

CASE NO. 2013-00237
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO COMMISSION STAFF'S FIRST INFORMATION REQUEST

24. Provide a calculation of federal and state income tax expense, including a reconciliation of book to taxable income for 2011 and 2012 in the format provided in Schedule 24.

Response: Enclosed please find 12/31/11 calculations of federal and state income tax expense as well as book to tax reconciliations. Please note that the Company only calculates taxes once a year at year end. A 2012 tax return has not been prepared or filed yet. We will provide the 12/31/12 tax calculations as soon as they become available.

These documents are bate-stamped as WSCK_R_PSCDR1_No 24 (Federal) 000001 through WSCK_R_PSCDR1_No 24 (Federal) 000002 and WSCK_R_PSCDR1_No 24 (State) 000001 through WSCK_R_PSCDR1_No 24 (State) 000002.

Witness – Lowell Yap.

Water Service Corporation of Kentucky
Case No. 2013-00237
Adjusted Jurisdictional Federal Income Taxes
For the 12 Months Ended 12/31/11

Schedule 24
Page 1 of 1
Witness Responsible:
Lowell Yap

Line No	Description	At Current Rates			At Proposed Rates	
		Unadjusted	Schedule 49 Adjustments	Adjusted	Adjustments	Adjusted
		(1)	(2)	(3)	(4)	(5)
					**	**
1	Operating Income Before Income Taxes	\$ 103,881	\$ -	\$ 103,881		
2	Reconciliation Items:	-	-	-		
3	Interest Charges	-	-	-		
4	Tax Accelerated Depreciation	(436,777)	-	(436,777)		
5	Book Depreciation	282,706	-	282,706		
6	Excess of Tax Over Book Depreciation	(154,071)	-	(154,071)		
7	Other Reconciling Items (Specify and List)	(78,799)	-	(78,799)		
8	Total Reconciling Items	(232,870)	-	(232,870)		
9	Taxable Income	336,751	-	336,751		
10	Income Tax Rates:					
11	Federal: 34%	114,495	-	114,495		
12	State: 6.9%	-	-	-		
13	Federal (State) Income Tax Liability	114,495	-	114,495		
14	Investment Tax Credits	-	-	-		
15	Federal (State) Income Tax - Current	114,495	-	114,495		
16	Deferred Income Taxes:					
17	Tax Accelerated Depreciation	(436,777)	-	(436,777)		
18	Tax Straight Line Depreciation	282,706	-	282,706		
19	Excess of Accelerate Over Straight Line Depreciation	719,483	-	719,483		
20	Deferred Income Tax	227,501	-	227,501		
21	Amortization of Prior Years Deferred Income Taxes	-	-	-		
22	Net Deferred Income Taxes Resulting From Depreciation	-	-	-		
23	Investment Tax Credit Deferred	-	-	-		
24	Amortization of Prior Year ITC	-	-	-		
25	Investment Tax Credit - Net	-	-	-		
26	Other Tax Deferrals (Specify and List)	23,759	-	23,759		
27	Total Deferred Income Taxes	251,260	-	251,260		
28	Total Federal (State) Income Taxes	365,755	-	365,755		

** Please note: the effect on federal and state taxes of the proposed rate increase is provided in DR 1 item 3, w/p g - income tax.

**WATER SERVICE CORPORATION OF KENTUCKY
 FIRST DATA REQUEST OF COMMISSION STAFF
 RESPONSE TO ITEM (24)**

Federal Taxes

State Taxes

Line (7), Other Reconciling Items:

Additional Interest under 263A	2	2
Rev book debt portioin of AFUDC	(1)	(1)
Def. Maint. C/Y Amortization	6,975	6,975
Def. Rate Case C/Y Additions	(135,036)	(135,036)
Def. Rate Case C/Y Amortization	61,404	61,404
Organization Expense-Amortization	2,562	2,562
Bad Debt	(11,046)	(11,046)
Amortization of PAA	(3,660)	(3,660)
Total	<u>(78,799)</u>	<u>(78,799)</u>

