

**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   |

For electronic version, see KAW\_SAPP\_EX37E\_091407.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 X. UPDATED \_\_\_ REVISED  
WORKPAPER REFERENCE NO(S): WIP-6

| Line No. | Description                                  | At Current Rates Unadjusted | Adjustments | Adjusted     |
|----------|--|-----------------------------|-------------|--------------|
| 2        | Operating Revenues                           | \$51,223,884                | \$0         | \$51,223,884 |
| 3        | Operating Expenses                           |                             |             |              |
| 4        | Operation & Maintenance Expenses             | 27,263,978                  | 0           | 27,263,978   |
| 5        | Depreciation & Amortization                  | 8,326,330                   | 0           | 8,326,330    |
| 6        | Taxes other than Income                      | 2,940,698                   | 0           | 2,940,698    |
| 7        | State Income Taxes - Current                 | (315,981)                   | 0           | (315,981)    |
| 8        | Federal Income Taxes                         | 0                           | 0           | 0            |
| 9        | Net below the line income (loss)             | 389,301                     | (389,301)   | 0            |
| 10       | Total Operating Expenses before FIT          | 38,604,326                  | 0           | 38,604,326   |
| 11       | Operating Income before Federal Income Taxes | 12,619,558                  | 0           | 13,008,859   |
| 12       | Reconciling Items:                           |                             |             |              |
| 13       | Interest Charges                             | (5,660,117)                 | 0           | (5,660,117)  |
| 14       | Permanent Differences                        | 21,347                      | 0           | 21,347       |
| 15       | Taxable Meals/Lobbying                       | 422,539                     | 0           | 422,539      |
| 16       | Non-deductible donations                     | (319,611)                   | 0           | (319,611)    |
| 17       | Medicare Subsidy                             | 124,275                     | 0           | 124,275      |
| 18       | Book Depreciation                            | 7,808,113                   | 0           | 7,808,113    |
| 19       | Tax Depreciation                             | (7,019,624)                 | 0           | (7,019,624)  |
| 20       | Additional Depreciation                      | (1,436,349)                 | 0           | (1,436,349)  |
| 21       | Other Amortizations                          | 0                           | 0           | 0            |
| 22       | Tax AFUDC                                    | 21,322                      | 0           | 21,322       |
| 23       | Deferred Maintenance                         | (399,456)                   | 0           | (399,456)    |
| 24       | Abandonment losses                           | (944,402)                   | 0           | (944,402)    |
| 25       | Misc Deferred Debits                         | (518,385)                   | 0           | (518,385)    |
| 26       | Uncollectible                                | 255,521                     | 0           | 255,521      |
| 27       | Vacation Pay                                 | 54,329                      | 0           | 54,329       |
| 28       | All other                                    | (9,266,541)                 | 0           | (9,266,541)  |
| 29       | Reserved                                     | 0                           | 0           | 0            |
| 30       | Reserved                                     | 0                           | 0           | 0            |
| 31       | Reserved                                     | 0                           | 0           | 0            |
| 32       | Total Reconciling Items                      | (11,445,474)                | 0           | (11,445,474) |
| 33       | Federal Taxable Income                       | (4,361,758)                 | 0           | (4,361,758)  |
| 34       | Federal Income Tax Rate                      | 35.00%                      | 35.00%      | 35.00%       |
| 35       | Federal Income Tax Liability                 | (1,526,615)                 | 0           | (1,526,615)  |
| 36       | Adjustment of Prior Year                     | (1,166,129)                 | (1,166,129) | 0            |
| 37       | Federal Income Taxes - Current               | (360,466)                   | \$1,166,129 | (1,526,615)  |

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: 2807-00143  
FEDERAL INCOME TAX CALCULATION  
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007

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

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

| Line No. | Description                         | At Current Rates Unadjusted | Adjustments | Adjusted    |
|----------|-------------------------------------|-----------------------------|-------------|-------------|
| 2        |                                     |                             |             |             |
| 3        | Deferred Income Taxes:              |                             |             |             |
| 4        | Def FIT Regulatory Asset/Liability  | \$207,506                   | \$0         | \$207,506   |
| 5        | Def FIT Other                       | \$3,726,404                 | \$0         | 3,726,404   |
| 6        | Def FIT Prior Year Adj.             | (\$1,299,138)               | \$1,299,138 | 0           |
| 7        |                                     | 2,634,772                   | 1,299,138   | 3,933,910   |
| 8        | Amort. Deferred ITC                 | (84,794)                    | 0           | (84,794)    |
| 9        |                                     |                             |             |             |
| 10       | Total Deferred Federal Income Taxes | \$2,549,978                 | \$1,299,138 | \$3,849,116 |
| 11       |                                     |                             |             |             |
| 12       | Total Federal Income Taxes          | \$2,189,492                 | \$1,299,138 | \$2,322,501 |
| 13       |                                     |                             |             |             |
| 14       |                                     |                             |             |             |
| 15       |                                     |                             |             |             |
| 16       |                                     |                             |             |             |
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| 48       |                                     |                             |             |             |
| 49       |                                     |                             |             |             |
| 50       |                                     |                             |             |             |

