

REVISED SCHEDULE E

INCOME TAXES

KENTUCKY-AMERICAN WATER COMPANY

CASE NO: 2007-00143

Forecasted Test Period: FOR THE TWELVE MONTHS ENDED: NOVEMBER 2008

Base Period: FOR THE TWELVE MONTHS ENDED: JULY 2007

<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_APP_EX37E_REVISIED_062207.pdf

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
TOTAL COMPANY

SCHEDULE E-1.1
PAGE 1 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
1				
2	Operating Revenues	\$49,644,988	\$0	\$49,644,988
3	Operating Expenses			
4	Operation & Maintenance Expenses	27,551,992	0	27,551,992
5	Depreciation & Amortization	8,429,251	0	8,429,251
6	Taxes other than income	2,972,209	0	2,972,209
7	State Income Taxes - Current	(207,854)	0	(207,854)
8	Federal Income Taxes	0	0	0
9	Net below the line income (loss)	47,725	(47,725)	0
10	Total Operating Expenses before FIT	38,793,323	0	38,745,598
11				
12	Operating income before Federal Income Taxes	10,851,565	0	10,899,290
13	Reconciling Items:			
14	Interest Charges	(5,582,792)	0	(5,582,792)
15	Permanent Differences			
16	Taxable Meals/lobbying	9,714	0	9,714
17	Nondeductible donations	234,221	0	234,221
18	Medicare Subsidy	(245,767)	0	(245,767)
19	Book Depreciation	(1,832)	0	(1,832)
20	Tax Depreciation	7,938,958	0	7,938,958
21	Additional Depreciation	(7,652,802)	0	(7,652,802)
22	Other Amortizations	(1,153,689)	0	(1,153,689)
23	Tax AFUDC	430,902	0	430,902
24	Deferred Maintenance	352,714	0	352,714
25	Abandonment losses	106,047	0	106,047
26	Misc Deferred Debits	(722,011)	0	(722,011)
27	Uncollectible	313,778	0	313,778
28	Vacation Pay	176,135	0	176,135
29	All other	127,996	0	127,996
30	Reserved	(10,400,686)	0	(10,400,686)
31	Reserved	0	0	0
32	Reserved	0	0	0
33	Reserved	0	0	0
34	Reserved	0	0	0
35	Reserved	0	0	0
36	Total Reconciling Items	(10,482,638)	0	(10,482,638)
37				
38	Federal Taxable Income	(5,215,697)	0	(5,215,697)
39	Federal income Tax Rate	35.00%	35.00%	35.00%
40	Federal income Tax Liability	(1,825,494)	0	(1,825,494)
41	Adjustment of Prior Year	862,233	(862,233)	0
42				
43	Federal income Taxes - Current	(963,261)	\$862,233	(1,825,494)
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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: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
TOTAL COMPANY

SCHEDULE E-1.1
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
1				
2				
3	Deferred Income Taxes:			
4	Def FIT Regulatory Asset/Liability	\$134,162	\$0	\$134,162
5	Def FIT Other	\$3,433,072	\$0	3,433,072
6	Def FIT Prior Year Adj.	(\$1,001,945)	\$1,001,945	0
7		2,565,289	1,001,945	3,567,234
8	Amort Deferred ITC	(64,792)	0	(64,792)
9				
10	Total Deferred Federal Income Taxes	\$2,480,487	\$1,001,945	\$3,482,442
11				
12	Total Federal Income Taxes	\$1,517,236	\$1,001,945	\$1,656,949
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
TOTAL COMPANY

SCHEDULE E-1-2
PAGE 1 of 2
Witness Responsible: M.A. Miller

DATA: X, BASE PERIOD, FORECASTED PERIOD
TYPE OF FILING: ORIGINAL, UPDATED, X, REVISED
WORKPAPER REFERENCE NO(S): W/P-8

Line No.	Description	At Current Rates		Adjustments	Adjusted
		Unadjusted	Adjusted		
1	Operating Revenues	\$49,644,888		\$0	\$49,644,888
2	Operating Expenses				
3	Operation & Maintenance Expenses	27,551,992		0	27,551,992
4	Depreciation & Amortization	8,429,251		0	8,429,251
5	Taxes other than Income	2,972,209		0	2,972,209
6	State Income Taxes - Current	0		0	(47,725)
7	Federal Income Taxes	0		0	0
8	Net below the line income (loss)	47,725		(47,725)	0
9	Total Operating Expenses before SIT	39,001,177		(47,725)	38,955,002
10	Operating Income before State Income Taxes	10,643,711		0	10,786,886
11	Reconciling Items:				
12	Interest Charges	(5,582,792)		0	(5,582,792)
13	Permanent differences	0		0	0
14	Taxable meals/lobbying	9,714		0	9,714
15	Nondeductible donations	234,221		0	234,221
16	Medicare Subsidy	(245,767)		0	(245,767)
17	Book Depreciation	(1,832)		0	(1,832)
18	Tax Depreciation	7,938,958		0	7,938,958
19	Additional depreciation	(7,652,802)		0	(7,652,802)
20	Other Amortizations	(1,153,689)		0	(1,153,689)
21	Tax AFUDC	430,902		0	430,902
22	Deferred Maintenance	352,714		0	352,714
23	Abandonment losses	106,047		0	106,047
24	Misc Deferred Debts	(722,011)		0	(722,011)
25	Uncollectible	313,778		0	313,778
26	Vacation Pay	176,135		0	176,135
27	All other	127,986		0	127,986
28	Reserved	(10,400,686)		0	(10,400,686)
29	Reserved	0		0	0
30	Reserved	0		0	0
31	Reserved	0		0	0
32	Reserved	0		0	0
33	Total Reconciling Items	(10,482,638)		0	(10,484,470)
34	State Taxable Income	(5,423,551)		0	(5,423,551)
35	State Depr in Excess of Federal	1,960,071		0	1,960,071
36	State Income Tax Rate	6.00%		6.00%	6.00%
37	State Income Tax Liability	(207,809)		0	(207,809)
38	State Income Taxes - Current	(207,809)		0	(207,809)
39	Less: Prior Year Adjustment	(140,108)		140,108	0
40		(\$347,917)		\$140,108	(\$207,809)

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: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
TOTAL COMPANY

SCHEDULE E-1.2
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
1				
2				
3	Deferred State Income Taxes:			
4	Def SIT Regulatory Asset/Liability	26,364	0	26,364
5	Def SIT Other	579,628	0	579,628
6	Def SIT Prior Year Adj	128,077	(128,077)	0
7		734,069	(128,077)	605,992
8	Amort. Deferred ITC	0	0	0
9				
10	Total Deferred State Income Taxes	\$ 734,069	\$ (128,077)	\$ 605,992
11				
12	Total State Income Taxes	\$ 386,152	\$ 12,031	\$ 398,183
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: NOVEMBER 30, 2008
TOTAL COMPANY

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

SCHEDULE E-13
PAGE 1 of 2
Witness Responsible: M.A. Miller

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
1	Operating Revenues	\$53,003,297	\$0	\$53,003,297	\$11,005,464	\$64,008,761
2	Operating Expenses					
3	Operation & Maintenance Expenses	27,429,783	0	27,429,783	83,546	27,523,329
4	Depreciation & Amortization	8,489,624	0	8,489,624	0	8,489,624
5	Taxes other than Income	3,297,769	0	3,297,769	18,490	3,316,259
6	State Income Taxes - Current	305,161	0	305,161	653,606	958,767
7	Federal Income Taxes					
8	Total Operating Expenses before FIT	39,522,337	0	39,522,337	765,642	40,287,979
9	Operating Income before Federal Income Taxes	13,480,960	0	13,480,960	10,239,822	23,720,782
10	Reconciling items:					
11	Interest Charges	(7,053,314)	0	(7,053,314)	0	(7,053,314)
12	Permanent Differences					
13	Taxable meals/lobbying	9,714	0	9,714	0	9,714
14	Nondeductible donations	0	0	0	0	0
15	Medicare Subsidy	0	0	0	0	0
16	Total	9,714	0	9,714	0	9,714
17	Book depreciation	8,038,653	0	8,038,653	0	8,038,653
18	Tax Depreciation	(11,905,476)	0	(11,905,476)	0	(11,905,476)
19	Non-Deductible Meals/lobbying	0	0	0	0	0
20	Additional Taxable AFUDC	(555,950)	0	(555,950)	0	(555,950)
21	Deferred Debits	425,244	0	425,244	0	425,244
22	Amortization of UPAA	13,051	0	13,051	0	13,051
23	Deferred Maintenance	293,441	0	293,441	0	293,441
24	Property Losses	0	0	0	0	0
25	Amort Regulatory Assets / Liabilities	30,576	0	30,576	0	30,576
26	Taxable Advances and CIAC	2,003,960	0	2,003,960	0	2,003,960
27	Reserved	0	0	0	0	0
28	Reserved	0	0	0	0	0
29	Reserved	0	0	0	0	0
30	Reserved	0	0	0	0	0
31	Total Reconciling items	(1,656,499)	0	(1,656,499)	0	(1,656,499)
32	Federal Taxable Income	4,780,861	0	4,780,861	10,239,822	15,020,683
33	Federal Income Tax Rate	35.00%	35.00%	35.00%	35.00%	35.00%
34	Federal Income Tax Liability	1,673,301	0	1,673,301	3,563,938	5,237,239

