Q. **Reference: On page 47 Grant Thornton explains the recalculation of income tax expense and indicates that income before tax was $53.422 million in 2013 and $56.030 million in 2014. Please explain the details on any tax sharing agreements that NP has with its ultimate parent Fortis, if any, and whether there is any impact on the actual amount of income tax paid.**

A. As noted on page 51, in 2013 Newfoundland Power recorded Part VI.1 tax transferred from Fortis Inc. For Newfoundland Power, Part VI.1 tax is considered a non-regulated item and is therefore not considered in setting customer rates.

The Income Tax Act imposes a Part VI.1 tax on dividends issued on preferred shares. The Part VI.1 tax rate is 40% of the dividends paid. The Income Tax Act also provides a deduction from taxable income equal to 3.5 times the amount of the tax paid. Where a Company has insufficient ordinary Part I tax liability to utilize the offsetting deduction, the tax liability under Part VI.1 may be transferred among taxable Canadian corporations related throughout the taxpayer's year.

We did not become aware of any additional tax sharing arrangements during the course of our review. We did not complete an assessment of the impact of the Part VI.1 tax on the actual amount of income tax paid.