

ILLINOIS-AMERICAN WATER COMPANY
Docket No. _____
Calculation of Federal and State Income Taxes at Present Rates
Period Reported: July 2008 through June 2009

Section 285.3035
Schedule C-5
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Witness Responsible: Ed Grubb

Exhibit No. 17.00
Total Company
Workpaper Reference: WP-C-2.5

Line No.	Description	Test Year	Adjustment		Present Rates
		Jun-2009			
1	Federal income tax	\$ 685,989	\$ 1,846,011		\$ 2,532,000
2	State income tax	\$ 98,273	\$ 223,727		\$ 322,000
3			at Present Rates		
4			Federal	State	
5	Utility operating income		\$ 24,437,272	\$ 24,437,272	
6	Deduct:				
7	Interest costs*		16,954,687	16,954,687	
8	Add:				
9	Federal income tax		2,532,000	2,532,000	
10	State income tax		-	322,000	
11	Deferred federal income tax - accelerated depreciation		701,438	701,438	
12	Deferred state income tax - accelerated depreciation		228,435	228,435	
13	Deferred federal income tax - other		455,535	455,535	
14	Deferred state income tax - other		58,715	58,715	
15	Taxable meals and travel expenses		55,376	55,376	
16	Pension expense - FAS 87		-	-	
17	Amortization of programmed maintenance expense		-	-	
18	Amortization of investment tax credit		(185,309)	(185,309)	
19	Amortization of state investment tax credit		-	(34,703)	
20	Amortization of AFUDC Reg Asset Def Security, Streator Def R/O		-	-	
	xxxxxxxxxxxxxx		-	-	
21	Depreciation - book basis		31,525,165	31,525,165	
22	Deferred State ITC		-	-	
23	Amortization of regulatory expense		-	-	
	xxxxxxxxxxxxxx		-	-	
			35,371,355	35,658,652	
24	Deduct:				
25	Depreciation - tax basis		35,613,870	35,613,870	
26	Balance		7,240,070	7,527,367	
27	Less: Cost of Removal and proceeds adjustment for ADR/ACRS/MACRS property		-	-	
28	Less: Programmed maintenance expense		-	-	
29	Less: Deferred security costs		-	-	
30	Less: Property Losses		-	-	
31	Less: Pension ERISA		-	-	
32	Taxable income		<u>\$ 7,240,070</u>	<u>\$ 7,527,367</u>	
33	<u>Tax Calculation</u>				
34	Taxable income for state income tax			\$ 7,527,367	
35	State income tax at 58.48% of 7.3%**			\$ 322,000	
36	Subtotal			322,000	
37	Less: Deferred State ITC			-	
38	Federal income tax at 35%		<u>\$ 2,533,000</u>		
39	Federal and state income tax		<u>\$ 2,532,000</u>	<u>\$ 322,000</u>	

40 * Rate base x weighted cost of debt.

41 ** Developed by using a five year average of actual taxable income to stand-alone taxable income.

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Exhibit No. 17.00
Southern/Peoria/Streator/Pontiac/South Beloit
Workpaper Reference: WP-C-2.5