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: NOVEMBER 30, 2008
TOTAL COMPANY

DATA: ___ BASE PERIOD ___ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S): W/P-8

SCHEDULE E-1.3
PAGE 2 of 2
Witness Responsible: M.A. Miller

Line No.	Description	At Current Rates		At Proposed Rates	
		Unadjusted	Adjustments	Adjusted	Adjustments
1					
2	Deferred Income Taxes:				
3	Def FIT Regulatory Asset/Liability	\$167,547	\$0	\$167,547	\$0
4	Def FIT UPIIS	\$974,083	\$0	\$974,083	\$0
5	Def FIT Deferred Maintenance	(\$96,540)	\$0	(\$96,540)	\$0
6	Def FIT Deferred Debits	(\$139,908)	\$0	(\$139,908)	\$0
7	Def FIT Property Losses	\$0	\$0	\$0	\$0
8	Def FIT Community Education Costs	\$0	\$0	\$0	\$0
9					
10		905,182	0	905,182	0
11	Amort Deferred ITC	(\$4,797)	0	(\$4,797)	0
12					
13	Total Deferred Federal Income Taxes	820,385	0	820,385	0
14					
15	Total Federal Income Taxes	2,493,686	-	2,493,686	3,583,936
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: NOVEMBER 30, 2008
TOTAL COMPANY

SCHEDULE E-1.4
PAGE 1 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
1						
2	Operating Revenues	\$ 53,003,297	\$ -	\$ 53,003,297	\$ 11,005,464	\$ 64,008,761
3						
4	Operating Expenses					
5	Operation & Maintenance Expenses	\$ 27,429,783	\$ -	\$ 27,429,783	\$ 83,546	\$ 27,513,329
6	Depreciation & Amortization	8,489,624	0	8,489,624	0	8,489,624
7	Taxes other than Income	3,297,769	0	3,297,769	18,490	3,316,259
8	State Income Taxes - Current					
9	Federal Income Taxes					
10						
11	Total Operating Expenses before FIT	\$ 38,217,176	\$ -	\$ 38,217,176	\$ 112,036	\$ 38,329,212
12						
13	Operating Income before Federal Income Taxes	\$ 13,786,121	\$ -	\$ 13,786,121	\$ 10,893,428	\$ 24,679,549
14	Reconciling Items:					
15	Interest Charges	(7,053,314)	0	(7,053,314)	0	(7,053,314)
16						
17	Permanent Differences					
18	Taxable meals/lobbying	9,714	0	9,714	0	9,714
19	Nondeductible donations/lobbying	0	0	0	0	0
20	Medicare Subsidy	0	0	0	0	0
21		9,714	0	9,714	0	9,714
22						
23	Book Depreciation	8,038,653	0	8,038,653	0	8,038,653
24	Tax Depreciation	(11,905,476)	0	(11,905,476)	0	(11,905,476)
25	Non-Deductible Meals	0	0	0	0	0
26	Additional Taxable AFUDC	(555,950)	0	(555,950)	0	(555,950)
27	Deferred Debits	425,244	0	425,244	0	425,244
28	Amortization of UPAA	13,051	0	13,051	0	13,051
29	Deferred Maintenance	283,441	0	283,441	0	283,441
30	Property Losses	0	0	0	0	0
31	Amort Regulatory Assets / Liabilities	30,578	0	30,578	0	30,578
32	Community Education Costs	2,003,960	0	2,003,960	0	2,003,960
33	Taxable Advances and CIAC	0	0	0	0	0
34	Reserved	0	0	0	0	0
35	Reserved	0	0	0	0	0
36	Reserved	0	0	0	0	0
37						
38	Total Reconciling Items	\$ (1,656,499)	\$ -	\$ (1,656,499)	\$ -	\$ (1,656,499)
39						
40	State Taxable Income	\$ 5,086,022	\$ -	\$ 5,086,022	\$ 10,893,428	\$ 15,979,450
41						
42	State Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%
43	State Income Tax Liability	\$ 305,161	\$ -	\$ 305,161	\$ 653,606	\$ 958,767
44						
45	State Income Taxes - Current	\$ 305,161	\$ -	\$ 305,161	\$ 653,606	\$ 958,767
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: NOVEMBER 30, 2008
TOTAL COMPANY

SCHEDULE E-1.4
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates		At Proposed Rates	
		Unadjusted	Adjustments	Adjusted	Adjusted
2	Deferred Income Taxes:				
3	Def SIT Regulatory Asset/Liability	\$47,127	\$0	\$47,127	\$47,127
4	Def SIT UPIS	\$177,643	\$0	177,643	177,643
5	Def SIT Deferred Maintenance	(\$17,598)	\$0	(17,598)	(17,598)
6	Def SIT Deferred Debits	(\$25,512)	\$0	(25,512)	(25,512)
7	Def SIT Property Losses	\$0	\$0	0	0
10		181,660	0	181,660	181,660
11	Amort Deferred ITC	0	0	0	0
13	Total Deferred State Income Taxes	181,660	0	181,660	181,660
15	Total State Income Taxes	\$486,821	\$0	\$486,821	\$653,606

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
SUMMARY OF INCOME TAX ADJUSTMENTS
TOTAL COMPANY

SCHEDULE E-1.5
PAGE 1 of 1
Witness Responsible: M.A. Miller

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

Line No.	Reference Base Period	Description	At Current Rates Base Period	Present Rates Forecasted Period	Adjustment
2					
3					
4	Sch E-1.2	State Income Taxes			
5	Sch E-1.2	Current	(\$207,809)	\$ 305,161	\$ 512,970
6	Sch E-1.4	Deferred	734,069	181,660	(552,409)
7		Reserved	0	0	0
8		Reserved	0	0	0
9		Total State Income Taxes	\$ 526,260	\$ 486,821	\$ (39,439)
10					
11					
12					
13		Federal Income Taxes			
14	Sch E-1.1	Current	(963,261)	\$ 1,673,301	\$ 2,636,562
15	Sch E-1.1	Deferred	2,565,289	905,182	(1,660,107)
16	Sch E-1.1	Deferred - ITC	(84,792)	(84,797)	(5)
17		Reserved	0	0	0
18		Reserved	0	0	0
19		Total Federal Income Taxes	\$ 1,517,236	\$ 2,493,686	\$ 976,450
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		Total Income Taxes	\$ 2,043,486	\$ 2,980,507	\$ 937,011

KENTUCKY-AMERICAN WATER COMPANY
 CASE NO: 2007-00143
 DEVELOPMENT OF JURISDICTIONAL FEDERAL AND STATE INCOME TAXES
 FOR THE TWELVE MONTHS ENDED: NOVEMBER 30, 2008
 TOTAL COMPANY

SCHEDULE E-2
 PAGE 1 of 1
 Witness Responsible: M.A. Miller

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

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-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
CENTRAL DIVISION

SCHEDULE E-1,1C
PAGE 1 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
1				
2	Operating Revenues	\$47,881,538	\$0	\$47,881,538
3				
4				
5	Operating Expenses			
6	Operation & Maintenance Expenses	26,105,058	0	26,105,058
7	Depreciation & Amortization	8,342,406	0	8,342,406
8	Taxes other than Income	2,949,630	0	2,949,630
9	State Income Taxes - Current	(208,677)	0	(208,677)
10	Federal Income Taxes	0	0	0
11	Net below the line income (loss)	47,725	-47,725	0
12	Total Operating Expenses before FIT	37,236,142	0	37,188,417
13				
14	Operating Income before Federal Income Taxes	10,645,396	0	10,683,121
15	Reconciling Items:			
16	Interest Charges	(5,387,394)	0	(5,387,394)
17	Permanent differences			
18	Taxable Meals/lofting	9,714	0	9,714
19	Nondeductible donations	234,221	0	234,221
20	Medicare Subsidy	(245,767)	0	(245,767)
21		(1,832)	0	(1,832)
22	Book Depreciation	7,843,488	0	7,843,488
23	Tax Depreciation	(7,560,203)	0	(7,560,203)
24	Additional depreciation	(1,153,669)	0	(1,153,669)
25	Other Amortizations	430,902	0	430,902
26	Tax AFUDC	352,714	0	352,714
27	Deferred Maintenance	106,047	0	106,047
28	Abandonment losses	(722,011)	0	(722,011)
29	Misc Deferred Debits	313,778	0	313,778
30	Uncollectible	176,135	0	176,135
31	Vacation Pay	127,996	0	127,996
32	All other	(10,400,686)	0	(10,400,686)
33	Reserved	0	0	0
34	Reserved	0	0	0
35	Reserved	0	0	0
36				
37	Total Reconciling Items	(10,485,509)	0	(10,485,509)
38				
39	Federal Taxable Income	(5,229,339)	0	(5,229,339)
40				
41	Federal Income Tax Rate	35.00%	35.00%	35.00%
42	Federal Income Tax Liability	(1,830,269)	0	(1,830,269)
43	Adjustment of Prior Year	632,056	(632,056)	0
44				
45	Federal Income Taxes - Current	(998,213)	\$832,056	(166,157)
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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: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
CENTRAL DIVISION