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

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

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

| Line No. | Description                                | At Current Rates Unadjusted | Adjustments | Adjusted     |
|----------|--|-----------------------------|-------------|--------------|
| 1        |  |                             |             |              |
| 2        | Operating Revenues                         | \$51,223,884                | \$0         | \$51,223,884 |
| 3        |  |                             |             |              |
| 4        |  |                             |             |              |
| 5        | Operating Expenses                         | 27,263,978                  | 0           | 27,263,978   |
| 6        | Operation & Maintenance Expenses           | 8,326,330                   | 0           | 8,326,330    |
| 7        | Depreciation & Amortization                | 2,940,698                   | 0           | 2,940,698    |
| 8        | Taxes other than Income                    | 0                           | 0           | 0            |
| 9        | State Income Taxes - Current               | 0                           | 0           | 0            |
| 10       | Federal Income Taxes                       | 0                           | 0           | 0            |
| 11       | Net below the line income (loss)           | 389,301                     | (389,301)   | 0            |
| 12       | Total Operating Expenses before SIT        | 38,920,307                  | (389,301)   | 37,752,404   |
| 13       |  |                             |             |              |
| 14       | Operating Income before State Income Taxes | 12,303,577                  | 0           | 12,303,577   |
| 15       | Reconciling Items:                         |                             |             |              |
| 16       | Interest Charges                           | (5,660,117)                 | 0           | (5,660,117)  |
| 17       | Permanent differences                      | 0                           | 0           | 0            |
| 18       | Taxable meals/lobbying                     | 21,347                      | 0           | 21,347       |
| 19       | Non-deductible donations                   | 422,539                     | 0           | 422,539      |
| 20       | Medicare Subsidy                           | (319,611)                   | 0           | (319,611)    |
| 21       |  | 124,275                     | 0           | 124,275      |
| 22       | Book Depreciation                          | 7,808,113                   | 0           | 7,808,113    |
| 23       | Tax Depreciation                           | (7,019,624)                 | 0           | (7,019,624)  |
| 24       | Additional depreciation                    | (1,436,349)                 | 0           | (1,436,349)  |
| 25       | Other Amortizations                        | 0                           | 0           | 0            |
| 26       | Tax AFUDC                                  | 21,322                      | 0           | 21,322       |
| 27       | Deferred Maintenance                       | (399,456)                   | 0           | (399,456)    |
| 28       | Abandonment losses                         | (944,402)                   | 0           | (944,402)    |
| 29       | Misc Deferred Debits                       | (518,385)                   | 0           | (518,385)    |
| 30       | Uncollectible                              | 255,521                     | 0           | 255,521      |
| 31       | Vacation Pay                               | 54,329                      | 0           | 54,329       |
| 32       | All other                                  | (9,266,541)                 | 0           | (9,266,541)  |
| 33       | Reserved                                   | 0                           | 0           | 0            |
| 34       | Reserved                                   | 0                           | 0           | 0            |
| 35       | Reserved                                   | 0                           | 0           | 0            |
| 36       | Reserved                                   | 0                           | 0           | 0            |
| 37       | Total Reconciling Items                    | (11,445,474)                | 0           | (11,321,199) |
| 38       |  |                             |             |              |
| 39       | State Taxable Income                       | (4,677,739)                 | 0           | (4,677,739)  |
| 40       | State Depr in Excess of Federal            | (575,535)                   | 0           | (575,535)    |
| 41       | State Income Tax Rate                      | 6.00%                       | 6.00%       | 6.00%        |
| 42       | State Income Tax Liability                 | (315,196)                   | 0           | (315,196)    |
| 43       |  |                             |             |              |
| 44       | State Income Taxes - Current               | (315,196)                   | 0           | (315,196)    |
| 45       | Less: Prior Year Adjustment                | (167,792)                   | 167,792     | 0            |
| 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  
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, X, UPDATED, REVISED  
WORKPAPER REFERENCE NO(S): W/P-6

| Line No. | Description                        | AI Current Rates Unadjusted | Adjustments  | Adjusted   |
|----------|------------------------------------|-----------------------------|--------------|------------|
| 2        |                                    |                             |              |            |
| 3        | Deferred State Income Taxes:       |                             |              |            |
| 4        | Def SIT Regulatory Asset/Liability | 33,447                      | 0            | 33,447     |
| 5        | Def SIT Other                      | 796,607                     | 0            | 796,607    |
| 6        | Def SIT Prior Year Adj             | 152,324                     | (152,324)    | 0          |
| 7        | Amort Deferred ITC                 | 964,378                     | (152,324)    | 832,054    |
| 8        |                                    | 0                           | 0            | 0          |
| 9        |                                    |                             |              |            |
| 10       | Total Deferred State Income Taxes  | \$ 964,378                  | \$ (152,324) | \$ 832,054 |
| 11       |                                    |                             |              |            |
| 12       | Total State Income Taxes           | \$ 501,390                  | \$ 15,468    | \$ 516,858 |
| 13       |                                    |                             |              |            |
| 14       |                                    |                             |              |            |
| 15       |                                    |                             |              |            |
| 16       |                                    |                             |              |            |
| 17       |                                    |                             |              |            |
| 18       |                                    |                             |              |            |
| 19       |                                    |                             |              |            |
| 20       |                                    |                             |              |            |
| 21       |                                    |                             |              |            |
| 22       |                                    |                             |              |            |
| 23       |                                    |                             |              |            |
| 24       |                                    |                             |              |            |
| 25       |                                    |                             |              |            |
| 26       |                                    |                             |              |            |
| 27       |                                    |                             |              |            |
| 28       |                                    |                             |              |            |
| 29       |                                    |                             |              |            |
| 30       |                                    |                             |              |            |
| 31       |                                    |                             |              |            |
| 32       |                                    |                             |              |            |
| 33       |                                    |                             |              |            |
| 34       |                                    |                             |              |            |
| 35       |                                    |                             |              |            |
| 36       |                                    |                             |              |            |
| 37       |                                    |                             |              |            |
| 38       |                                    |                             |              |            |
| 39       |                                    |                             |              |            |
| 40       |                                    |                             |              |            |
| 41       |                                    |                             |              |            |
| 42       |                                    |                             |              |            |
| 43       |                                    |                             |              |            |
| 44       |                                    |                             |              |            |
| 45       |                                    |                             |              |            |
| 46       |                                    |                             |              |            |
| 47       |                                    |                             |              |            |
| 48       |                                    |                             |              |            |
| 49       |                                    |                             |              |            |
| 50       |                                    |                             |              |            |

KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2007-00743  
FEDERAL INCOME TAX CALCULATION  
FOR THE TWELVE MONTHS ENDED: JULY 31, 2007  
CENTRAL DIVISION