Line No.	Description	Test Year	Adjustment		Present Rates
		Jun-2009			
1	Federal income tax	\$ 384,168	\$ 1,066,832		\$ 1,451,000
2	State income tax	\$ 55,035	\$ 128,965		\$ 184,000
3			at Present Rates		
4			Federal	State	
5	Utility operating income		\$ 12,892,744	\$ 12,892,744	
6	Deduct:				
7	Interest costs*		8,941,877	8,941,877	
8	Add:				
9	Federal income tax		1,451,000	1,451,000	
10	State income tax		-	184,000	
11	Deferred federal income tax - accelerated depreciation		412,969	412,969	
12	Deferred state income tax - accelerated depreciation		134,490	134,490	
13	Deferred federal income tax - other		255,109	255,109	
14	Deferred state income tax - other		32,882	32,882	
15	Taxable meals and travel expenses		34,881	34,881	
16	Pension expense - FAS 87		-	-	
17	Amortization of programmed maintenance expense		-	-	
18	Amortization of investment tax credit		(103,777)	(103,777)	
19	Amortization of state investment tax credit		-	(19,435)	
20	Amortization of AFUDC Reg Asset Def Security, Streator Def R/O		-	-	
	xxxxxxxxxxxxxx		-	-	
21	Depreciation - book basis		16,941,833	16,941,833	
22	Deferred State ITC		-	-	
23	Amortization of regulatory expense		-	-	
	xxxxxxxxxxxxxx		-	-	
			19,159,387	19,323,952	
24	Deduct:				
25	Depreciation - tax basis		18,959,951	18,959,951	
26	Balance		4,150,303	4,314,868	
27	Less: Cost of Removal and proceeds adjustment for ADR/ACRS/MACRS property		-	-	
28	Less: Programmed maintenance expense		-	-	
29	Less: Deferred security costs		-	-	
30	Less: Property losses		-	-	
31	Less: Pension ERISA		-	-	
32	Taxable income		<u>\$ 4,150,303</u>	<u>\$ 4,314,868</u>	
33	<u>Tax Calculation</u>				
34	Taxable income for state income tax			\$ 4,314,868	
35	State income tax at 58.48% of 7.3%**			<u>184,000</u>	
36	Subtotal			184,000	
37	Less: Deferred State ITC			<u>-</u>	
38	Federal income tax at 35%		<u>\$ 1,452,000</u>		
39	Federal and state income tax		<u>\$ 1,451,000</u>	<u>\$ 184,000</u>	

40 * Rate base x weighted cost of debt.

41 ** Developed by using a five year average of actual taxable income to stand-alone taxable income.

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Docket No. _____
Calculation of Federal and State Income Taxes at Present Rates
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Exhibit No. 17.00
Chicago Metro - Water
Workpaper Reference: WP-C-2.5

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Line No.	Description	Test Year	Adjustment		Present Rates
		Jun-2009			
1	Federal income tax	\$ 72,958	\$ 1,250,042		\$ 1,323,000
2	State income tax	\$ 10,452	\$ 158,548		\$ 169,000
3			at Present Rates		
4			Federal	State	
5	Utility operating income		\$ 5,428,945	\$ 5,428,945	
6	Deduct:				
7	Interest costs*		2,502,030	2,502,030	
8	Add:				
9	Federal income tax		1,323,000	1,323,000	
10	State income tax			169,000	
11	Deferred federal income tax - accelerated depreciation		144,687	144,687	
12	Deferred state income tax - accelerated depreciation		47,120	47,120	
13	Deferred federal income tax - other		48,448	48,448	
14	Deferred state income tax - other		6,245	6,245	
15	Taxable meals and travel expenses		10,861	10,861	
16	Pension expense - FAS 87		-	-	
17	Amortization of programmed maintenance expense		-	-	
18	Amortization of investment tax credit		(19,708)	(19,708)	
19	Amortization of state investment tax credit		-	(3,691)	
20	Amortization of AFUDC Reg Asset Def Security, Streator Def R/O		-	-	
	xxxxxxxxxxxxxx		-	-	
21	Depreciation - book basis		4,623,628	4,623,628	
22	Deferred State ITC		-	-	
23	Amortization of regulatory expense		-	-	
	xxxxxxxxxxxxxx		-	-	
			6,184,281	6,349,590	
24	Deduct:				
25	Depreciation - tax basis		5,330,692	5,330,692	
26	Balance		3,780,504	3,945,813	
27	Less: Cost of Removal and proceeds adjustment for ADR/ACRS/MACRS property		-	-	
28	Less: Programmed maintenance expense		-	-	
29	Less: Deferred security costs		-	-	
30	Less: Property losses		-	-	
31	Less: Pension ERISA		-	-	
32	Taxable income		\$ 3,780,504	\$ 3,945,813	
33	<u>Tax Calculation</u>				
34	Taxable income for state income tax			\$ 3,945,813	
35	State income tax at 58.48% of 7.3%**			169,000	
36	Subtotal			169,000	
37	Less: Deferred State ITC			-	
38	Federal income tax at 35%		\$ 1,323,000		
39	Federal and state income tax		\$ 1,323,000	\$ 169,000	

40 * Rate base x weighted cost of debt.

41 ** Developed by using a five year average of actual taxable income to stand-alone taxable income.