SCHEDULE E-11C
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
1	Deferred Income Taxes:			
2				
3				
4	Def FIT Regulatory Asset/Liability	129,466	\$0	\$129,466
5	Def FIT Other	3,312,914	0	3,312,914
6	Def FIT Prior Year	(966,877)	966,877	0
7		2,475,503	966,877	3,442,380
8	Amort Deferred ITC	(84,792)	0	(84,792)
9				
10	Total Deferred Federal Income Taxes	\$2,390,711	\$966,877	\$3,357,588
11				
12	Total Federal Income Taxes	\$1,382,498	\$1,795,933	\$3,191,431
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
CENTRAL DIVISION

SCHEDULE E-1.2C
PAGE 1 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates		Adjustments	Adjusted
		Unadjusted	Adjusted		
1	Operating Revenues	\$47,881,538		\$0	\$47,881,538
2	Operating Expenses				
3	Operation & Maintenance Expenses	26,105,058		0	26,105,058
4	Depreciation & Amortization	8,342,406		0	8,342,406
5	Taxes other than Income	2,949,630		0	2,901,905
6	State Income Taxes - Current	0		0	(47,725)
7	Federal Income Taxes	0		0	0
8	Net below the line income (loss)	47,725		(47,725)	0
9	Total Operating Expenses before SIT	37,444,819		(47,725)	37,301,844
10	Operating income before State Income Taxes	10,438,719		0	10,579,894
11	Reconciling Items:				
12	Interest Charges	(5,387,394)		0	(5,387,394)
13	Permanent differences				
14	Taxable Meals/Lobbying	9,714		0	9,714
15	Nondeductible donations	234,221		0	234,221
16	Medicare Subsidy	(245,767)		0	(245,767)
17	Book Depreciation	(1,832)		0	(1,832)
18	Tax Depreciation	7,843,488		0	7,843,488
19	Additional depreciation	(7,566,203)		0	(7,566,203)
20	Other Amortizations	(1,153,669)		0	(1,153,669)
21	Tax AFUDC	430,902		0	430,902
22	Deferred Maintenance	352,714		0	352,714
23	Abandonment losses	105,047		0	106,047
24	Misc Deferred Dabils	(722,011)		0	(722,011)
25	Uncollectible	313,778		0	313,778
26	Vacation Pay	176,135		0	176,135
27	All other	127,986		0	127,986
28	Reserved	(10,400,686)		0	(10,400,686)
29	Reserved	0		0	0
30	Reserved	0		0	0
31	Reserved	0		0	0
32	Reserved	0		0	0
33	Reserved	0		0	0
34	Reserved	0		0	0
35	Reserved	0		0	0
36	Reserved	0		0	0
37	Total Reconciling Items	(10,485,509)		0	(10,485,509)
38	State Taxable Income	(5,438,016)		0	(5,438,016)
39	State Depr in excess of Federal	1,960,071		0	1,960,071
40	State Income Tax Rate	6.00%		6.00%	6.00%
41	State Income Tax Liability	(208,677)		0	(208,677)
42	State Income Taxes - Current	(208,677)		0	(208,677)
43	Less: Prior Year Adjustment	(135,205)		135,205	0
44		(334,882)		\$135,205	\$208,677
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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: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
CENTRAL DIVISION

SCHEDULE E-1,2C
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
2				
3	Deferred State Income Taxes:			
4	Def SIT Regulatory Asset/Liability	\$25,441	\$ -	\$ 25,441
5	Def SIT Other	559,341	0	559,341
6	Def SIT Prior Year Adj	123,594	(123,594)	0
7		708,376	(123,594)	584,782
8	Amort Deferred ITC	0	0	0
9				
10	Total Deferred State Income Taxes	\$ 708,376	\$ (123,594)	\$ 584,782
11				
12	Total State Income Taxes	\$ 364,494	\$ 11,611	\$ 376,105
13				
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
CENTRAL DIVISION

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

SCHEDULE E-1.3C
PAGE 1 of 2
Witness Responsible: M.A. Miller

Line No.	Description	AI Current Rates Unadjusted	Adjustments	Adjusted	AI Proposed Rates Adjustments	Adjusted
1						
2	Operating Revenues	\$51,139,879	\$0	\$51,139,879	\$9,570,035	\$60,709,914
3						
4	Operating Expenses	25,388,433	0	25,388,433	81,345	25,469,778
5	Operation & Maintenance Expenses	8,220,986	0	8,220,986	0	8,220,986
6	Depreciation & Amortization	3,149,795	0	3,149,795	16,078	3,165,873
7	Taxes other than Income	356,786	0	356,786	588,356	925,142
8	State Income Taxes - Current					
9	Federal Income Taxes					
10						
11	Total Operating Expenses before FIT	37,116,010	0	37,116,010	685,779	37,761,789
12						
13	Operating Income before Federal Income Taxes	14,023,869	0	14,023,869	8,904,256	22,928,125
14	Reconciling Items:					
15	Interest Charges	(6,816,994)	0	(6,816,994)	0	(6,816,994)
16						
17	Permanent Differences					
18	Taxable meals/lobbying	9,714	0	9,714	0	9,714
19	Non-deductible donations	0	0	0	0	0
20	Medicare Subsidy	0	0	0	0	0
21		9,714	0	9,714	0	9,714
22						
23	Book Depreciation	7,770,025	0	7,770,025	0	7,770,025
24	Tax Depreciation	(11,507,595)	0	(11,507,595)	0	(11,507,595)
25	Non-Deductible Meals/lobbying	0	0	0	0	0
26	Additional Taxable AFUDC	(554,965)	0	(554,965)	0	(554,965)
27	Deferred Debits	425,244	0	425,244	0	425,244
28	Amortization of UPAA	13,051	0	13,051	0	13,051
29	Deferred Maintenance	235,764	0	235,764	0	235,764
30	Property Losses	0	0	0	0	0
31	Amort Regulatory Assets / Liabilities	25,728	0	25,728	0	25,728
32	Taxable Advances and CIAC	1,965,800	0	1,965,800	0	1,965,800
33	Reserved	0	0	0	0	0
34	Reserved	0	0	0	0	0
35	Reserved	0	0	0	0	0
36	Reserved	0	0	0	0	0
37						
38	Total Reconciling Items	(1,626,948)	0	(1,626,948)	0	(1,626,948)
39						
40	Federal Taxable Income	5,589,641	0	5,589,641	8,904,256	14,493,897
41						
42	Federal Income Tax Rate	35.00%	35.00%	35.00%	35.00%	35.00%
43						
44	Federal Income Tax - Current	1,956,374	0	1,956,374	3,116,490	5,072,864
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
CENTRAL DIVISION

SCHEDULE E-1,3C
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	AI Current Rates		Adjustments		At Proposed Rates	
		Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
1							
2	Deferred Income Taxes:						
3	Der FIT Regulatory Asset/Liability	\$161,947	\$161,947	\$0	\$0	\$0	\$161,947
4	Der FIT UPHS	941,529	941,529	0	0	0	941,529
5	Der FIT Deferred Maintenance	(77,568)	(77,568)	0	0	0	(77,568)
6	Der FIT Deferred Debits	(139,908)	(139,908)	0	0	0	(139,908)
7	Der FIT Property Losses	0	0	0	0	0	0
8							
9							
10		886,000	886,000	0	0	0	886,000
11	Amort/Deferred ITC	(84,797)	(84,797)	0	0	0	(84,797)
12							
13	Total Deferred Federal Income Taxes	801,203	801,203	0	0	0	801,203
14							
15	Total Federal Income Taxes	\$2,757,577	\$2,757,577	\$0	\$0	\$3,116,490	\$5,874,067
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
CENTRAL DIVISION