RIOD \_\_\_\_\_ FORECASTED PERIOD  
ORIGINAL\_X\_UPDATED \_\_\_\_\_ REVISED  
REFERENCE NO(S): WJP-6

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

| Description                                  | All Current Rates |             | Adjusted     |
|--|-------------------|-------------|--------------|
|  | Unadjusted        | Adjustments |              |
| Operating Revenues                           | \$49,282,424      | \$0         | \$49,282,424 |
| Operating Expenses                           |                   |             |              |
| Operation & Maintenance Expenses             | 26,000,076        | 0           | 26,000,076   |
| Depreciation & Amortization                  | 8,148,268         | 0           | 8,148,268    |
| Taxes other than Income                      | 2,896,756         | 0           | 2,896,756    |
| State Income Taxes - Current                 | (330,495)         | 0           | (330,495)    |
| Federal Income Taxes                         | 0                 | 0           | 0            |
| Net below the line income (loss)             | 389,301           | (389,301)   | 0            |
| Total Operating Expenses before FIT          | 37,104,905        | 0           | 36,715,605   |
| Operating Income before Federal Income Taxes | 12,177,518        | 0           | 12,566,819   |
| Reconciling Items:                           |                   |             |              |
| Interest Charges                             | (5,439,939)       | 0           | (5,439,939)  |
| Permanent differences                        |                   |             |              |
| Taxable Meals/Lobbying                       | 21,347            | 0           | 21,347       |
| Nondeductible donations                      | 422,539           | 0           | 422,539      |
| Medicare Subsidy                             | (319,611)         | 0           | (319,611)    |
| Book Depreciation                            | 124,275           | 0           | 124,275      |
| Tax Depreciation                             | 7,622,426         | 0           | 7,622,426    |
| Additional depreciation                      | (6,852,541)       | 0           | (6,852,541)  |
| Other Amortizations                          | (1,436,349)       | 0           | (1,436,349)  |
| Tax AFUDC                                    | 0                 | 0           | 0            |
| Deferred Maintenance                         | 21,322            | 0           | 21,322       |
| Abandonment losses                           | (399,458)         | 0           | (399,458)    |
| Misc Deferred Debits                         | (944,402)         | 0           | (944,402)    |
| Uncollectible                                | (518,385)         | 0           | (518,385)    |
| Vacation Pay                                 | 255,521           | 0           | 255,521      |
| All other                                    | 54,329            | 0           | 54,329       |
| Reserved                                     | (9,266,541)       | 0           | (9,266,541)  |
| Reserved                                     | 0                 | 0           | 0            |
| Reserved                                     | 0                 | 0           | 0            |
| Reserved                                     | 0                 | 0           | 0            |
| Total Reconciling Items                      | (11,454,078)      | 0           | (11,454,078) |
| Federal Taxable Income                       | (4,602,224)       | 0           | (4,602,224)  |
| Federal Income Tax Rate                      | 35.00%            | 35.00%      | 35.00%       |
| Federal Income Tax Liability                 | (1,610,778)       | 0           | (1,610,778)  |
| Adjustment of Prior Year                     | 1,120,766         | (1,120,766) | 0            |
| Federal Income Taxes - Current               | (490,012)         | \$1,120,766 | 630,754      |

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-1:1C  
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): WP-6

| Line No. | Description                         | AI Current Rates Unadjusted | Adjustments | Adjusted    |
|----------|-------------------------------------|-----------------------------|-------------|-------------|
| 1        | Deferred Income Taxes:              |                             |             |             |
| 2        |                                     |                             |             |             |
| 3        |                                     |                             |             |             |
| 4        | Def FIT Regulatory Asset/Liability  | 199,434                     | \$0         | \$199,434   |
| 5        | Def FIT Other                       | 3,581,447                   | 0           | 3,581,447   |
| 6        | Def FIT Prior Year                  | (1,248,602)                 | 1,248,602   | 0           |
| 7        |                                     | 2,532,279                   | 1,248,602   | 3,780,881   |
| 8        | Amort Deferred ITC                  | (84,794)                    | 0           | (84,794)    |
| 9        |                                     |                             |             |             |
| 10       | Total Deferred Federal Income Taxes | \$2,447,485                 | \$1,248,602 | \$3,696,087 |
| 11       |                                     |                             |             |             |
| 12       | Total Federal Income Taxes          | \$1,957,473                 | \$2,569,569 | \$4,527,042 |
| 13       |                                     |                             |             |             |
| 14       |                                     |                             |             |             |
| 15       |                                     |                             |             |             |
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| 50       |                                     |                             |             |             |

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\_X\_ UPDATED \_\_\_\_\_ REVISED \_\_\_\_\_  
WORKPAPER REFERENCE NO(SI): WIP-6

| Line No. | Description                                | All Current Rates Unadjusted | Adjustments | Adjusted     |
|----------|--|------------------------------|-------------|--------------|
| 2        | Operating Revenues                         | 549,282,424                  | \$0         | 549,282,424  |
| 3        | Operating Expenses                         |                              |             |              |
| 4        | Operation & Maintenance Expenses           | 26,000,076                   | 0           | 26,000,076   |
| 5        | Depreciation & Amortization                | 8,149,268                    | 0           | 8,149,268    |
| 6        | Taxes other than Income                    | 2,896,756                    | 0           | 2,896,756    |
| 7        | State Income Taxes - Current               | 0                            | 0           | 0            |
| 8        | Federal Income Taxes                       | 0                            | 0           | 0            |
| 9        | Net below the line income (loss)           | 389,301                      | (389,301)   | 0            |
| 10       | Total Operating Expenses before SIT        | 37,435,401                   | (389,301)   | 36,267,469   |
| 11       | Operating Income before State Income Taxes | 11,847,023                   | 0           | 11,847,023   |
| 12       | Reconciling Items:                         |                              |             |              |
| 13       | Interest Charges                           | (5,439,939)                  | 0           | (5,439,939)  |
| 14       | Permanent differences                      |                              |             |              |
| 15       | Taxable Meals/Lobbying                     | 21,347                       | 0           | 21,347       |
| 16       | Nondeductible donations                    | 422,539                      | 0           | 422,539      |
| 17       | Medicare Subsidy                           | (319,611)                    | 0           | (319,611)    |
| 18       | Book Depreciation                          | 124,275                      | 0           | 124,275      |
| 19       | Tax Depreciation                           | 7,622,426                    | 0           | 7,622,426    |
| 20       | Additional depreciation                    | (6,852,541)                  | 0           | (6,852,541)  |
| 21       | Other Amortizations                        | (1,436,349)                  | 0           | (1,436,349)  |
| 22       | Tax AFUDC                                  | 0                            | 0           | 0            |
| 23       | Deferred Maintenance                       | 21,322                       | 0           | 21,322       |
| 24       | Abandonment losses                         | (399,458)                    | 0           | (399,458)    |
| 25       | Misc Deferred Debits                       | (944,402)                    | 0           | (944,402)    |
| 26       | Uncollectible                              | (518,385)                    | 0           | (518,385)    |
| 27       | Vacation Pay                               | 255,521                      | 0           | 255,521      |
| 28       | All other                                  | 54,329                       | 0           | 54,329       |
| 29       | Reserved                                   | (9,266,541)                  | 0           | (9,266,541)  |
| 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                    | (11,464,078)                 | 0           | (11,464,078) |
| 38       | State Taxable Income                       | (4,932,719)                  | 0           | (4,932,719)  |
| 39       | State Depr in excess of Federal            | (975,535)                    | 0           | (975,535)    |
| 40       | State Income Tax Rate                      | 6.00%                        | 6.00%       | 6.00%        |
| 41       | State Income Tax Liability                 | (330,495)                    | 0           | (330,495)    |
| 42       | State Income Taxes - Current               | (330,495)                    | 0           | (330,495)    |
| 43       | Less: Prior Year Adjustment                | 161,264                      | 161,264     | 0            |
| 44       |  | (549,1759)                   | \$161,264   | (5330,495)   |
| 45       |  |                              |             |              |
| 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  
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 \_\_X\_\_ UPDATED \_\_\_\_ REVISED \_\_\_\_  
WORKPAPER REFERENCE NO(S): W/P-6

