302) |
| 35 | | | | |
| 36 | Federal income Tax Rate | 35.00% | 35.00% | 35.00% |
| 37 | Federal Income Tax Liability | (2,556) | 0 | (2,556) |
| 38 | Adjustment of Prior Year | 73 | 0 | 73 |
| 39 | | | | |
| 40 | Federal Income Taxes - Current | (\$2,629) | \$0 | (\$2,629) |
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The Company uses an effective tax rate for budgeting income taxes. The full detail for the base period reconciling items will not be available until the Company provides the update to the base period data.

KENTUCKY-AMERICANWATER COMPANY
CASE NO: 2004-00103
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
ELK LAKE

DATA: BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.1E
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates | | Adjusted |
|----------|-------------------------------------|------------------|-------------|------------------|
| | | Unadjusted | Adjustments | |
| 1 | | | | |
| 2 | | | | |
| 3 | Deferred Income Taxes: | | | |
| 4 | Def FIT Regulatory Asset/Liability | \$18 | \$0 | \$18 |
| 5 | Def FIT Other | 905 | 0 | 905 |
| 6 | Def FIT Prior Year Adj | 71 | 0 | 71 |
| 7 | | <u>994</u> | <u>0</u> | <u>994</u> |
| 8 | Amort Deferred ITC | 0 | 0 | 0 |
| 9 | | | | |
| 10 | Total Deferred Federal Income Taxes | <u>\$994</u> | <u>\$0</u> | <u>\$994</u> |
| 11 | | | | |
| 12 | Total Federal Income Taxes | <u>(\$1,635)</u> | <u>\$0</u> | <u>(\$1,635)</u> |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: **2004-00103**
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
ELK LAKE

DATA: X BASE PERIOD — FORECASTED PERIOD
TYPE OF FILING: ORIGINAL — UPDATED X **REVISED**
WORKPAPER REFERENCE **NO(S)**: WIP-6

SCHEDULE **E-1.2E**
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salsner

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|--|--------------------------------|-------------|----------|
| 1 | | | | |
| 2 | | | | |
| 3 | Operating Revenues | \$44,504 | \$0 | \$44,504 |
| 4 | | | | |
| 5 | Operating Expenses | | | |
| 6 | Operation & Maintenance Expenses | 43,984 | 0 | 43,984 |
| 7 | Depreciation & Amortization | 0 | 0 | 0 |
| 8 | Taxes other than Income | 0 | 0 | 0 |
| 9 | State Income Taxes - Current | 0 | 0 | 0 |
| 10 | Federal Income Taxes | 0 | 0 | 0 |
| 11 | | | | |
| 12 | Total Operating Expenses before SIT | 43,984 | 0 | 43,984 |
| 13 | | | | |
| 14 | Operating Income before State Income Taxes | 520 | 0 | 520 |
| 15 | Reconciling Items; | | | |
| 16 | Interest Charges | (2,481) | 0 | (2,481) |
| 17 | Book Depreciation | 7,314 | 0 | 7,314 |
| 18 | Tax Depreciation | (12,665) | 0 | (12,665) |
| 19 | Taxable Customer Adv and CIAC | (153) | 0 | (153) |
| 20 | Other Net | (357) | 0 | (357) |
| 21 | Reserved | 0 | 0 | 0 |
| 22 | Reserved | 0 | 0 | 0 |
| 23 | Reserved | 0 | 0 | 0 |
| 24 | Reserved | 0 | 0 | 0 |
| 25 | Reserved | 0 | 0 | 0 |
| 26 | Reserved | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 |
| 30 | Reserved | 0 | 0 | 0 |
| 31 | Reserved | 0 | 0 | 0 |
| 32 | Total Reconciling Items | (8,342) | 0 | (8,342) |
| 33 | | | | |
| 34 | State Taxable Income | (7,822) | 0 | (7,822) |
| 35 | | | | |
| 36 | State Income Tax Rate | 8.25% | 8.25% | 8.25% |
| 37 | State Income Tax Liability | (645) | 0 | (645) |
| 38 | Less: Surtax Credit | 0 | 0 | 0 |
| 39 | State Income Taxes - Current | (645) | 0 | (645) |
| 40 | Less: Prior Year Adjustment | 23 | 0 | 23 |
| 41 | | (668) | \$0 | (668) |
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The Company uses an effective tax rate for budgeting income taxes. The full detail for the base period reconciling items will not be available until the Company provides the update to the base period data.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
ELK LAKE