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

SCHEDULE E-1-4C
PAGE 1 of 2
Witness Responsible: M.A. Miller

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
2	Operating Revenues	\$ 51,139,879	\$ -	\$ 51,139,879	\$ 9,570,035	\$ 60,709,914
3	Operating Expenses					
4	Operation & Maintenance Expenses	\$ 25,388,433	\$ -	\$ 25,388,433	\$ 81,345	\$ 25,469,778
5	Depreciation & Amortization	8,220,986	0	8,220,986	0	8,220,986
6	Taxes other than Income	3,149,795	0	3,149,795	16,078	3,165,873
7	State Income Taxes - Current					
8	Federal Income Taxes					
9	Total Operating Expenses before FIT	\$ 36,759,224	\$ -	\$ 36,759,224	\$ 97,423	\$ 36,856,647
10	Operating Income before Federal Income Taxes	\$ 14,380,655	\$ -	\$ 14,380,655	\$ 9,472,612	\$ 23,853,267
11	Reconciling Items:					
12	Interest Charges	(6,816,994)	0	(6,816,994)	0	(6,816,994)
13	Permanent differences					
14	Taxable meals/lobbying	9,714	0	9,714	0	9,714
15	Nondeductible donations	0	0	0	0	0
16	Medicare Subsidy	0	0	0	0	0
17	Total	9,714	0	9,714	0	9,714
18	Book Depreciation	7,770,025	0	7,770,025	0	7,770,025
19	Tax Depreciation	(11,507,595)	0	(11,507,595)	0	(11,507,595)
20	Non-Deductible Meals/Lobbying	0	0	0	0	0
21	Additional Taxable AFUDC	(554,965)	0	(554,965)	0	(554,965)
22	Deferred Debits	425,244	0	425,244	0	425,244
23	Amortization of UPAA	13,051	0	13,051	0	13,051
24	Deferred Maintenance	235,764	0	235,764	0	235,764
25	Property Losses	0	0	0	0	0
26	Amort Regulatory Assets / Liabilities	25,728	0	25,728	0	25,728
27	Taxable Advances and CIAC	1,965,800	0	1,965,800	0	1,965,800
28	Reserved	0	0	0	0	0
29	Reserved	0	0	0	0	0
30	Reserved	0	0	0	0	0
31	Reserved	0	0	0	0	0
32	Total Reconciling Items	\$ (1,626,948)	\$ -	\$ (1,626,948)	\$ -	\$ (1,626,948)
33	State Taxable Income	\$ 5,946,427	\$ -	\$ 5,946,427	\$ 9,472,612	\$ 15,419,039
34	State Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%
35	State Income Tax Liability	\$ 356,786	\$ -	\$ 356,786	\$ 568,357	\$ 925,142
36	State Income Taxes - Current	\$ 356,786	\$ -	\$ 356,786	\$ 568,357	\$ 925,142

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
CENTRAL DIVISION

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

SCHEDULE E-1.4C
PAGE 2 of 2
Witness Responsible: M.A. Miller

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
2	Deferred Income Taxes:					
3	Def SIT Regulatory Asset/Liability	\$45,551	\$0	\$45,551	\$0	\$45,551
4	Def SIT UPIs	171,706	0	171,706	0	171,706
5	Def SIT Deferred Maintenance	(14,142)	0	(14,142)	0	(14,142)
6	Def SIT Deferred Debits	(25,512)	0	(25,512)	0	(25,512)
7	Def SIT Property Losses	0	0	0	0	0
8						
9						
10		177,603	0	177,603	0	177,603
11	Amort Deferred ITC	0	0	0	0	0
12						
13	Total Deferred State Income Taxes	177,603	0	177,603	0	177,603
14						
15	Total State Income Taxes	\$534,389	\$0	\$534,389	\$568,357	\$1,102,746
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
SUMMARY OF INCOME TAX ADJUSTMENTS
CENTRAL DIVISION

SCHEDULE E-1.5C
PAGE 1 of 1
Witness Responsible: M.A. Miller

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

Line No.	Reference Base Period	Description	Forecasted Period	At Current Rates Base Period	Present Rates Forecasted Period	Adjustment
3	Sch E-1.2	State Income Taxes	Sch E-1.4			
4	Sch E-1.2	Current	Sch E-1.4	(8208,677)	\$ 356,786	\$565,463
5	Sch E-1.2	Deferred	Sch E-1.4	584,762	177,603	(407,178)
6		Reserved		0	0	0
7		Reserved		0	0	0
9		Total State Income Taxes		\$ 376,105	\$ 534,389	\$ 158,284
13	Sch E-1.1	Federal Income Taxes	Sch E-1.3			
14	Sch E-1.1	Current	Sch E-1.3	(166,157)	\$ 1,956,374	\$2,122,531
15	Sch E-1.1	Deferred	Sch E-1.3	3,442,380	886,000	(2,556,380)
16	Sch E-1.1	Deferred - ITC	Sch E-1.3	(84,792)	(94,797)	(5)
17		Reserved		0	0	0
17		Reserved		0	0	0
19		Total Federal Income Taxes		\$ 3,191,431	\$ 2,757,577	\$ (433,854)
22		Total Income Taxes		\$ 3,567,536	\$ 3,291,966	\$ (275,570)

KENTUCKY-AMERICAN WATER COMPANY
 CASE NO: 2007-00143
 DEVELOPMENT OF JURISDICTIONAL FEDERAL AND STATE INCOME TAXES
 FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
 CENTRAL DIVISION

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

SCHEDULE E-2C
 PAGE 1 of 1
 Witness Responsible: M.A. Miller

Line No.	Account Title	Total Utility	Jurisdictional Percent	Jurisdiction	Jurisdictional Code / Explanation
1					
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NOT APPLICABLE TO KENTUCKY-AMERICAN WATER COMPANY.
 100% JURISDICTIONAL FOR KENTUCKY-AMERICAN WATER COMPANY.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
TRI VILLAGE

SCHEDULE E-1.1T
PAGE 1 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
1				
2	Operating Revenues	\$883,950	\$0	\$883,950
3				
4				
5	Operating Expenses			
6	Operation & Maintenance Expenses	883,555		883,555
7	Depreciation & Amortization	38,655		38,655
8	Taxes other than Income	7,901		7,901
9	State Income Taxes - Current	(9,140)		(9,140)
10	Federal Income Taxes	0		0
11				
12	Total Operating Expenses before FIT	\$920,971		\$920,971
13				
14	Operating Income before Federal Income Taxes	(37,021)		(37,021)
15	Reconciling Items:			
16	Interest Charges			
17	Permanent Differences	(115,564)		(115,564)
18	Taxable Meals/ lobbying	0		0
19	Nondeductible donations	0		0
20	Medicare Subsidy	0		0
21				
22	Book Depreciation	38,653		38,653
23	Tax Depreciation	(37,499)		(37,499)
24	Reserved	0		0
25	Reserved	0		0
26	Reserved	0		0
27	Reserved	0		0
28	Reserved	0		0
29	Reserved	0		0
30	Reserved	0		0
31	Reserved	0		0
32	Reserved	0		0
33	Reserved	0		0
34	Reserved	0		0
35	Reserved	0		0
36				
37	Total Reconciling Items	1,154		1,154
38				
39	Federal Taxable Income	(151,431)		(151,431)
40				
41	Federal Income Tax Rate	35.00%		35.00%
42	Federal Income Tax Liability	(53,001)		(53,001)
43	Adjustment of Prior Year	17,848	(17,848)	0
44				
45	Federal Income Taxes - Current	(35,153)		(35,153)
46				
47				
48				
49				
50				

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: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
TRI VILLAGE

SCHEDULE E-1.1T
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
1				
2				
3				
4	Deferred Income Taxes:			
5	Def FIT Regulatory Asset/Liability	\$2,777	\$0	\$2,777
6	Def FIT Other	71,085	0	71,085
7	Def FIT Prior Year Adj	(20,740)	20,740	0
8	Amort Deferred ITC	53,102	20,740	73,842
9		0	0	0
10	Total Deferred Federal Income Taxes	\$53,102	\$20,740	\$73,842
11	Total Federal Income Taxes	\$117,949	\$2,692	\$120,641
12				
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
TRI VILLAGE

SCHEDULE E-12T
PAGE 1 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
2	Operating Revenues	\$883,950	\$0	\$883,950
3	Operating Expenses			
4	Operation & Maintenance Expenses	883,555	0	883,555
5	Depreciation & Amortization	38,655	0	38,655
6	Taxes other than Income	7,901	0	7,901
7	State Income Taxes - Current	0	0	0
8	Federal Income Taxes	0	0	0
9	Total Operating Expenses before SIT	930,111	0	930,111
10	Operating Income before State Income Taxes	(46,161)	0	(46,161)
11	Reconciling Items;			
12	Interest Charges	(115,564)	0	(115,564)
13	Permanent Differences	0	0	0
14	Taxable Meals/ lobbying	0	0	0
15	Non deductible donations	0	0	0
16	Medicare Subsidy	0	0	0
17	Book Depreciation	38,653	0	38,653
18	Tax Depreciation	(37,499)	0	(37,499)
19	Taxable Customer Adv and CIAC	0	0	0
20	Other Net	0	0	0
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	Reserved	0	0	0
33	Reserved	0	0	0
34	Reserved	0	0	0
35	Reserved	0	0	0
36	Reserved	0	0	0
37	Total Reconciling Items	1,154	0	1,154
38	State Taxable Income	(160,571)	0	(160,571)
39	State Income Tax Rate	6.00%	6.00%	6.00%
40	State Income Tax Liability	(9,140)	0	(9,136)
41	State Income Taxes - Current	(9,140)	2,900	(9,136)
42	Less: Prior Year Adjustment	(2,900)	\$2,900	0
43		(\$12,040)		(\$9,136)
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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: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
TRI VILLAGE

SCHEDULE E-1.2T
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
2				
3	Deferred State Income Taxes:			
4	Def SIT Regulatory Asset/Liability	\$ 546	-	\$ 546
5	Def SIT Other	11,998	0	11,998
6	Def SIT Prior Year Adj	2,651	(2,651)	0
7		15,195	(2,651)	12,544
8	Amort Deferred ITC	0	0	0
9				
10	Total Deferred State Income Taxes	\$ 15,195	\$ (2,651)	\$ 12,544
11				
12	Total State Income Taxes	\$ 3,155	\$ 249	\$ 3,408
13				
14				
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16				
17				
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
TRI VILLAGE