| Line No. | Description                        | At Current Rates<br>Unadjusted | Adjustments  | Adjusted   |
|----------|------------------------------------|--------------------------------|--------------|------------|
| 1        |                                    |                                |              |            |
| 2        |                                    |                                |              |            |
| 3        | Deferred State Income Taxes:       |                                |              |            |
| 4        | Def SIT Regulatory Asset/Liability | \$32,146                       | \$           | \$ 32,146  |
| 5        | Def SIT Other                      | 767,542                        | 0            | 767,542    |
| 6        | Def SIT Prior Year Adj             | 146,398                        | (146,398)    | 0          |
| 7        |                                    | 946,086                        | (146,398)    | 799,688    |
| 8        | Amort Deferred JTC                 | 0                              | 0            | 0          |
| 9        |                                    |                                |              |            |
| 10       | Total Deferred State Income Taxes  | \$ 946,086                     | \$ (146,398) | \$ 799,688 |
| 11       |                                    |                                |              |            |
| 12       | Total State Income Taxes           | \$ 454,327                     | \$ 14,866    | \$ 469,193 |
| 13       |                                    |                                |              |            |
| 14       |                                    |                                |              |            |
| 15       |                                    |                                |              |            |
| 16       |                                    |                                |              |            |
| 17       |                                    |                                |              |            |
| 18       |                                    |                                |              |            |
| 19       |                                    |                                |              |            |
| 20       |                                    |                                |              |            |
| 21       |                                    |                                |              |            |
| 22       |                                    |                                |              |            |
| 23       |                                    |                                |              |            |
| 24       |                                    |                                |              |            |
| 25       |                                    |                                |              |            |
| 26       |                                    |                                |              |            |
| 27       |                                    |                                |              |            |
| 28       |                                    |                                |              |            |
| 29       |                                    |                                |              |            |
| 30       |                                    |                                |              |            |
| 31       |                                    |                                |              |            |
| 32       |                                    |                                |              |            |
| 33       |                                    |                                |              |            |
| 34       |                                    |                                |              |            |
| 35       |                                    |                                |              |            |
| 36       |                                    |                                |              |            |
| 37       |                                    |                                |              |            |
| 38       |                                    |                                |              |            |
| 39       |                                    |                                |              |            |
| 40       |                                    |                                |              |            |
| 41       |                                    |                                |              |            |
| 42       |                                    |                                |              |            |
| 43       |                                    |                                |              |            |
| 44       |                                    |                                |              |            |
| 45       |                                    |                                |              |            |
| 46       |                                    |                                |              |            |
| 47       |                                    |                                |              |            |
| 48       |                                    |                                |              |            |
| 49       |                                    |                                |              |            |
| 50       |                                    |                                |              |            |

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: FORECASTED PERIOD  
TYPE OF FILING: ORIGINAL\_X\_UPDATED \_\_\_\_\_ REVISED \_\_\_\_\_  
WORKPAPER REFERENCE NO(S): W/P-6

| Line No. | Description                                  | A: Current Rates Unadjusted | Adjustments | Adjusted  |
|----------|--|-----------------------------|-------------|-----------|
| 2        | Operating Revenues                           | \$552,442                   | \$0         | \$552,442 |
| 3        | Operating Expenses                           |                             |             |           |
| 4        | Operation & Maintenance Expenses             | 687,521                     |             | 687,521   |
| 5        | Depreciation & Amortization                  | 76,295                      |             | 76,295    |
| 6        | Taxes other than Income                      | 13,902                      |             | 13,902    |
| 7        | State Income Taxes - Current                 | 3,644                       |             | 3,644     |
| 8        | Federal Income Taxes                         | 0                           |             | 0         |
| 9        | Total Operating Expenses before PIT          | 781,262                     |             | 781,262   |
| 10       | Operating Income before Federal Income Taxes | 171,180                     |             | 171,180   |
| 11       | Reconciling Items:                           |                             |             |           |
| 12       | Interest Charges                             | (118,296)                   |             | (118,296) |
| 13       | Permanent Differences                        | 0                           |             | 0         |
| 14       | Taxable Meals/lobbying                       | 0                           |             | 0         |
| 15       | Nondeductible donations                      | 0                           |             | 0         |
| 16       | Medicare Subsidy                             | 0                           |             | 0         |
| 17       | Book Depreciation                            | 76,293                      |             | 76,293    |
| 18       | Tax Depreciation                             | (68,799)                    |             | (68,799)  |
| 19       | Reserved                                     | 0                           |             | 0         |
| 20       | Reserved                                     | 0                           |             | 0         |
| 21       | Reserved                                     | 0                           |             | 0         |
| 22       | Reserved                                     | 0                           |             | 0         |
| 23       | Reserved                                     | 0                           |             | 0         |
| 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       | Total Reconciling Items                      | 7,484                       |             | 7,484     |
| 37       | Federal Taxable Income                       | 60,378                      |             | 60,378    |
| 38       | Federal Income Tax Rate                      | 35.00%                      |             | 35.00%    |
| 39       | Federal Income Tax Liability                 | 21,132                      |             | 21,132    |
| 40       | Adjustment of Prior Year                     | 24,372                      | (24,372)    | 0         |
| 41       | Federal Income Taxes - Current               | 45,504                      | -\$24,372   | \$21,132  |

