

Gas Transmission Northwest Corporation

Docket No. RP06-
Statement H-3
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Federal and State Income Taxes - Lateral Systems
For the Twelve Months Ended March 31, 2006, As Adjusted

| Line No. | Particulars (a) | Total Lateral Systems (b) | Medford Lateral (c) | Coyote Springs Lateral (d) |
|-------------|---|------------------------------------|---------------------------|----------------------------------|
| | <u>Taxable Portion of Return</u> | \$ | \$ | \$ |
| 1 | Rate Base | 32,993,486 | 27,810,062 | 5,183,423 |
| 2 | Return on Rate Base @ 11.33% | 3,738,162 | 3,150,880 | 587,282 |
| 3 | Less: Interest Expense @ 2.20% | (725,857) | (611,821) | (114,035) |
| 4 | Taxable Portion of Return | 3,012,305 | 2,539,059 | 473,247 |
| 5 | <u>Adjustments for Tax Purposes</u> | | | |
| 6 | Non-Deductible Business Expenses | 243 | 196 | 47 |
| 7 | Depreciation Related to AFUDC on Equity | 120 | 97 | 23 |
| 8 | Total Tax Adjustments | 363 | 293 | 70 |
| 9 | <u>Income Taxes</u> | | | |
| 10 | Taxable Base | 3,012,668 | 2,539,352 | 473,317 |
| 11 | Taxable Income Before Income Taxes (Line 10 / (1 - 38.4617%)) | 4,895,599 | 4,126,457 | 769,142 |
| 12 | State Income Taxes @ 5.3257% | 260,725 | 219,763 | 40,962 |
| 13 | Taxable Net Income After State Income Taxes | 4,634,874 | 3,906,694 | 728,179 |
| 14 | Federal Income Tax @ 35% | 1,622,206 | 1,367,343 | 254,863 |
| 15 | Total Federal and State Income Taxes (Line 13 + Line 15) | 1,882,931 | 1,587,106 | 295,825 |