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

SCHEDULE E-1,3T
PAGE 1 of 2
Witness Responsible: M.A. Miller

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
1						
2	Operating Revenues	\$1,164,228	\$0	\$1,164,228	\$717,716	\$1,881,945
3						
4	Operating Expenses					
5	Operation & Maintenance Expenses	1,140,442	0	1,140,442	6,101	1,146,543
6	Depreciation & Amortization	181,593	0	181,593	0	181,593
7	Taxes other than income	79,890	0	79,890	1,208	80,898
8	State Income Taxes - Current	(24,070)	0	(24,070)	42,625	18,555
9	Federal Income Taxes					
10						
11	Total Operating Expenses before FIT	1,377,655	0	1,377,655	49,932	1,427,587
12						
13	Operating Income before Federal Income Taxes	(213,426)	(0)	(213,426)	667,784	454,358
14	Reconciling Items,					
15	Interest Charges	(132,854)	0	(132,854)	0	(132,854)
16						
17	Permanent differences					
18	Taxable meals/lobbying	0	0	0	0	0
19	Nondeductible donations	0	0	0	0	0
20	Medicare Subsidy	0	0	0	0	0
21						
22						
23	Book Depreciation	181,593	0	181,593	0	181,593
24	Tax Depreciation	(268,945)	0	(268,945)	0	(268,945)
25	Non-Deductible Meals/lobbying	0	0	0	0	0
26	Additional Taxable AFUDC	0	0	0	0	0
27	Deferred Debts	0	0	0	0	0
28	Amortization of UPAA	0	0	0	0	0
29	Deferred Maintenance	18,384	0	18,384	0	18,384
30	Property Losses	0	0	0	0	0
31	Amort Regulatory Assets / Liabilities	0	0	0	0	0
32	Taxable Advances and CIAC	38,160	0	38,160	0	38,160
33	Reserved	0	0	0	0	0
34	Reserved	0	0	0	0	0
35	Reserved	0	0	0	0	0
36	Reserved	0	0	0	0	0
37	Reserved	0	0	0	0	0
38	Total Reconciling Items	(30,808)	0	(30,808)	0	(30,808)
39						
40	Federal Taxable Income	(377,089)	(0)	(377,089)	667,784	290,695
41						
42	Federal Income Tax Rate	35.00%	35.00%	35.00%	35.00%	35.00%
43						
44	Federal Income Tax -Current	(131,981)	0	(131,981)	233,724	101,743
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
TRI VILLAGE

SCHEDULE E-1,3T
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates		At Proposed Rates	
		Unadjusted	Adjusted	Unadjusted	Adjusted
2	Deferred Income Taxes:				
3	Def FIT Regulatory Asset/Liability	\$3,785	\$3,785	\$0	\$3,785
4	Def FIT UPIS	22,005	22,005	0	22,005
5	Def FIT Deferred Maintenance	(6,048)	(6,048)	0	(6,048)
6	Def FIT Deferred Debits	0	0	0	0
7	Def FIT Property Losses	0	0	0	0
8					
9					
10		19,742	19,742	0	19,742
11	Amort Deferred ITC	0	0	0	0
12					
13	Total Deferred Federal Income Taxes	19,742	19,742	0	19,742
14					
15	Total Federal Income Taxes	(\$112,239)	(\$112,239)	\$0	\$121,485
16					
17					
18					
19					
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
TRI VILLAGE

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

SCHEDULE E-14T
PAGE 1 of 2
Witness Responsible: M.A. Miller

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
1						
2	Operating Revenues	\$1,164,229	\$0	\$1,164,229	\$717,716	\$1,881,945
3						
4	Operating Expenses					
5	Operation & Maintenance Expenses	1,140,442	0	1,140,442	6,101	1,146,543
6	Depreciation & Amortization	181,593	0	181,593	0	181,593
7	Taxes other than Income	78,690	0	78,690	1,206	80,896
8	State Income Taxes - Current					
9	Federal Income Taxes					
10						
11	Total Operating Expenses before FIT	1,401,725	0	1,401,725	7,307	1,409,032
12						
13	Operating Income before Federal Income Taxes	(237,496)	0	(237,496)	710,409	472,913
14	Reconciling Items:					
15	Interest Charges	(132,854)	0	(132,854)	0	(132,854)
16						
17	Permanent differences					
18	Taxable meals/lobbying	0	0	0	0	0
19	Non-deductible donations	0	0	0	0	0
20	Medicare Subsidy	0	0	0	0	0
21		0	0	0	0	0
22						
23	Book Depreciation	181,593	0	181,593	0	181,593
24	Tax Depreciation	(268,945)	0	(268,945)	0	(268,945)
25	Non-Deductible Meals/lobbying	0	0	0	0	0
26	Additional Taxable AFUDC	0	0	0	0	0
27	Deferred Debits	0	0	0	0	0
28	Amortization of UPAA	0	0	0	0	0
29	Deferred Maintenance	18,384	0	18,384	0	18,384
30	Property Losses	0	0	0	0	0
31	Amort Regulatory Assets / Liabilities	0	0	0	0	0
32	Taxable Advances and CIAC	38,160	0	38,160	0	38,160
33	Reserved	0	0	0	0	0
34	Reserved	0	0	0	0	0
35	Reserved	0	0	0	0	0
36	Reserved	0	0	0	0	0
37						
38	Total Reconciling Items	(30,608)		(30,608)		(30,608)
39						
40	State Taxable Income	(401,159)		(401,159)	710,409	309,250
41						
42	State Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%
43						
44	State Income Tax Liability	(24,070)		(24,070)	42,625	18,555
45						
46	State Income Taxes - Current	(24,070)		(24,070)	42,625	18,555
47						
48						
49						
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
TRI VILLAGE

SCHEDULE E-1.4T
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates		At Proposed Rates	
		Unadjusted	Adjusted	Unadjusted	Adjusted
2	Deferred Income Taxes:				
3	Def SIT Regulatory Asset/Liability	\$1,065	\$1,065	\$0	\$1,065
4	Def SIT UPIS	4,013	4,013	0	4,013
5	Def SIT Deferred Maintenance	(1,104)	(1,104)	0	(1,104)
6	Def SIT Deferred Debits	0	0	0	0
7	Def SIT Property Losses	0	0	0	0
8					
9					
10		3,974	3,974	0	3,974
11	Amort Deferred ITC	0	0	0	0
12					
13	Total Deferred State Income Taxes	3,974	3,974	0	3,974
14					
15	Total State Income Taxes	(\$20,096)	(\$20,096)	\$42,625	\$22,529
16					
17					
18					
19					
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KENTUCKY-AMERICAN WATER COMPANY
 CASE NO: 2007-00143
 DEVELOPMENT OF JURISDICTIONAL FEDERAL AND STATE INCOME TAXES
 FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
 TRI VILLAGE

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

SCHEDULE E-2T
 PAGE 1 of 1
 Witness Responsible: M.A. Miller

Line No.	Account Title	Total Utility	Jurisdictional Percent	Jurisdiction	Jurisdictional Code / Explanation
1					
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NOT APPLICABLE TO KENTUCKY-AMERICAN WATER COMPANY.
 100% JURISDICTIONAL FOR KENTUCKY-AMERICAN WATER COMPANY.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
ELK LAKE

SCHEDULE E-1.1E
PAGE 1 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
2	Operating Revenues	\$81,756	\$0	\$81,756
5	Operating Expenses			
6	Operation & Maintenance Expenses	87,428	0	87,428
7	Depreciation & Amortization	0	0	0
8	Taxes other than Income	1,039	0	1,039
9	State Income Taxes - Current	(720)	0	(720)
10	Federal Income Taxes			
11	Total Operating Expenses before FIT	87,747	0	87,747
14	Operating income before Federal Income Taxes	(5,991)	0	(5,991)
15	Reconciling Items:			
16	Interest Charges	(6,141)	0	(6,141)
17	Permanent Differences			
18	Taxable meals/lobbying	0	0	0
19	Non-deductible donations	0	0	0
20	Medicare Subsidy	0	0	0
21		0	0	0
22	Book Depreciation	8,627	0	8,627
23	Tax Depreciation	(9,418)	0	(9,418)
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	Reserved	0	0	0
33	Reserved	0	0	0
34	Reserved	0	0	0
35	Reserved	0	0	0
36				
37	Total Reconciling Items	209	0	209
38				
39	Federal Taxable Income	(11,923)	0	(11,923)
40				
41	Federal Income Tax Rate	35.00%	35.00%	35.00%
42	Federal Income Tax Liability	(4,173)	0	(4,173)
43	Adjustment of Prior Year	945	(945)	0
44				
45	Federal Income Taxes - Current	(\$3,225)	-\$948	(\$4,173)
46				
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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: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
ELK LAKE