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Calculation of Federal and State Income Taxes at Present Rates
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Exhibit No. 17.00
Chicago Metro - Waste Water
Workpaper Reference: WP-C-2.5

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Witness Responsible: Ed Grubb

Line No.	Description	Test Year	Adjustment		Present Rates
		Jun-2009			
1	Federal income tax	\$ 35,835	\$ 1,084,165		\$ 1,120,000
2	State income tax	\$ 5,134	\$ 137,866		\$ 143,000
3			at Present Rates		
4			Federal	State	
5	Utility operating income		\$ 3,627,492	\$ 3,627,492	
6	Deduct:				
7	Interest costs*		1,235,852	1,235,852	
8	Add:				
9	Federal income tax		1,120,000	1,120,000	
10	State income tax			143,000	
11	Deferred federal income tax - accelerated depreciation		91,774	91,774	
12	Deferred state income tax - accelerated depreciation		29,888	29,888	
13	Deferred federal income tax - other		23,796	23,796	
14	Deferred state income tax - other		3,067	3,067	
15	Taxable meals and travel expenses		114	114	
16	Pension expense - FAS 87		-	-	
17	Amortization of programmed maintenance expense		-	-	
18	Amortization of investment tax credit		(9,680)	(9,680)	
19	Amortization of state investment tax credit		-	(1,813)	
20	Amortization of AFUDC Reg Asset Def Security, Streator Def R/O		-	-	
	xxxxxxxxxxxxxx		-	-	
21	Depreciation - book basis		2,868,258	2,868,258	
22	Deferred State ITC		-	-	
23	Amortization of regulatory expense		-	-	
	xxxxxxxxxxxxxx		-	-	
			4,127,217	4,268,404	
24	Deduct:				
25	Depreciation - tax basis		3,316,746	3,316,746	
26	Balance		3,202,111	3,343,298	
27	Less: Cost of Removal and proceeds adjustment for ADR/ACRS/MACRS property		-	-	
28	Less: Programmed maintenance expense		-	-	
29	Less: Deferred security costs		-	-	
30	Less: Property losses		-	-	
31	Less: Pension ERISA		-	-	
32	Taxable income		\$ 3,202,111	\$ 3,343,298	
33	<u>Tax Calculation</u>				
34	Taxable income for state income tax			\$ 3,343,298	
35	State income tax at 58.48% of 7.3%**			143,000	
36	Subtotal			143,000	
37	Less: Deferred State ITC			-	
38	Federal income tax at 35%		\$ 1,120,000		
39	Federal and state income tax		\$ 1,120,000	\$ 143,000	

40 * Rate base x weighted cost of debt.

41 ** Developed by using a five year average of actual taxable income to stand-alone taxable income.

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Exhibit No. 17.00
Champaign
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Line No.	Description	Test Year	Adjustment		Present Rates
		Jun-2009			
1	Federal income tax	\$ 128,868	\$(1,651,868)		\$(1,523,000)
2	State income tax	\$ 18,461	\$(212,461)		\$(194,000)
3			at Present Rates		
4			Federal	State	
5	Utility operating income		\$ 892,030	\$ 892,030	
6	Deduct:				
7	Interest costs*		3,127,286	3,127,286	
8	Add:				
9	Federal income tax		(1,523,000)	(1,523,000)	
10	State income tax		-	(194,000)	
11	Deferred federal income tax - accelerated depreciation		-	-	
12	Deferred state income tax - accelerated depreciation		-	-	
13	Deferred federal income tax - other		85,576	85,576	
14	Deferred state income tax - other		11,030	11,030	
15	Taxable meals and travel expenses		6,933	6,933	
16	Pension expense - FAS 87		-	-	
17	Amortization of programmed maintenance expense		-	-	
18	Amortization of investment tax credit		(34,812)	(34,812)	
19	Amortization of state investment tax credit		-	(6,519)	
20	Amortization of AFUDC Reg Asset Def Security, Streator Def R/O		-	-	
	xxxxxxxxxxxxxx		-	-	
21	Depreciation - book basis		4,732,960	4,732,960	
22	Deferred State ITC		-	-	
23	Amortization of regulatory expense		-	-	
	xxxxxxxxxxxxxx		-	-	
			3,278,687	3,078,168	
24	Deduct:				
25	Depreciation - tax basis		5,393,844	5,393,844	
26	Balance		(4,350,413)	(4,550,932)	
27	Less: Cost of Removal and proceeds adjustment for ADR/ACRS/MACRS property		-	-	
28	Less: Programmed maintenance expense		-	-	
29	Less: Deferred security costs		-	-	
30	Less: Property losses		-	-	
31	Less: Pension ERISA		-	-	
32	Taxable income		<u>\$ (4,350,413)</u>	<u>\$ (4,550,932)</u>	
33	<u>Tax Calculation</u>				
34	Taxable income for state income tax			\$ (4,550,932)	
35	State income tax at 58.48% of 7.3%**			<u>(194,000)</u>	
36	Subtotal			(194,000)	
37	Less: Deferred State ITC			-	
38	Federal income tax at 35%		<u>\$ (1,523,000)</u>		
39	Federal and state income tax		<u>\$ (1,523,000)</u>	<u>\$ (194,000)</u>	
40	* Rate base x weighted cost of debt.				
41	** Developed by using a five year average of actual taxable income to stand-alone taxable income.				

