

- 1 **Q. In the same format as found in Note 8 to NP's 2014 Annual Audited Financial**
 2 **Statements, please complete a reconciliation between NP's combined 2015 and 2016**
 3 **income tax rate and the forecast 2015 and 2016 effective income tax rate. Please**
 4 **include 2014 actual information for comparative purposes.**
 5
 6 A. Table 1 provides a reconciliation of the combined statutory income tax rate to the
 7 Company's effective income tax rate for 2014, 2015 forecast and 2016 forecast.
 8
 9

Table 1
Income Tax Rate Reconciliation¹
2014, 2015F, and 2016F
(\$000s)

	2014	2015F	2016F
Earnings before income taxes per financial statements	\$ 48,635	\$ 48,023	\$ 46,144
Statutory tax rate	29.0%	29.0%	29.0%
Income taxes, at statutory rate	14,104	13,927	13,382
Items capitalized for accounting purposes but expensed for income tax purposes	(6,285)	(6,573)	(6,684)
Difference between capital cost allowance and depreciation and amortization expense	2,543	2,689	2,796
Other	433	191	166
Income tax expense	\$ 10,795	\$ 10,234	\$ 9,660
Effective income tax rate	22.2%	21.3%	20.9%

¹ For financial reporting purposes.

1 Table 2 provides a reconciliation of the income tax expense for financial statement
2 purposes to income tax expense for regulatory purposes.
3
4

Table 2
Income Tax Expense for Regulatory Purposes
2014, 2015F, and 2016F
(\$000s)

	2014	2015F	2016F
Income tax expense for financial reporting	\$ 10,795	\$ 10,234	\$ 9,660
Income taxes on cost of removal	4,594	4,863	5,091
Income taxes on non-regulated expenses	814	900	945
Income tax expense for regulatory purposes	\$ 16,203	\$ 15,997	\$ 15,696