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\_X\_UPDATED \_\_\_ REVISED  
WORKPAPER REFERENCE NO(S): WP-6

| Line No. | Description                         | A/ Current Rates Unadjusted | Adjustments | Adjusted  |
|----------|-------------------------------------|-----------------------------|-------------|-----------|
| 2        |                                     |                             |             |           |
| 3        |                                     |                             |             |           |
| 4        | Deferred Income Taxes:              |                             |             |           |
| 5        | Def FIT Regulatory Asset/Liability  | \$4,337                     | \$0         | \$4,337   |
| 6        | Def FIT Other                       | 77,882                      | 0           | 77,882    |
| 7        | Def FIT Prior Year Adj              | (27,152)                    | 27,152      | 0         |
| 8        | Amort Deferred ITC                  | 55,067                      | 27,152      | 82,219    |
| 9        |                                     | 0                           | 0           | 0         |
| 10       | Total Deferred Federal Income Taxes | \$55,067                    | \$27,152    | \$82,219  |
| 11       |                                     |                             |             |           |
| 12       | Total Federal Income Taxes          | \$100,571                   | \$2,780     | \$103,351 |
| 13       |                                     |                             |             |           |
| 14       |                                     |                             |             |           |
| 15       |                                     |                             |             |           |
| 16       |                                     |                             |             |           |
| 17       |                                     |                             |             |           |
| 18       |                                     |                             |             |           |
| 19       |                                     |                             |             |           |
| 20       |                                     |                             |             |           |
| 21       |                                     |                             |             |           |
| 22       |                                     |                             |             |           |
| 23       |                                     |                             |             |           |
| 24       |                                     |                             |             |           |
| 25       |                                     |                             |             |           |
| 26       |                                     |                             |             |           |
| 27       |                                     |                             |             |           |
| 28       |                                     |                             |             |           |
| 29       |                                     |                             |             |           |
| 30       |                                     |                             |             |           |
| 31       |                                     |                             |             |           |
| 32       |                                     |                             |             |           |
| 33       |                                     |                             |             |           |
| 34       |                                     |                             |             |           |
| 35       |                                     |                             |             |           |
| 36       |                                     |                             |             |           |
| 37       |                                     |                             |             |           |
| 38       |                                     |                             |             |           |
| 39       |                                     |                             |             |           |
| 40       |                                     |                             |             |           |
| 41       |                                     |                             |             |           |
| 42       |                                     |                             |             |           |
| 43       |                                     |                             |             |           |
| 44       |                                     |                             |             |           |
| 45       |                                     |                             |             |           |
| 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  
TRI VILLAGE

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

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

| Line No. | Description                                | At Current Rates Unadjusted | Adjustments | Adjusted  |
|----------|--|-----------------------------|-------------|-----------|
| 2        | Operating Revenues                         | \$952,442                   | \$0         | \$952,442 |
| 3        | Operating Expenses                         |                             |             |           |
| 4        | Operation & Maintenance Expenses           | 687,521                     |             | 687,521   |
| 5        | Depreciation & Amortization                | 76,295                      |             | 76,295    |
| 6        | Taxes other than Income                    | 13,802                      |             | 13,802    |
| 7        | State Income Taxes - Current               | 0                           |             | 0         |
| 8        | Federal Income Taxes                       | 0                           |             | 0         |
| 9        | Total Operating Expenses before SIT        | 777,618                     |             | 777,618   |
| 10       | Operating income before State Income Taxes | 174,824                     |             | 174,824   |
| 11       | Reconciling Items:                         |                             |             |           |
| 12       | Interest Charges                           | (118,296)                   |             | (118,296) |
| 13       | Permanent Differences                      | 0                           |             | 0         |
| 14       | Taxable Meals/ lobbying                    | 0                           |             | 0         |
| 15       | Nondeductible donations                    | 0                           |             | 0         |
| 16       | Medicare Subsidy                           | 0                           |             | 0         |
| 17       | Book Depreciation                          | 76,293                      |             | 76,293    |
| 18       | Tax Depreciation                           | (68,799)                    |             | (68,799)  |
| 19       | Taxable Customer Adv and CIAC              | 0                           |             | 0         |
| 20       | Other Net                                  | 0                           |             | 0         |
| 21       | Reserved                                   | 0                           |             | 0         |
| 22       | Reserved                                   | 0                           |             | 0         |
| 23       | Reserved                                   | 0                           |             | 0         |
| 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       | Total Reconciling Items                    | 7,494                       |             | 7,494     |
| 38       | State Taxable Income                       | 64,022                      |             | 64,022    |
| 39       | State Income Tax Rate                      | 6.00%                       |             | 6.00%     |
| 40       | State Income Tax Liability                 | 3,644                       |             | 3,643     |
| 41       | State Income Taxes - Current               | 3,644                       |             | 3,643     |
| 42       | Less: Prior Year Adjustment                | (3,507)                     |             | 0         |
| 43       |  | \$137                       |             | \$3,643   |

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\_X\_ UPDATED \_\_\_\_\_ REVISED \_\_\_\_\_  
WORKPAPER REFERENCE NO(S): WIP-6

| Line No. | Description                        | AI Current Rates Unadjusted | Adjustments | Adjusted  |
|----------|------------------------------------|-----------------------------|-------------|-----------|
| 2        |                                    |                             |             |           |
| 3        |                                    |                             |             |           |
| 4        | Deferred State Income Taxes:       |                             |             |           |
| 5        | Def SIT Regulatory Asset/Liability | \$ 699                      |             | \$ 699    |
| 6        | Def SIT Other                      | 16,691                      | 0           | 16,691    |
| 7        | Def SIT Prior Year Adj             | 3,184                       | (3,184)     | 0         |
| 8        | Amort Deferred ITC                 | 20,574                      | (3,184)     | 17,390    |
| 9        |                                    | 0                           | 0           | 0         |
| 10       | Total Deferred State Income Taxes  | \$ 20,574                   | \$ (3,184)  | \$ 17,390 |
| 11       |                                    |                             |             |           |
| 12       | Total State Income Taxes           | \$ 20,711                   | \$ 323      | \$ 21,033 |
| 13       |                                    |                             |             |           |
| 14       |                                    |                             |             |           |
| 15       |                                    |                             |             |           |
| 16       |                                    |                             |             |           |
| 17       |                                    |                             |             |           |
| 18       |                                    |                             |             |           |
| 19       |                                    |                             |             |           |
| 20       |                                    |                             |             |           |
| 21       |                                    |                             |             |           |
| 22       |                                    |                             |             |           |
| 23       |                                    |                             |             |           |
| 24       |                                    |                             |             |           |
| 25       |                                    |                             |             |           |
| 26       |                                    |                             |             |           |
| 27       |                                    |                             |             |           |
| 28       |                                    |                             |             |           |
| 29       |                                    |                             |             |           |
| 30       |                                    |                             |             |           |
| 31       |                                    |                             |             |           |
| 32       |                                    |                             |             |           |
| 33       |                                    |                             |             |           |
| 34       |                                    |                             |             |           |
| 35       |                                    |                             |             |           |
| 36       |                                    |                             |             |           |
| 37       |                                    |                             |             |           |
| 38       |                                    |                             |             |           |
| 39       |                                    |                             |             |           |
| 40       |                                    |                             |             |           |
| 41       |                                    |                             |             |           |
| 42       |                                    |                             |             |           |
| 43       |                                    |                             |             |           |
| 44       |                                    |                             |             |           |
| 45       |                                    |                             |             |           |
| 46       |                                    |                             |             |           |
| 47       |                                    |                             |             |           |
| 48       |                                    |                             |             |           |
| 49       |                                    |                             |             |           |
| 50       |                                    |                             |             |           |