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Exhibit No. 17.00
Sterling
Workpaper Reference: WP-C-2.5

Line No.	Description	Test Year	Adjustment		Present Rates
		Jun-2009			
1	Federal income tax	\$ 15,798	\$ 22,202		\$ 38,000
2	State income tax	\$ 2,263	\$ 2,737		\$ 5,000
3			at Present Rates		
4			Federal	State	
5	Utility operating income		\$ 584,666	\$ 584,666	
6	Deduct:				
7	Interest costs*		461,293	461,293	
8	Add:				
9	Federal income tax		38,000	38,000	
10	State income tax		-	5,000	
11	Deferred federal income tax - accelerated depreciation		17,436	17,436	
12	Deferred state income tax - accelerated depreciation		5,678	5,678	
13	Deferred federal income tax - other		10,491	10,491	
14	Deferred state income tax - other		1,352	1,352	
15	Taxable meals and travel expenses		902	902	
16	Pension expense - FAS 87		-	-	
17	Amortization of programmed maintenance expense		-	-	
18	Amortization of investment tax credit		(4,268)	(4,268)	
19	Amortization of state investment tax credit		-	(799)	
20	Amortization of AFUDC Reg Asset Def Security, Streator Def R/O		-	-	
	xxxxxxxxxxxxxx		-	-	
21	Depreciation - book basis		712,197	712,197	
22	Deferred State ITC		-	-	
23	Amortization of regulatory expense		-	-	
	xxxxxxxxxxxxxx		-	-	
			781,788	785,989	
24	Deduct:				
25	Depreciation - tax basis		797,402	797,402	
26	Balance		107,759	111,960	
27	Less: Cost of Removal and proceeds adjustment for ADR/ACRS/MACRS property		-	-	
28	Less: Programmed maintenance expense		-	-	
29	Less: Deferred security costs		-	-	
30	Less: Property losses		-	-	
31	Less: Pension ERISA		-	-	
			\$ 107,759	\$ 111,960	
32	Taxable income				
33	<u>Tax Calculation</u>				
34	Taxable income for state income tax			\$ 111,960	
35	State income tax at 58.48% of 7.3%**			5,000	
36	Subtotal			5,000	
37	Less: Deferred State ITC			-	
38	Federal income tax at 35%		\$ 38,000		
39	Federal and state income tax		\$ 38,000	\$ 5,000	
40	* Rate base x weighted cost of debt.				
41	** Developed by using a five year average of actual taxable income to stand-alone taxable income.				

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Exhibit No. 17.00
Pekin
Workpaper Reference: WP-C-2.5