DATA: _X_ BASE PERIOD ___ FORECASTED PERIOD
TYPE OF FILING: __ ORIGINAL __ UPDATED _X_ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.2E
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|------------------------------------|--------------------------------|-------------|--------------|
| 1 | | | | |
| 2 | | | | |
| 3 | Deferred State Income Taxes: | | | |
| 4 | Def SIT Regulatory Asset/Liability | \$10 | 0 | 10 |
| 5 | Def SIT Other | 97 | 0 | 97 |
| 6 | Def SIT Prior Year Adj | 23 | 0 | 23 |
| 7 | | <u>130</u> | <u>0</u> | <u>130</u> |
| 8 | Amort Deferred ITC | 0 | 0 | 0 |
| 9 | | | | |
| 10 | Total Deferred State Income Taxes | <u>\$130</u> | <u>0</u> | <u>130</u> |
| 11 | | | | |
| 12 | Total State Income Taxes | <u>(\$538)</u> | <u>0</u> | <u>(538)</u> |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
ELK LAKE

DATA: ___ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED _X_ REVISED
WORKPAPER REFERENCE NO(S): WIP-6

SCHEDULE E-1.3E
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salsner

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted | At Proposed Rates Adjustments | Adjusted |
|----------|--|--------------------------------|-------------|------------|----------------------------------|-----------|
| 1 | | | | | | |
| 2 | Operating Revenues | \$93,248 | \$0 | \$93,246 | \$27,815 | \$121,063 |
| 3 | | | | | | |
| 4 | Operating Expenses | | | | | |
| 5 | Operation & Maintenance Expenses | 95,557 | 0 | 95,557 | 141 | 95,698 |
| 6 | Depreciation & Amortization | 10,002 | 0 | 10,002 | 0 | 10,002 |
| 7 | Taxes other than Income | 6,165 | 0 | 6,165 | 52 | 6,217 |
| 8 | State Income Taxes - Current | (1,759) | 0 | (1,759) | 2,279 | 520 |
| 9 | Federal Income Taxes | | | | | |
| 10 | | | | | | |
| 11 | Total Operating Expenses before FIT | 109,965 | 0 | 109,965 | 2,472 | 112,437 |
| 12 | | | | | | |
| 13 | Operating Income before Federal Income Taxes | (16,717) | 0 | (16,717) | 25,343 | 6,626 |
| 14 | Reconciling Items, | | | | | |
| 15 | Interest Charges | (2,770) | 0 | (2,770) | 0 | (2,770) |
| 16 | Book Depreciation | 7,314 | 0 | 7,314 | 0 | 7,314 |
| 17 | Tax Depreciation | (10,066) | 0 | (10,066) | 0 | (10,066) |
| 18 | Non-Deductible Meals | 10 | 0 | 10 | 0 | 10 |
| 19 | Additional Taxable AFUDC | 0 | 0 | 0 | 0 | 0 |
| 20 | Deferred Debits | 0 | 0 | 0 | 0 | 0 |
| 21 | Amortization of UPAA | 2,688 | 0 | 2,688 | 0 | 2,688 |
| 22 | Deferred Maintenance | 0 | 0 | 0 | 0 | 0 |
| 23 | Property Losses | 0 | 0 | 0 | 0 | 0 |
| 24 | Amort Regulatory Assets / Liabilities | 0 | 0 | 0 | 0 | 0 |
| 25 | Taxable Advances and CIAC | 0 | 0 | 0 | 0 | 0 |
| 26 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 30 | | | | | | |
| 31 | Total Reconciling Items | (2,824) | 0 | (2,624) | 0 | (2,824) |
| 32 | | | | | | |
| 33 | Federal Taxable Income | (19,541) | 0 | (19,541) | 25,343 | 5,802 |
| 34 | | | | | | |
| 35 | Federal Income Tax Rate | 35.00% | 35.00% | 35.00% | 35.00% | 35.00% |
| 36 | | | | | | |
| 37 | Federal Income Tax Liability | (6,839) | 0 | (6,839) | 8,670 | 2,031 |
| 38 | | | | | | |
| 39 | Investment Tax Credits | 0 | 0 | 0 | 0 | 0 |
| 40 | | | | | | |
| 41 | Federal Income Taxes - Current | \$ (6,839) | \$ | \$ (6,839) | \$ 8,870 | \$ 2,031 |
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KENTUCKY-AMERICANWATER COMPANY
CASE NO: 2004-00103
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
ELK LAKE