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

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

| Line No. | Description                                  | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|--|-----------------------------|-------------|----------|
| 2        | Operating Revenues                           | \$85,428                    | \$0         | \$85,428 |
| 5        | Operating Expenses                           |                             |             |          |
| 6        | Operation & Maintenance Expenses             | 74,592                      | 0           | 74,592   |
| 7        | Depreciation & Amortization                  | 0                           | 0           | 0        |
| 8        | Taxes other than income                      | 2,745                       | 0           | 2,745    |
| 9        | State Income Taxes - Current                 | 158                         | 0           | 158      |
| 10       | Federal Income Taxes                         |                             |             |          |
| 11       | Total Operating Expenses before FIT          | 77,495                      | 0           | 77,495   |
| 12       | Operating Income before Federal Income Taxes | 7,933                       | 0           | 7,933    |
| 13       | Reconciling Items:                           |                             |             |          |
| 14       | Interest Charges                             | (6,226)                     | 0           | (6,226)  |
| 15       | Permanent Differences                        | 0                           | 0           | 0        |
| 16       | Taxable meals/lobbying                       | 0                           | 0           | 0        |
| 17       | Nondeductible donations                      | 0                           | 0           | 0        |
| 18       | Medicare Subsidy                             | 0                           | 0           | 0        |
| 19       | Book Depreciation                            | 8,627                       | 0           | 8,627    |
| 20       | Tax Depreciation                             | (7,722)                     | 0           | (7,722)  |
| 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                      | 905                         | 0           | 905      |
| 38       | Federal Taxable Income                       | 2,612                       | 0           | 2,612    |
| 39       | Federal Income Tax Rate                      | 35.00%                      | 35.00%      | 35.00%   |
| 40       | Federal Income Tax Liability                 | 914                         | 0           | 914      |
| 41       | Adjustment of Prior Year                     | 1,283                       | (1,283)     | 0        |
| 42       | Federal Income Taxes - Current               | \$2,197                     | -\$1,283    | \$914    |

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

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

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

| Line No. | Description                         | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|-------------------------------------|-----------------------------|-------------|----------|
| 2        |                                     |                             |             |          |
| 3        |                                     |                             |             |          |
| 4        | Deferred Income Taxes:              |                             |             |          |
| 5        | Def FIT Regulatory Asset/Liability  | \$228                       | \$0         | \$228    |
| 6        | Def FIT Other                       | 4,099                       | 0           | 4,099    |
| 7        | Def FIT Prior Year Adj              | (1,429)                     | 1,429       | 0        |
| 8        | Amort Deferred ITC                  | 2,898                       | 1,429       | 4,327    |
| 9        |                                     | 0                           | 0           | 0        |
| 10       | Total Deferred Federal Income Taxes | \$2,898                     | \$1,429     | \$4,327  |
| 11       |                                     |                             |             |          |
| 12       | Total Federal Income Taxes          | \$5,095                     | \$146       | \$5,241  |
| 13       |                                     |                             |             |          |
| 14       |                                     |                             |             |          |
| 15       |                                     |                             |             |          |
| 16       |                                     |                             |             |          |
| 17       |                                     |                             |             |          |
| 18       |                                     |                             |             |          |
| 19       |                                     |                             |             |          |
| 20       |                                     |                             |             |          |
| 21       |                                     |                             |             |          |
| 22       |                                     |                             |             |          |
| 23       |                                     |                             |             |          |
| 24       |                                     |                             |             |          |
| 25       |                                     |                             |             |          |
| 26       |                                     |                             |             |          |
| 27       |                                     |                             |             |          |
| 28       |                                     |                             |             |          |
| 29       |                                     |                             |             |          |
| 30       |                                     |                             |             |          |
| 31       |                                     |                             |             |          |
| 32       |                                     |                             |             |          |
| 33       |                                     |                             |             |          |
| 34       |                                     |                             |             |          |
| 35       |                                     |                             |             |          |
| 36       |                                     |                             |             |          |
| 37       |                                     |                             |             |          |
| 38       |                                     |                             |             |          |
| 39       |                                     |                             |             |          |
| 40       |                                     |                             |             |          |
| 41       |                                     |                             |             |          |
| 42       |                                     |                             |             |          |
| 43       |                                     |                             |             |          |
| 44       |                                     |                             |             |          |
| 45       |                                     |                             |             |          |
| 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-1.2E  
PAGE 1 of 2  
Witness Responsible: M.A. Miller

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

| Line No. | Description                                | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|--|-----------------------------|-------------|----------|
| 2        | Operating Revenues                         | \$85,428                    | \$0         | \$85,428 |
| 3        | Operating Expenses                         |                             |             |          |
| 4        | Operation & Maintenance Expenses           | 74,582                      | 0           | 74,582   |
| 5        | Depreciation & Amortization                | 0                           | 0           | 0        |
| 6        | Taxes other than Income                    | 2,745                       | 0           | 2,745    |
| 7        | State Income Taxes - Current               | 0                           | 0           | 0        |
| 8        | Federal Income Taxes                       | 0                           | 0           | 0        |
| 9        | Total Operating Expenses before SIT        | 77,337                      | 0           | 77,337   |
| 10       | Operating Income before State Income Taxes | 8,091                       | 0           | 8,091    |
| 11       | Reconciling Items:                         |                             |             |          |
| 12       | Interest Charges                           | (6,226)                     | 0           | (6,226)  |
| 13       | Permanent differences                      | 0                           | 0           | 0        |
| 14       | Taxable meals/lobbying                     | 0                           | 0           | 0        |
| 15       | Nondeductible contributions                | 0                           | 0           | 0        |
| 16       | Medicare Subsidy                           | 0                           | 0           | 0        |
| 17       | Book Depreciation                          | 8,627                       | 0           | 8,627    |
| 18       | Tax Depreciation                           | (7,722)                     | 0           | (7,722)  |
| 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                    | 905                         | 0           | 905      |
| 38       | State Taxable Income                       | 2,770                       | 0           | 2,770    |
| 39       | State Income Tax Rate                      | 6.00%                       | 6.00%       | 6.00%    |
| 40       | State Income Tax Liability                 | 158                         | 0           | 158      |
| 41       | State Income Taxes - Current               | 158                         | 185         | 158      |
| 42       | Less: Prior Year Adjustment                | (627)                       | \$185       | 0        |
| 43       |  |                             | \$185       | \$185    |