SCHEDULE E-1.1E
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
1				
2				
3				
4	Deferred Income Taxes:			
5	Def FIT Regulatory Asset/Liability	\$148	\$0	\$148
6	Def FIT Other	3,776	0	3,776
7	Def FIT Prior Year Adj	(1,102)	1,102	0
8	Amort Deferred ITC	2,822	1,102	3,924
9		0	0	0
10	Total Deferred Federal Income Taxes	\$2,822	\$1,102	\$3,924
11				
12	Total Federal Income Taxes	(\$403)	\$154	(\$249)
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
ELK LAKE

SCHEDULE E-1,2E
PAGE 1 of 2
Witness Responsible: M.A. Miller

DATA: _X_ BASE PERIOD ___ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED _X_ REVISED
WORKPAPER REFERENCE NO(S): W/P-5

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
2	Operating Revenues	\$81,756	\$0	\$81,756
3	Operating Expenses			
4	Operation & Maintenance Expenses	87,428	0	87,428
5	Depreciation & Amortization	0	0	0
6	Taxes other than Income	1,039	0	1,039
7	State Income Taxes - Current	0	0	0
8	Federal Income Taxes	0	0	0
9	Total Operating Expenses before SIT	88,467	0	88,467
10	Operating Income before State Income Taxes	(6,711)	0	(6,711)
11	Reconciling Items:			
12	Interest Charges	(6,141)	0	(6,141)
13	Permanent differences	0	0	0
14	Taxable meals/lobbying	0	0	0
15	Nondeductible donations	0	0	0
16	Medicare Subsidy	0	0	0
17	Book Depreciation	8,627	0	8,627
18	Tax Depreciation	(8,416)	0	(8,416)
19	Reserved	0	0	0
20	Reserved	0	0	0
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	Reserved	0	0	0
33	Reserved	0	0	0
34	Reserved	0	0	0
35	Reserved	0	0	0
36	Reserved	0	0	0
37	Total Reconciling Items	209	0	209
38	State Taxable Income	(12,643)	0	(12,643)
39	State Income Tax Rate	6.00%	6.00%	6.00%
40	State Income Tax Liability	(720)	0	(720)
41	State Income Taxes - Current	(720)	154	(566)
42	Less: Prior Year Adjustment	(566)	\$154	(\$720)
43				
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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: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
ELK LAKE

SCHEDULE E-1.2E
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
1				
2				
3	Deferred State Income Taxes:			
4	Def SIT Regulatory Asset/Liability	\$29	0	29
5	Def SIT Other	638	0	638
6	Def SIT Prior Year Adj	141	(141)	0
7	Amort Deferred ITC	808	(141)	667
8		0	0	0
9				
10	Total Deferred State Income Taxes	\$608	(141)	667
11				
12	Total State Income Taxes	(\$66)	13	(53)
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
ELK LAKE

SCHEDULE E-1.3E
PAGE 1 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
2	Operating Revenues	\$93,838	\$0	\$93,838	\$52,862	\$146,500
3	Operating Expenses					
4	Operation & Maintenance Expenses	109,066	0	109,066	449	109,515
5	Depreciation & Amortization	7,442	0	7,442	0	7,442
6	Taxes other than Income	6,078	0	6,078	89	6,167
7	State Income Taxes - Current	(2,294)	0	(2,294)	3,140	846
8	Federal Income Taxes					
9	Total Operating Expenses before FIT	120,292	0	120,292	3,678	123,970
10	Operating Income before Federal Income Taxes	(26,654)	(0)	(26,654)	49,184	22,530
11	Reconciling Items:					
12	Interest Charges	(6,714)	0	(6,714)	0	(6,714)
13	Permanent differences					
14	Taxable meals/lobbying	0	0	0	0	0
15	Non-deductible donations	0	0	0	0	0
16	Medicare Subsidy	0	0	0	0	0
17	Book Depreciation	7,442	0	7,442	0	7,442
18	Tax Depreciation	(11,072)	0	(11,072)	0	(11,072)
19	Non-Deductible Meals/lobbying	0	0	0	0	0
20	Additional Taxable AFUDC	0	0	0	0	0
21	Deferred Debits	0	0	0	0	0
22	Amortization of UPAA	0	0	0	0	0
23	Deferred Maintenance	0	0	0	0	0
24	Property Losses	0	0	0	0	0
25	Amort Regulatory Assets / Liabilities	1,065	0	1,065	0	1,065
26	Taxable Advances and C/IAC	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	Reserved	0	0	0	0	0
31	Total Reconciling Items	(2,565)	0	(2,565)	0	(2,565)
32	Federal Taxable Income	(35,933)	(0)	(35,933)	49,184	13,251
33	Federal Income Tax Rate	35.00%	35.00%	35.00%	35.00%	35.00%
34	Federal Income Tax -Current	(12,577)	0	(12,577)	17,214	4,638

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
ELK LAKE

SCHEDULE E-1.3E
PAGE 2 of 2
Witness Responsible: M.A. Miller

DATA: BASE PERIOD_X_FORECASTED PERIOD
TYPE OF FILING: ORIGINAL_UPDATED_X_REVISD
WORKPAPER REFERENCE NO(S): WIP-5

Line No.	Description	At Current Rates		At Proposed Rates	
		Unadjusted	Adjusted	Unadjusted	Adjusted
2	Deferred Income Taxes:				
3	Def FIT Regulatory Asset/Liability	\$156	\$156	\$0	\$156
4	Def FIT UPIS	906	906	0	906
5	Def FIT Deferred Maintenance	0	0	0	0
6	Def FIT Deferred Debits	0	0	0	0
7	Def FIT Property Losses	0	0	0	0
10		<u>1,062</u>	<u>1,062</u>	<u>0</u>	<u>1,062</u>
11	Amort Deferred ITC	0	0	0	0
13	Total Deferred Federal Income Taxes	<u>1,062</u>	<u>1,062</u>	<u>0</u>	<u>1,062</u>
14	Total Federal Income Taxes	<u>(\$11,515)</u>	<u>(\$11,515)</u>	<u>\$0</u>	<u>\$5,700</u>

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
ELK LAKE

SCHEDULE E-14E
PAGE 1 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
1						
2	Operating Revenues	\$ 93,638	\$ -	\$ 93,638	\$ 52,862	\$ 146,500
3						
4	Operating Expenses					
5	Operation & Maintenance Expenses	\$ 109,066	\$ -	\$ 109,066	\$ 449	\$ 109,515
6	Depreciation & Amortization	7,442	0	7,442	0	7,442
7	Taxes other than Income	6,078	0	6,078	89	6,167
8	State Income Taxes - Current					
9	Federal Income Taxes					
10						
11	Total Operating Expenses before FIT	\$ 122,586	\$ -	\$ 122,586	\$ 538	\$ 123,124
12						
13	Operating Income before Federal Income Taxes	\$ (28,948)	\$ -	\$ (28,948)	\$ 52,324	\$ 23,376
14	Reconciling Items:					
15	Interest Charges	(6,714)	0	(6,714)	0	(6,714)
16						
17	Permanent differences					
18	Taxable meals/lobbying	0	0	0	0	0
19	Nondeductible donations	0	0	0	0	0
20	Medicare Subsidy	0	0	0	0	0
21		0	0	0	0	0
22						
23	Book Depreciation	7,442	0	7,442	0	7,442
24	Tax Depreciation	(11,072)	0	(11,072)	0	(11,072)
25	Non-Deductible Meals/lobbying	0	0	0	0	0
26	Additional Taxable AFUDC	0	0	0	0	0
27	Deferred Debits	0	0	0	0	0
28	Amortization of UPAA	0	0	0	0	0
29	Deferred Maintenance	0	0	0	0	0
30	Property Losses	0	0	0	0	0
31	Amort Regulatory Assets / Liabilities	1,065	0	1,065	0	1,065
32	Taxable Advances and CIAC	0	0	0	0	0
33	Reserved	0	0	0	0	0
34	Reserved	0	0	0	0	0
35	Reserved	0	0	0	0	0
36	Reserved	0	0	0	0	0
37	Total Reconciling Items	\$ (2,565)	\$ -	\$ (2,565)	\$ -	\$ (2,565)
38						
39	State Taxable Income	\$ (38,227)	\$ -	\$ (38,227)	\$ 52,324	\$ 14,087
40						
41	State Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%
42						
43	State Income Tax Liability	\$ (2,294)	\$ -	\$ (2,294)	\$ 3,139	\$ 846
44						
45	State Income Taxes - Current	\$ (2,294)	\$ -	\$ (2,294)	\$ 3,139	\$ 846
46						
47						
48						
49						
50						

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
ELK LAKE

SCHEDULE E-1,AE
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates		At Proposed Rates	
		Unadjusted	Adjusted	Unadjusted	Adjusted
2	Deferred Income Taxes:				
3	Def SIT Regulatory Asset/Liability	\$44	\$44	\$0	\$44
4	Def SIT UPIS	165	165	0	165
5	Def SIT Deferred Maintenance	0	0	0	0
6	Def SIT Deferred Debits	0	0	0	0
7	Def SIT Property Losses	0	0	0	0
8					
9					
10		209	209	0	209
11	Amort Deferred ITC	0	0	0	0
12					
13	Total Deferred State Income Taxes	209	209	0	209
14					
15	Total State Income Taxes	(\$2,085)	(\$2,085)	\$3,139	\$1,055
16					
17					
18					
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
SUMMARY OF INCOME TAX ADJUSTMENTS
ELK LAKE