Line No.	Description	Test Year	Adjustment		Present Rates
		Jun-2009			
1	Federal income tax	\$ 34,399	\$ (80,399)		\$ (46,000)
2	State income tax	\$ 4,928	\$ (10,928)		\$ (6,000)
3			at Present Rates		
4			Federal	State	
5	Utility operating income		\$ 461,030	\$ 461,030	
6	Deduct:				
7	Interest costs*		490,128	490,128	
8	Add:				
9	Federal income tax		(46,000)	(46,000)	
10	State income tax		-	(6,000)	
11	Deferred federal income tax - accelerated depreciation		21,047	21,047	
12	Deferred state income tax - accelerated depreciation		6,854	6,854	
13	Deferred federal income tax - other		22,843	22,843	
14	Deferred state income tax - other		2,944	2,944	
15	Taxable meals and travel expenses		1,246	1,246	
16	Pension expense - FAS 87		-	-	
17	Amortization of programmed maintenance expense		-	-	
18	Amortization of investment tax credit		(9,292)	(9,292)	
19	Amortization of state investment tax credit		-	(1,740)	
20	Amortization of AFUDC Reg Asset Def Security, Streator Def R/O		-	-	
	xxxxxxxxxxxxxx		-	-	
21	Depreciation - book basis		1,038,379	1,038,379	
22	Deferred State ITC		-	-	
23	Amortization of regulatory expense		-	-	
	xxxxxxxxxxxxxx		-	-	
			1,038,021	1,030,281	
24	Deduct:				
25	Depreciation - tax basis		1,141,230	1,141,230	
26	Balance		(132,307)	(140,047)	
27	Less: Cost of Removal and proceeds adjustment for ADR/ACRS/MACRS property		-	-	
28	Less: Programmed maintenance expense		-	-	
29	Less: Deferred security costs		-	-	
30	Less: Property losses		-	-	
31	Less: Pension ERISA		-	-	
32	Taxable income		\$ (132,307)	\$ (140,047)	
33	<u>Tax Calculation</u>				
34	Taxable income for state income tax			\$ (140,047)	
35	State income tax at 58.48% of 7.3%**			(6,000)	
36	Subtotal			(6,000)	
37	Less: Deferred State ITC			-	
38	Federal income tax at 35%		\$ (46,000)		
39	Federal and state income tax		\$ (46,000)	\$ (6,000)	
40	* Rate base x weighted cost of debt.				
41	** Developed by using a five year average of actual taxable income to stand-alone taxable income.				

ILLINOIS-AMERICAN WATER COMPANY
Docket No. _____
Calculation of Federal and State Income Taxes at Present Rates
Period Reported: July 2008 through June 2009

Exhibit No. 17.00
Lincoln
Workpaper Reference: WP-C-2.5

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Witness Responsible: Ed Grubb

Line No.	Description	Test Year	Adjustment		Present Rates
		Jun-2009			
1	Federal income tax	\$ 13,963	\$ 155,037		\$ 169,000
2	State income tax	\$ 2,000	\$ 19,000		\$ 21,000
3			at Present Rates		
4			Federal	State	
5	Utility operating income		\$ 550,365	\$ 550,365	
6	Deduct:				
7	Interest costs*		196,221	196,221	
8	Add:				
9	Federal income tax		169,000	169,000	
10	State income tax		-	21,000	
11	Deferred federal income tax - accelerated depreciation		13,525	13,525	
12	Deferred state income tax - accelerated depreciation		4,405	4,405	
13	Deferred federal income tax - other		9,272	9,272	
14	Deferred state income tax - other		1,195	1,195	
15	Taxable meals and travel expenses		439	439	
16	Pension expense - FAS 87		-	-	
17	Amortization of programmed maintenance expense		-	-	
18	Amortization of investment tax credit		(3,772)	(3,772)	
19	Amortization of state investment tax credit		-	(706)	
20	Amortization of AFUDC Reg Asset Def Security, Streator Def R/O		-	-	
	xxxxxxxxxxxxxx		-	-	
21	Depreciation - book basis		607,911	607,911	
22	Deferred State ITC		-	-	
23	Amortization of regulatory expense		-	-	
	xxxxxxxxxxxxxx		-	-	
			801,975	822,269	
24	Deduct:				
25	Depreciation - tax basis		674,006	674,006	
26	Balance		482,113	502,407	
27	Less: Cost of Removal and proceeds adjustment for ADR/ACRS/MACRS property		-	-	
28	Less: Programmed maintenance expense		-	-	
29	Less: Deferred security costs		-	-	
30	Less: Property losses		-	-	
31	Less: Pension ERISA		-	-	
32	Taxable income		<u>\$ 482,113</u>	<u>\$ 502,407</u>	
33	<u>Tax Calculation</u>				
34	Taxable income for state income tax			\$ 502,407	
35	State income tax at 58.48% of 7.3%**			<u>21,000</u>	
36	Subtotal			21,000	
37	Less: Deferred State ITC			<u>-</u>	
38	Federal income tax at 35%		<u>\$ 169,000</u>		
39	Federal and state income tax		<u>\$ 169,000</u>	<u>\$ 21,000</u>	
40	* Rate base x weighted cost of debt.				
41	** Developed by using a five year average of actual taxable income to stand-alone taxable income.				