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 X\_ UPDATED \_\_\_\_\_ REVISED \_\_\_\_\_  
WORKPAPER REFERENCE NO(S): W/P-6

| Line No. | Description                        | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|------------------------------------|-----------------------------|-------------|----------|
| 1        |                                    |                             |             |          |
| 2        |                                    |                             |             |          |
| 3        |                                    |                             |             |          |
| 4        | Deferred State Income Taxes:       |                             |             |          |
| 5        | Def SIT Regulatory Asset/Liability | 537                         | 0           | 37       |
| 6        | Def SIT Other                      | 878                         | 0           | 878      |
| 7        | Def SIT Prior Year Adj             | 168                         | (168)       | 0        |
| 8        | Amort Deferred ITC                 | 1,083                       | (168)       | 915      |
| 9        |                                    | 0                           | 0           | 0        |
| 10       | Total Deferred State Income Taxes  | \$1,083                     | (169)       | 915      |
| 11       |                                    |                             |             |          |
| 12       | Total State Income Taxes           | \$1,056                     | 17          | 1,073    |
| 13       |                                    |                             |             |          |
| 14       |                                    |                             |             |          |
| 15       |                                    |                             |             |          |
| 16       |                                    |                             |             |          |
| 17       |                                    |                             |             |          |
| 18       |                                    |                             |             |          |
| 19       |                                    |                             |             |          |
| 20       |                                    |                             |             |          |
| 21       |                                    |                             |             |          |
| 22       |                                    |                             |             |          |
| 23       |                                    |                             |             |          |
| 24       |                                    |                             |             |          |
| 25       |                                    |                             |             |          |
| 26       |                                    |                             |             |          |
| 27       |                                    |                             |             |          |
| 28       |                                    |                             |             |          |
| 29       |                                    |                             |             |          |
| 30       |                                    |                             |             |          |
| 31       |                                    |                             |             |          |
| 32       |                                    |                             |             |          |
| 33       |                                    |                             |             |          |
| 34       |                                    |                             |             |          |
| 35       |                                    |                             |             |          |
| 36       |                                    |                             |             |          |
| 37       |                                    |                             |             |          |
| 38       |                                    |                             |             |          |
| 39       |                                    |                             |             |          |
| 40       |                                    |                             |             |          |
| 41       |                                    |                             |             |          |
| 42       |                                    |                             |             |          |
| 43       |                                    |                             |             |          |
| 44       |                                    |                             |             |          |
| 45       |                                    |                             |             |          |
| 46       |                                    |                             |             |          |
| 47       |                                    |                             |             |          |
| 48       |                                    |                             |             |          |
| 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-1.10  
PAGE 1 of 2  
Witness Responsible: M.A. Miller

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

| Line No. | Description                                  | At Current Rates Unadjusted | Adjustments | Adjusted  |
|----------|--|-----------------------------|-------------|-----------|
| 2        | Operating Revenues                           | \$903,590                   | \$0         | \$903,590 |
| 3        | Operating Expenses                           |                             |             |           |
| 4        | Operation & Maintenance Expenses             | 501,789                     |             | 501,789   |
| 5        | Depreciation & Amortization                  | 100,767                     |             | 100,767   |
| 6        | Taxes other than Income                      | 27,395                      |             | 27,395    |
| 7        | State Income Taxes - Current                 | 10,712                      |             | 10,712    |
| 8        | Federal Income Taxes                         |                             |             |           |
| 9        | Total Operating Expenses before FIT          | 640,663                     |             | 640,663   |
| 10       | Operating Income before Federal Income Taxes | 262,927                     |             | 262,927   |
| 11       | Reconciling Items:                           |                             |             |           |
| 12       | Interest Charges                             | (95,656)                    |             | (95,656)  |
| 13       | Permanent Differences                        |                             |             |           |
| 14       | Taxable meals/lobbying                       | 0                           |             | 0         |
| 15       | Nondeductible donations                      | 0                           |             | 0         |
| 16       | Medicare Subsidy                             | 0                           |             | 0         |
| 17       | Book Depreciation                            | 100,767                     |             | 100,767   |
| 18       | Tax Depreciation                             | (90,562)                    |             | (90,562)  |
| 19       | Reserved                                     | 0                           |             | 0         |
| 20       | Reserved                                     | 0                           |             | 0         |
| 21       | Reserved                                     | 0                           |             | 0         |
| 22       | Reserved                                     | 0                           |             | 0         |
| 23       | Reserved                                     | 0                           |             | 0         |
| 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       | Total Reconciling Items                      | 10,205                      |             | 10,205    |
| 38       | Federal Taxable Income                       | 177,476                     |             | 177,476   |
| 39       | Federal Income Tax Rate                      | 35.00%                      |             | 35.00%    |
| 40       | Federal Income Tax Liability                 | 62,117                      |             | 62,117    |
| 41       | Adjustment of Prior Year                     | 19,708                      |             | 19,708    |
| 42       | Federal Income Taxes - Current               | \$81,825                    |             | \$81,825  |
| 43       |  |                             |             |           |
| 44       |  |                             |             |           |
| 45       |  |                             |             |           |
| 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  
OWENTON

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

DATA: \_\_X\_\_ BASE PERIOD \_\_  
TYPE OF FILING: \_\_ORIGINAL\_\_ X\_\_ UPDATED \_\_  
WORKPAPER REFERENCE NO(S): W/P-6