SCHEDULE E-1, SE
PAGE 1 of 1
Witness Responsible: M.A. Miller

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

Line No.	Reference Base Period	Description	Forecasted Period	At Current Rates Base Period	Present Rates Forecasted Period	Adjustment
3	Sch E-1.2	State Income Taxes				
4	Sch E-1.4	Current	Sch E-1.4	(\$720)	\$ (2,294)	\$ (1,574)
5	Sch E-1.2	Deferred	Sch E-1.4	667	209	(458)
6	Sch E-1.2	Reserved		0	0	0
7	Sch E-1.2	Reserved		0	0	0
9		Total State Income Taxes		\$ (53)	\$ (2,085)	\$ (2,032)
13	Sch E-1.1	Federal Income Taxes				
14	Sch E-1.1	Current	Sch E-1.3	(4,173)	(12,577)	(8,404)
15	Sch E-1.1	Deferred	Sch E-1.3	3,924	1,062	(2,862)
16	Sch E-1.1	Deferred - ITC	Sch E-1.3	0	0	0
17	Sch E-1.1	Reserved		0	0	0
18	Sch E-1.1	Reserved		0	0	0
19		Total Federal Income Taxes		\$ (249)	\$ (11,515)	\$ (11,266)
22		Total Income Taxes		\$ (302)	\$ (13,600)	\$ (13,298)

KENTUCKY-AMERICAN WATER COMPANY
 CASE NO: 2007-00143
 DEVELOPMENT OF JURISDICTIONAL FEDERAL AND STATE INCOME TAXES
 FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
 ELK LAKE

SCHEDULE E-2E
 PAGE 1 of 1
 Witness Responsible: M.A. Miller

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

Line No.	Account Title	Total Utility	Jurisdictional Percent	Jurisdiction	Jurisdictional Code / Explanation
1					
2					
3					
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NOT APPLICABLE TO KENTUCKY-AMERICAN WATER COMPANY.
 100% JURISDICTIONAL FOR KENTUCKY-AMERICAN WATER COMPANY.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
OWENTON

SCHEDULE E-1.10
PAGE 1 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
2	Operating Revenues	\$797,644	\$0	\$797,644
3	Operating Expenses			
4	Operation & Maintenance Expenses	475,951	0	475,951
5	Depreciation & Amortization	48,190	0	48,190
6	Taxes other than Income	13,639	0	13,639
7	State Income Taxes - Current	10,683	0	10,683
8	Federal Income Taxes			
9	Total Operating Expenses before FIT	548,463	0	548,463
10	Operating Income before Federal Income Taxes	249,181	0	249,181
11	Reconciling Items:			
12	Interest Charges	(73,693)	0	(73,693)
13	Permanent Differences	0	0	0
14	Taxable meals/lobbying	0	0	0
15	Nondeductible donations	0	0	0
16	Medicare Subsidy	0	0	0
17	Book Depreciation	48,190	0	48,190
18	Tax Depreciation	(48,662)	0	(48,662)
19	Reserved	0	0	0
20	Reserved	0	0	0
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	Reserved	0	0	0
33	Reserved	0	0	0
34	Reserved	0	0	0
35	Reserved	0	0	0
36	Reserved	0	0	0
37	Total Reconciling Items	1,509	0	1,509
38	Federal Taxable Income	176,996	0	176,996
39	Federal Income Tax Rate	35.00%	35.00%	35.00%
40	Federal Income Tax Liability	61,949	0	61,949
41	Adjustment of Prior Year	11,381	(11,381)	0
42	Federal Income Taxes - Current	\$73,330	-\$11,381	\$61,949
43	Federal Income Taxes - Current			
44	Federal Income Taxes - Current			
45	Federal Income Taxes - Current			
46	Federal Income Taxes - Current			
47	Federal Income Taxes - Current			
48	Federal Income Taxes - Current			
49	Federal Income Taxes - Current			
50	Federal Income Taxes - Current			

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 updates to the base period data.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-90143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
OWENTON

SCHEDULE E-1.10
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
1				
2				
3	Deferred Income Taxes:			
4	Def FIT Regulatory Asset/Liability	\$1,771	\$0	\$1,771
5	Def FIT Other	45,317	0	45,317
6	Def FIT Prior Year Adj	(13,226)	13,226	0
7		33,862	13,226	47,088
8	Amort Deferred ITC	0	0	0
9				
10	Total Deferred Federal Income Taxes	\$33,862	\$13,226	\$47,088
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	Total Federal Income Taxes	\$107,192	\$1,845	\$109,037

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
OWENTON

SCHEDULE E-1.20
PAGE 1 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
2	Operating Revenues	\$797,644	\$0	\$797,644
5	Operating Expenses			
6	Operation & Maintenance Expenses	475,951		475,951
7	Depreciation & Amortization	48,190		48,190
8	Taxes other than Income	13,639		13,639
9	State Income Taxes - Current	0		0
10	Federal Income Taxes	0		0
11	Total Operating Expenses before SIT	537,780		537,780
12	Operating income before State Income Taxes	259,864		259,864
14	Reconciling Items:			
15	Interest Charges	(73,693)		(73,693)
17	Permanent Differences			
18	Taxable meals/lobbying	0		0
19	Nondeductible donations	0		0
20	Medicare Subsidy	0		0
21	Book Depreciation	0		0
22	Book Depreciation	48,190		48,190
23	Tax Depreciation	(46,682)		(46,682)
24	Reserved	0		0
25	Reserved	0		0
26	Reserved	0		0
27	Reserved	0		0
28	Reserved	0		0
29	Reserved	0		0
30	Reserved	0		0
31	Reserved	0		0
32	Reserved	0		0
33	Reserved	0		0
34	Reserved	0		0
35	Reserved	0		0
36	Reserved	0		0
37	Reserved	0		0
38	Total Reconciling Items	1,508		1,508
39				
40	State Taxable Income	187,679		187,679
41	State Income Tax Rate	6.00%		6.00%
42	State Income Tax Liability	10,663	6.00%	10,663
43	State Income Taxes - Current	0		0
44	Less: Prior Year Adjustment	10,663		10,663
45		(1,849)		0
46		\$8,814		\$10,663
47				
48				
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50				

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: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
OWENTON

SCHEDULE E-1.20
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted
2				
3	Deferred State Income Taxes:			
4	Def SIT Regulatory Asset/Liability	\$348	0	348
5	Def SIT Other	7,651	0	7,651
6	Def SIT Prior Year Adj	1,691	(1,691)	0
7		9,690	(1,691)	7,999
8	Amort Deferred ITC	0	0	0
9				
10	Total Deferred State Income Taxes	\$9,690	(1,691)	7,999
11				
12	Total State Income Taxes	\$18,524	159	18,683
13				
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
OWENTON

DATA: BASE PERIOD X, FORECASTED PERIOD
TYPE OF FILING: ORIGINAL_UPDATED_X_REVISD
WORKPAPER REFERENCE NO(S): WP-6

SCHEDULE E-1.30
PAGE 1 of 2
Witness Responsible: M.A. Miller

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
1						
2	Operating Revenues	\$605,551	\$0	\$605,551	\$654,851	\$1,270,402
3	Operating Expenses					
4	Operation & Maintenance Expenses	791,842	0	791,842	5,651	797,493
5	Depreciation & Amortization	79,593	0	79,593	0	79,593
6	Taxes other than Income	62,206	0	62,206	1,117	63,323
7	State Income Taxes - Current	(25,261)	0	(25,261)	39,485	14,224
8	Federal Income Taxes					
9						
10						
11	Total Operating Expenses before FIT	908,380	0	908,380	46,253	954,633
12						
13	Operating Income before Federal Income Taxes	(302,829)	(0)	(302,829)	618,598	316,769
14	Reconciling Items:					
15	Interest Charges	(96,752)	0	(96,752)	0	(96,752)
16						
17	Permanent differences					
18	Taxable meals/lobbying	0	0	0	0	0
19	Non-deductible donations	0	0	0	0	0
20	Medicare subsidy	0	0	0	0	0
21		0	0	0	0	0
22						
23	Book Depreciation	79,593	0	79,593	0	79,593
24	Tax Depreciation	(117,864)	0	(117,864)	0	(117,864)
25	Non-Deductible Meals/Lobbying	0	0	0	0	0
26	Additional Taxable AFJDC	(885)	0	(885)	0	(885)
27	Deferred Debits	0	0	0	0	0
28	Amortization of UPAA	0	0	0	0	0
29	Deferred Maintenance	39,293	0	39,293	0	39,293
30	Property Losses	0	0	0	0	0
31	Amort Regulatory Assets / Liabilities	3,785	0	3,785	0	3,785
32	Taxable Advances and CIAC	0	0	0	0	0
33	Reserved	0	0	0	0	0
34	Reserved	0	0	0	0	0
35	Reserved	0	0	0	0	0
36	Reserved	0	0	0	0	0
37		3,822	0	3,822	0	3,822
38	Total Reconciling Items					
39		(395,758)	(0)	(395,758)	618,598	222,840
40	Federal Taxable Income					
41						
42	Federal Income Tax Rate	35.00%	35.00%	35.00%	35.00%	35.00%
43						
44	Federal Income Tax Liability	(138,515)	0	(138,515)	216,508	77,994
45						
46	Investment Tax Credits	0	0	0	0	0
47						
48	Federal Income Taxes - Current	(138,515)	-	(138,515)	216,509	77,994
49						
50						