DATA: BASE PERIOD X FORECASTED PERIOD
TYPE OF FILING: ORIGINAL — UPDATED X REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.3E
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted | At Proposed Rates Adjustments | Adjusted |
|----------|-------------------------------------|--------------------------------|-------------|-----------|----------------------------------|----------|
| 1 | | | | | | |
| 2 | Deferred Income Taxes: | | | | | |
| 3 | Def FIT Regulatory Asset/Liability | \$92 | \$0 | \$92 | \$0 | \$92 |
| 4 | Def FIT UPIS | 569 | 0 | 569 | 0 | 569 |
| 5 | Def FIT Deferred Maintenance | 0 | 0 | 0 | 0 | 0 |
| 6 | Def FIT Deferred Debits | (864) | 0 | (864) | 0 | (864) |
| 7 | Def FIT Property Losses | 0 | 0 | 0 | 0 | 0 |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | (203) | 0 | (203) | 0 | (203) |
| 11 | Amort Deferred ITC | 0 | 0 | 0 | 0 | 0 |
| 12 | | | | | | |
| 13 | Total Deferred Federal Income Taxes | (203) | 0 | (203) | 0 | (203) |
| 14 | | | | | | |
| 15 | Total Federal Income Taxes | (\$7,042) | \$0 | (\$7,042) | \$6,870 | \$1,626 |
| 16 | | | | | | |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2004
ELK LAKE

DATA: ___ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED _X_ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.4E
PAGE 1 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates | | Adjusted | At Proposed Rates | |
|----------|--|------------------|-------------|-------------|-------------------|------------|
| | | Unadjusted | Adjustments | | Adjustments | Adjusted |
| 1 | | | | | | |
| 2 | Operating Revenues | \$ 93,248 | \$ | | \$ 27,815 | \$ 121,063 |
| 3 | | | | | | |
| 4 | Operating Expenses | | | | | |
| 5 | Operation & Maintenance Expenses | \$ 95,557 | \$ | \$ 95,557 | \$ 141 | \$ 95,698 |
| 6 | Depreciation & Amortization | 10,002 | 0 | 10,002 | 0 | 10,002 |
| 7 | Taxes other than Income | 6,165 | 0 | 6,165 | 52 | 6,217 |
| 8 | State Income Taxes - Current | | | | | |
| 9 | Federal Income Taxes | | | | | |
| 10 | | | | | | |
| 11 | Total Operating Expenses before FIT | \$ 111,724 | \$ | \$ 111,724 | \$ 193 | \$ 111,917 |
| 12 | | | | | | |
| 13 | Operating Income before Federal Income Taxes | \$ (18,476) | \$ | \$ (18,476) | \$ 27,622 | \$ 9,146 |
| 14 | Reconciling Items: | | | | | |
| 15 | Interest Charges | (2,770) | 0 | (2,770) | 0 | (2,770) |
| 16 | Book Depreciation | 7,314 | 0 | 7,314 | 0 | 7,314 |
| 17 | Tax Depreciation | (10,066) | 0 | (10,066) | 0 | (10,066) |
| 18 | Non-Deductible Meals | 10 | 0 | 10 | 0 | 10 |
| 19 | Additional Taxable AFUDC | 0 | 0 | 0 | 0 | 0 |
| 20 | Deferred Debits | 0 | 0 | 0 | 0 | 0 |
| 21 | Amortization of UPAA | 2,688 | 0 | 2,688 | 0 | 2,688 |
| 22 | Deferred Maintenance | 0 | 0 | 0 | 0 | 0 |
| 23 | Property Losses | 0 | 0 | 0 | 0 | 0 |
| 24 | Amort Regulatory Assets / Liabilities | 0 | 0 | 0 | 0 | 0 |
| 25 | Taxable Advances and CIAC | 0 | 0 | 0 | 0 | 0 |
| 26 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 27 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 28 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 29 | Reserved | 0 | 0 | 0 | 0 | 0 |
| 30 | | | | | | |
| 31 | Total Reconciling Items | \$ (2,824) | \$ | \$ (2,824) | \$ | \$ (2,824) |
| 32 | | | | | | |
| 33 | State Taxable Income | \$ (21,300) | \$ | \$ (21,300) | \$ 27,622 | \$ 6,322 |
| 34 | | | | | | |
| 35 | State Income Tax Rate | 8.25% | 8.25% | 8.25% | 8.25% | 8.25% |
| 36 | | | | | | |
| 37 | State Income Tax Liability | \$ (1,757) | \$ | \$ (1,757) | \$ 2,279 | \$ 522 |
| 38 | Less: Surtax Credit | 2 | | 2 | 0 | 2 |
| 39 | | | | | | |
| 40 | State Income Taxes - Current | \$ (1,759) | \$ | \$ (1,759) | \$ 2,279 | \$ 520 |
| 41 | | | | | | |
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KENTUCKY-AMERICANWATER COMPANY
CASE NO: 2004-00103
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31,2004
ELK LAKE

