

Tax Calculation using partial Normalization

Line No	(a) Description	(b) Regulated	(c) Allocator	(d) Intrastate	(e) Source
1					wp 04-059
2					
3					
4					
5	Operating Revenue	376,920	98.1%	369,937	Exhibit No. ___ (NWH-2)
6	Expenses	(458,607)	76.2%	(349,538)	Exhibit No. ___ (NWH-2)
7	EBIT (Earning Before Interest, Income Taxes)	(81,687)		20,399	Line 5 - Line 6
8					
9	Interest	(26,550)	75.3%	(19,987)	S3, Col. E Ln. 45
10	<u>Schedule M1 Additions</u>				
11	Book Depreciation	166,381	74.9%	124,692	wp 04-058
	Prior Depreciation Flow-through	3,283	77.1%	2,530	Schedule L4
12	Miscellaneous additions	1,196	77.6%	928	wp 04-057
13	Total Schedule M1 Additions	170,861		128,151	Line 5 - Line 6
14	<u>Schedule M1 Deductions</u>				
15	Tax Depreciation	(234,291)	74.9%	(175,586)	wp 04-058
16	Miscellaneous deductions	(3,322)	77.6%	(2,578)	wp 04-057
17	Total Schedule M1 Deductions	(237,613)		(178,164)	
18					
19	Taxable Income	(174,989)		(49,601)	Sum (lines 7+9+13+17)
20	Tax Rate	35.0%		35.0%	
21	Federal Income Tax-Current	(61,246)		(17,361)	Line 19* Line 20
22	Provision for Deferred Income Tax	23,768		17,813	wp 04-058
23	Net Income Tax before Adjustments	(37,478)		452	Line 21+22
24					
25	Adjustments to FIT	(528)	77.08%	(407)	S3, Line 51 Col (e)
26	Federal Income Tax Expense	(38,006)		45	Line 23+ Line 25
27					
28	Company Restated Income Tax Expense			660	L4, Line 29 Col (d)
29					
30	Staff Adjustment			(615)	Line 26 - Line 28
31					
32	<u>Reconciliation</u>				
33					
34	Reversal of prior depreciation Flowthrough			0	L4, Line 11, Col (d)
35	Reversal of Meals/Entertainment already included in M1 adjustments			(107)	L4, Line 12, Col (d)
36	M1 additions not included by Company			928	wp 04-057
37	M1 Deductions not included by Company			(2,578)	wp 04-057
38	Pre-tax adjustments			(1,757)	sum(Lines 32-35)
39	Tax Rate			35%	
40	Staff Adjustment			(615)	Line 36 * 37
41					

Footnote: The application of Interest Synchronization is not appropriate and the Company has revised the Staff schedule merely to correct for the known calculation errors.