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
OWENTON

SCHEDULE E-1.30
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
2	Deferred Income Taxes:					
3	Def FIT Regulatory Asset/Liability	\$1,659	\$0	\$1,659	\$0	\$1,659
4	Def FIT UPRIS	9,643	0	9,643	0	9,643
5	Def FIT Deferred Maintenance	(12,924)	0	(12,924)	0	(12,924)
6	Def FIT Deferred Debits	0	0	0	0	0
7	Def FIT Property Losses	0	0	0	0	0
10		(1,622)	0	(1,622)	0	(1,622)
11	Amort Deferred ITC	0	0	0	0	0
13	Total Deferred Federal Income Taxes	(1,622)	0	(1,622)	0	(1,622)
14	Total Federal Income Taxes	(\$140,137)	\$0	(\$140,137)	\$216,509	\$76,372

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
OWENTON

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

SCHEDULE E-1.40
PAGE 1 of 2
Witness Responsible: M.A. Miller

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
2	Operating Revenues	\$ 605,551	\$ -	\$ 605,551	\$ 684,951	\$ 1,270,402
3	Operating Expenses					
4	Operation & Maintenance Expenses	\$ 791,842	\$ -	\$ 791,842	\$ 5,651	\$ 797,493
5	Depreciation & Amortization	79,593	0	79,593	0	79,593
6	Taxes other than Income	62,206	0	62,206	1,117	63,323
7	Federal Income Taxes - Current					
8	Federal Income Taxes					
9	Total Operating Expenses before FIT	\$ 933,641	\$ -	\$ 933,641	\$ 6,768	\$ 940,409
10	Operating Income before Federal Income Taxes	\$ (328,090)	\$ -	\$ (328,090)	\$ 658,083	\$ 329,993
11	Reconciling Items:	(96,752)	0	(96,752)	0	(96,752)
12	Interest Charges					
13	Permanent differences					
14	Taxable meals/lobbying	0	0	0	0	0
15	Non-deductible donations	0	0	0	0	0
16	Medicare subsidy	0	0	0	0	0
17		0	0	0	0	0
18	Book Depreciation	79,593	0	79,593	0	79,593
19	Tax Depreciation	(117,864)	0	(117,864)	0	(117,864)
20	Non-Deductible Meals/Lobbying	0	0	0	0	0
21	Additional Taxable AFUDC	(985)	0	(985)	0	(985)
22	Deferred Debits	0	0	0	0	0
23	Amortization of JPAA	0	0	0	0	0
24	Deferred Maintenance	39,293	0	39,293	0	39,293
25	Property Losses	0	0	0	0	0
26	Amort Regulatory Assets / Liabilities	3,785	0	3,785	0	3,785
27	Taxable Advances and CIAC	0	0	0	0	0
28	Reserved	0	0	0	0	0
29	Reserved	0	0	0	0	0
30	Reserved	0	0	0	0	0
31	Total Reconciling Items	\$ 3,822	\$ -	\$ 3,822	\$ -	\$ 3,822
32	State Taxable Income	\$ (421,019)	\$ -	\$ (421,019)	\$ 658,083	\$ 237,064
33	State Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%
34	State Income Tax Liability	\$ (25,261)	\$ -	\$ (25,261)	\$ 39,485	\$ 14,224
35	State Income Taxes - Current	\$ (25,261)	\$ -	\$ (25,261)	\$ 39,485	\$ 14,224

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
OWENTON

SCHEDULE E-140
PAGE 2 of 2
Witness Responsible: M.A. Miller

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

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
2	Deferred Income Taxes:					
3	Def SIT Regulatory Asset/Liability	\$467	\$0	\$467	\$0	\$467
4	Def SIT UPPS	1,759	0	1,759	0	1,759
5	Def SIT Deferred Maintenance	(2,352)	0	(2,352)	0	(2,352)
6	Def SIT Deferred Debts	0	0	0	0	0
7	Def SIT Property Losses	0	0	0	0	0
10		(126)	0	(126)	0	(126)
11	Amort Deferred ITC	0	0	0	0	0
13	Total Deferred State Income Taxes	(126)	0	(126)	0	(126)
14	Total State Income Taxes	(\$25,387)	\$0	(\$25,387)	\$39,485	\$14,098

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
SUMMARY OF INCOME TAX ADJUSTMENTS
OWENTON

SCHEDULE E-1.50
PAGE 1 of 1
Witness Responsible: M.A. Miller

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

Line No.	Description	Reference Base Period	Forecasted Period	At Current Rates Base Period	Present Rates Forecasted Period	Adjustment
3	State Income Taxes					
4	Current	Sch E-1.2	Sch E-1.4	\$10,663	\$ (25,281)	\$ (35,944)
5	Deferred	Sch E-1.2	Sch E-1.4	7,989	(126)	(8,126)
6	Reserved			0	0	0
7	Reserved			0	0	0
10	Total State Income Taxes			\$ 18,652	\$ (25,387)	\$ (44,069)
13	Federal Income Taxes					
14	Current	Sch E-1.1	Sch E-1.3	61,949	(138,515)	(200,464)
15	Deferred	Sch E-1.1	Sch E-1.3	47,086	(1,622)	(48,710)
16	Deferred - ITC	Sch E-1.1	Sch E-1.3	0	0	0
17	Reserved			0	0	0
18	Reserved			0	0	0
19	Total Federal Income Taxes			\$ 109,037	\$ (140,137)	\$ (249,174)
22	Total Income Taxes			\$ 127,719	\$ (165,524)	\$ (293,243)

KENTUCKY-AMERICAN WATER COMPANY
 CASE NO: 2007-00143
 DEVELOPMENT OF JURISDICTIONAL FEDERAL AND STATE INCOME TAXES
 FOR THE TWELVE MONTHS ENDED: JULY 31, 2007
 OWENTON

SCHEDULE E-20
 PAGE 1 of 1
 Witness Responsible: M.A. Miller

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

Line No.	Account Title	Total Utility	Jurisdictional Percent	Jurisdiction	Jurisdictional Code / Explanation
1					
2					
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NOT APPLICABLE TO KENTUCKY-AMERICAN WATER COMPANY.
 100% JURISDICTIONAL FOR KENTUCKY-AMERICAN WATER COMPANY.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
OVERALL FINANCIAL SUMMARY
FOR THE TWELVE MONTHS ENDED: NOVEMBER 30, 2008

DATA: X, BASE PERIOD: FORECASTED PERIOD
TYPE OF FILING: ORIGINAL, UPDATED, X, REVISED
WORKPAPER REFERENCE NO(S): SCH D-1 (LOWENTON)

SCHEDULE C-2.1, PAGE 5 OF 5
Witness Responsible: M.A. Miller, S. A. Miller

Line No.	Major Group Classification	Base Year		Jurisdictional Percent	Base Year		Jurisdictional Method/Description
		Revenues & Expenses	Unadjusted Jurisdiction		Unadjusted Jurisdiction	Not Applicable to Kentucky-American Water Company	
1							
2	Operating Revenues						
3	Water Sales	\$797,108	\$797,108	100.00%			
4	Other Operating Revenues	539	539				
5		<u>797,644</u>	<u>797,644</u>				
6	Operating Expenses						
7	Labor	220,555	220,555				
8	Purchased Water	0	0				
9	Fuel and Power	45,065	45,065				
10	Chemicals	65,653	65,653				
11	Waste Disposal	0	0				
12	Management Fees	0	0				
13	Group Insurance	(499)	(499)				
14	Pensions	(186)	(186)				
15	Regulatory Expense	0	0				
16	Insurance Other than Group	(33)	(33)				
17	Customer Accounting	150	150				
18	Rents	0	0				
19	General Office Expense	2,585	2,585				
20	Miscellaneous	101,618	101,618				
21	Maintenance - Other	41,065	41,065				
22		<u>475,951</u>	<u>475,951</u>				
23	Total O & M Expenses						
24	Depreciation	48,190	48,190				
25	Amortization	0	0				
26	General Taxes	0	0				
27	Property and Capital Stock	0	0				
28	Gross Receipts and Sales	0	0				
29	Payroll	13,639	13,639				
30	Miscellaneous	0	0				
31	State Income Taxes	10,683	10,683				
32	Current	7,989	7,989				
33	Deferred						
34							
35	Federal Income Taxes						
36	Current	61,949	61,949				
37	Deferred	47,088	47,088				
38	Deferred - ITC	0	0				
39							
40							
41							
42							
43							
44	Total Operating Expenses	<u>685,489</u>	<u>685,489</u>				
45	Utility Operating Income	<u>\$132,145</u>	<u>\$132,145</u>				
46							
47							