DATA: ___ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED _X_ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.4E
PAGE 2 of 2
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Description | At Current Rates Unadjusted | Adjustments | Adjusted | At Proposed Rates Adjustments | Adjusted |
|----------|------------------------------------|--------------------------------|-------------|------------------|----------------------------------|--------------|
| 1 | | | | | | |
| 2 | Deferred Income Taxes: | | | | | |
| 3 | Def SIT Regulatory Asset/Liability | \$47 | \$0 | \$47 | \$0 | 547 |
| 4 | Def SIT UPIS | 146 | 0 | 146 | 0 | 146 |
| 5 | Def SIT Deferred Maintenance | 0 | 0 | 0 | 0 | 0 |
| 6 | Def SIT Deferred Debits | (216) | 0 | (216) | 0 | (216) |
| 7 | Def SIT Property Losses | 0 | 0 | 0 | 0 | 0 |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | <u>(23)</u> | <u>0</u> | <u>(23)</u> | <u>0</u> | <u>(23)</u> |
| 11 | Amort Deferred ITC | 0 | 0 | 0 | 0 | 0 |
| 12 | | | | | | |
| 13 | Total Deferred State Income Taxes | <u>(23)</u> | <u>0</u> | <u>(23)</u> | <u>0</u> | <u>(23)</u> |
| 14 | | | | | | |
| 15 | Total State Income Taxes | <u>(\$1,782)</u> | <u>\$0</u> | <u>(\$1,782)</u> | <u>\$2,279</u> | <u>\$497</u> |
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-00103
SUMMARY OF INCOME TAX ADJUSTMENTS
ELK LAKE

DATA: X BASE PERIOD X FORECASTED PERIOD
TYPE OF FILING: ORIGINAL UPDATED X REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.5E
PAGE 1 of 1
WITNESS RESPONSIBLE: J.E. Salsler

| Line NO. | Reference Base Period | Forecasted Period | Description | At Current Rates Base Period | Present Rates Forecasted Period | Adjustment |
|----------|-----------------------|-------------------|----------------------------|------------------------------|---------------------------------|------------|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | Sch E-1.2 | Sch E-1.4 | State Income Taxes | | | |
| 5 | Sch E-1.2 | Sch E-1.4 | Current | (\$668) | \$ (1,759) | \$ (1,091) |
| 6 | | | Deferred | 130 | (23) | (153) |
| 7 | | | Reserved | 0 | 0 | 0 |
| 8 | | | Reserved | 0 | 0 | 0 |
| 9 | | | Total State Income Taxes | \$ (538) | \$ (1,782) | \$ (1,244) |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | Federal Income Taxes | | | |
| 13 | Sch E-1.1 | Sch E-1.3 | Current | (2,629) | (6,839) | (4,210) |
| 14 | Sch E-1.1 | Sch E-1.3 | Deferred | 994 | (203) | (1,197) |
| 15 | Sch E-1.1 | Sch E-1.3 | Deferred - ITC | 0 | 0 | 0 |
| 16 | | | Reserved | 0 | 0 | 0 |
| 17 | | | Reserved | 0 | 0 | 0 |
| 18 | | | Total Federal Income Taxes | \$ (1,635) | \$ (7,042) | \$ (5,407) |
| 19 | | | | | | |
| 20 | | | | | | |
| 21 | | | | | | |
| 22 | | | Total Income Taxes | \$ (2,173) | \$ (8,824) | \$ (6,651) |
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KENTUCKY-AMERICANWATER COMPANY
CASE NO: **2004-00103**
DEVELOPMENT OF JURISDICTIONAL FEDERAL AND STATE INCOME TAXES
FOR THE TWELVE MONTHS ENDED: JULY 31,2004
ELK LAKE

DATA: _X_ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: __ ORIGINAL __ **UPDATED _X_ REVISED**
WORKPAPER REFERENCE NO(S):

SCHEDULE E - 2E
PAGE 1 of 1
WITNESS RESPONSIBLE: J.E. Salsler

| Line No. | Account Title | Total Utility | Jurisdictional Percent | Jurisdiction | Jurisdictional Code / Explanation |
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NOT APPLICABLE TO KENTUCKY-AMERICANWATER COMPANY.
100% JURISDICTIONAL FOR KENTUCKY-AMERICANWATER COMPANY.