Line (26), Other Tax Deferrals:

Net change in Deferred Maintenance - CY	-	0
Turnaround Of Pr Yr's Def Maint	(2,206)	(488)
Net change in rate case - CY	42,698	9,453
Turnaround Of Pr Yr's Rate Case	(19,416)	(4,298)
Organization expense - amortization	(810)	(179)
Net Change Bad debt CY	3,493	773
Total	<u>23,759</u>	<u>5,261</u>

Water Service Corporation of Kentucky
Case No. 2013-00237
Adjusted Jurisdictional State Income Taxes
For the 12 Months Ended 12/31/11

Schedule 24
Page 1 of 1
Witness Responsible:
Lowell Yap

Line No	Description	At Current Rates			At Proposed Rates	
		Unadjusted	Schedule 49 Adjustments	Adjusted	Adjustments	Adjusted
		(1)	(2)	(3)	(4)	(5)
					**	**
1	Operating Income Before Income Taxes	\$ 103,881	\$ -	\$ 103,881		
2	Reconciliation Items:	-	-	-		
3	Interest Charges	-	-	-		
4	Tax Accelerated Depreciation	(436,777)	-	(436,777)		
5	Book Depreciation	282,706	-	282,706		
6	Excess of Tax Over Book Depreciation	(154,071)	-	(154,071)		
7	Other Reconciling Items (Specify and List)	(78,799)	-	(78,799)		
8	Total Reconciling Items	(232,870)	-	(232,870)		
9	Taxable Income	336,751	-	336,751		
10	Income Tax Rates:					
11	Federal: 34%	-	-	-		
12	State: 7%	-	-	-		
13	Federal (State) Income Tax Liability	-	-	-		
14	Investment Tax Credits	-	-	-		
15	Federal (State) Income Tax - Current	-	-	-		
16	Deferred Income Taxes:					
17	Tax Accelerated Depreciation	(436,777)	-	(436,777)		
18	Tax Straight Line Depreciation	282,706	-	282,706		
19	Excess of Accelerate Over Straight Line Depreciation	(154,071)	-	(154,071)		
20	Deferred Income Tax	11,041	-	11,041		
21	Amortization of Prior Years Deferred Income Taxes	-	-	-		
22	Net Deferred Income Taxes Resulting From Depreciation	-	-	-		
23	Investment Tax Credit Deferred	-	-	-		
24	Amortization of Prior Year ITC	-	-	-		
25	Investment Tax Credit - Net	-	-	-		
26	Other Tax Deferrals (Specify and List)	5,261	-	5,261		
27	Total Deferred Income Taxes	16,302	-	16,302		
28	Total Federal (State) Income Taxes	16,302	-	16,302		

** Please note: the effect on federal and state taxes of the proposed rate increase is provided in DR 1 item 3, w/p g - income tax.

**WATER SERVICE CORPORATION OF KENTUCKY
 FIRST DATA REQUEST OF COMMISSION STAFF
 RESPONSE TO ITEM (24)**

	<u>Federal Taxes</u>	<u>State Taxes</u>
Line (7), Other Reconciling Items:		
Additional Interest under 263A	2	2
Rev book debt portioin of AFUDC	(1)	(1)
Def. Maint. C/Y Amortization	6,975	6,975
Def. Rate Case C/Y Additions	(135,036)	(135,036)
Def. Rate Case C/Y Amortization	61,404	61,404
Organization Expense-Amortization	2,562	2,562
Bad Debt	(11,046)	(11,046)
Amortization of PAA	(3,660)	(3,660)
Total	<u>(78,799)</u>	<u>(78,799)</u>

Line (26), Other Tax Deferrals:

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Turnaround Of Pr Yr's Def Maint	(2,206)	(488)
Net change in rate case - CY	42,698	9,453
Turnaround Of Pr Yr's Rate Case	(19,416)	(4,298)
Organization expense - amortization	(810)	(179)
Net Change Bad debt CY	3,493	773
Total	<u>23,759</u>	<u>5,261</u>