| Line No. | Description                         | At Current Rates Unadjusted | Adjustments | Adjusted  |
|----------|-------------------------------------|-----------------------------|-------------|-----------|
| 1        |                                     |                             |             |           |
| 2        |                                     |                             |             |           |
| 3        |                                     |                             |             |           |
| 4        | Deferred Income Taxes:              |                             |             |           |
| 5        | Def FIT Regulatory Asset/Liability  | \$3,507                     | 50          | \$3,507   |
| 6        | Def FIT Other                       | 62,976                      | 0           | 62,976    |
| 7        | Def FIT Prior Year Adj              | (21,955)                    | 21,955      | 0         |
| 8        | Amort Deferred ITC                  | 44,528                      | 21,955      | 66,483    |
| 9        |                                     | 0                           | 0           | 0         |
| 10       | Total Deferred Federal Income Taxes | \$44,528                    | \$21,955    | \$66,483  |
| 11       |                                     |                             |             |           |
| 12       | Total Federal Income Taxes          | \$125,353                   | \$2,247     | \$128,600 |
| 13       |                                     |                             |             |           |
| 14       |                                     |                             |             |           |
| 15       |                                     |                             |             |           |
| 16       |                                     |                             |             |           |
| 17       |                                     |                             |             |           |
| 18       |                                     |                             |             |           |
| 19       |                                     |                             |             |           |
| 20       |                                     |                             |             |           |
| 21       |                                     |                             |             |           |
| 22       |                                     |                             |             |           |
| 23       |                                     |                             |             |           |
| 24       |                                     |                             |             |           |
| 25       |                                     |                             |             |           |
| 26       |                                     |                             |             |           |
| 27       |                                     |                             |             |           |
| 28       |                                     |                             |             |           |
| 29       |                                     |                             |             |           |
| 30       |                                     |                             |             |           |
| 31       |                                     |                             |             |           |
| 32       |                                     |                             |             |           |
| 33       |                                     |                             |             |           |
| 34       |                                     |                             |             |           |
| 35       |                                     |                             |             |           |
| 36       |                                     |                             |             |           |
| 37       |                                     |                             |             |           |
| 38       |                                     |                             |             |           |
| 39       |                                     |                             |             |           |
| 40       |                                     |                             |             |           |
| 41       |                                     |                             |             |           |
| 42       |                                     |                             |             |           |
| 43       |                                     |                             |             |           |
| 44       |                                     |                             |             |           |
| 45       |                                     |                             |             |           |
| 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  
OWENTON

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

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

| Line No. | Description                                | At Current Rates Unadjusted | Adjustments | Adjusted  |
|----------|--|-----------------------------|-------------|-----------|
| 2        | Operating Revenues                         | \$903,590                   | \$0         | \$903,590 |
| 3        | Operating Expenses                         |                             |             |           |
| 4        | Operation & Maintenance Expenses           | 501,789                     |             | 501,789   |
| 5        | Depreciation & Amortization                | 100,767                     |             | 100,767   |
| 6        | Taxes other than Income                    | 27,395                      |             | 27,395    |
| 7        | State Income Taxes - Current               | 0                           |             | 0         |
| 8        | Federal Income Taxes                       | 0                           |             | 0         |
| 9        | Total Operating Expenses before SIT        | 629,951                     |             | 629,951   |
| 10       | Operating Income before State Income Taxes | 273,639                     |             | 273,639   |
| 11       | Reconciling Items:                         |                             |             |           |
| 12       | Interest Charges                           | (95,656)                    |             | (95,656)  |
| 13       | Permanent Differences                      |                             |             |           |
| 14       | Taxable meals/robbery                      | 0                           |             | 0         |
| 15       | Nondeductible donations                    | 0                           |             | 0         |
| 16       | Medicare Subsidy                           | 0                           |             | 0         |
| 17       | Book Depreciation                          | 0                           |             | 0         |
| 18       | Tax Depreciation                           | 100,767                     |             | 100,767   |
| 19       | Reserved                                   | (90,562)                    |             | (90,562)  |
| 20       | Reserved                                   | 0                           |             | 0         |
| 21       | Reserved                                   | 0                           |             | 0         |
| 22       | Reserved                                   | 0                           |             | 0         |
| 23       | Reserved                                   | 0                           |             | 0         |
| 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                    | 10,205                      |             | 10,205    |
| 39       | State Taxable Income                       | 188,188                     |             | 188,188   |
| 40       | State Income Tax Rate                      | 6.00%                       |             | 6.00%     |
| 41       | State Income Tax Liability                 | 10,712                      |             | 10,712    |
| 42       | State Income Taxes - Current               | 10,712                      |             | 10,712    |
| 43       | Less: Prior Year Adjustment                | (2,836)                     |             | (2,836)   |
| 44       |  | \$7,876                     |             | \$7,876   |
| 45       |  |                             |             |           |
| 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  
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 \_\_\_ REVISED  
WORKPAPER REFERENCE NO(S): WP-6

| Line No. | Description                        | At Current Rates Unadjusted | Adjustments | Adjusted |
|----------|------------------------------------|-----------------------------|-------------|----------|
| 1        |                                    |                             |             |          |
| 2        |                                    |                             |             |          |
| 3        |                                    |                             |             |          |
| 4        | Deferred State Income Taxes:       |                             |             |          |
| 5        | Def SIT Regulatory Asset/Liability | \$565                       | 0           | 565      |
| 6        | Def SIT Other                      | 13,496                      | 0           | 13,496   |
| 7        | Def SIT Prior Year Adj             | 2,574                       | (2,574)     | 0        |
| 8        | Amort Deferred ITC                 | 16,635                      | (2,574)     | 14,061   |
| 9        |                                    | 0                           | 0           | 0        |
| 10       |                                    |                             |             |          |
| 11       | Total Deferred State Income Taxes  | \$16,635                    | (2,574)     | 14,061   |
| 12       |                                    |                             |             |          |
| 13       | Total State Income Taxes           | \$24,511                    | 262         | 24,773   |
| 14       |                                    |                             |             |          |
| 15       |                                    |                             |             |          |
| 16       |                                    |                             |             |          |
| 17       |                                    |                             |             |          |
| 18       |                                    |                             |             |          |
| 19       |                                    |                             |             |          |
| 20       |                                    |                             |             |          |
| 21       |                                    |                             |             |          |
| 22       |                                    |                             |             |          |
| 23       |                                    |                             |             |          |
| 24       |                                    |                             |             |          |
| 25       |                                    |                             |             |          |
| 26       |                                    |                             |             |          |
| 27       |                                    |                             |             |          |
| 28       |                                    |                             |             |          |
| 29       |                                    |                             |             |          |
| 30       |                                    |                             |             |          |
| 31       |                                    |                             |             |          |
| 32       |                                    |                             |             |          |
| 33       |                                    |                             |             |          |
| 34       |                                    |                             |             |          |
| 35       |                                    |                             |             |          |
| 36       |                                    |                             |             |          |
| 37       |                                    |                             |             |          |
| 38       |                                    |                             |             |          |
| 39       |                                    |                             |             |          |
| 40       |                                    |                             |             |          |
| 41       |                                    |                             |             |          |
| 42       |                                    |                             |             |          |
| 43       |                                    |                             |             |          |
| 44       |                                    |                             |             |          |
| 45       |                                    |                             |             |          |
| 46       |                                    |                             |             |          |
| 47       |                                    |                             |             |          |
| 48       |                                    |                             |             |          |
| 49       |                                    |                             |             |          |
| 50       |                                    |                             |             |          |