



# Montana-Dakota Utilities Co.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of Montana Electric Rate Schedule

Volume No. 5  
Original Sheet No. 42

### ELECTRIC TAX TRACKING ADJUSTMENT Rate 56

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**1. Applicability:**

This rate schedule sets forth the procedure to be used in calculating the Tax Tracking Adjustment in order to reflect: (a) changes in Montana-Dakota's Montana state and local taxes and fees, and (b) a true-up of taxes recovered to actual taxes paid. The tax adjustment shall be shown as a separate item on the bill.

**2. Effective Date:**

The Tax Tracking Adjustment shall be adjusted annually and the effective date of the Tax Tracking Adjustment shall be service rendered on and after January 1 each year.

**3. Tax Tracking Adjustment:**

- a. The Tax Tracking Adjustment shall reflect changes in Montana-Dakota's Montana state and local taxes and fees as compared to the base levels approved in its most recent general rate case. The difference to be included in the Tax Tracking Adjustment shall be net of income taxes.
- b. Base Tax – A base tax amount shall be established and updated in general rate cases for each rate schedule:
  - (1) The ratio of authorized Montana state and local taxes and fees, excluding tribal taxes, to the non-fuel revenues shall be determined.
  - (2) The ratio is applied to the total basic service charge, energy charge, and demand charge revenues for each rate schedule to derive the base tax amount for each rate schedule.
- c. Rates excluding taxes
  - (1) The authorized non-fuel revenue excluding base taxes (defined as base margin) is established by applying one minus the ratio derived in 3.b.(1) to the authorized non-fuel revenues by rate schedule.
  - (2) The percentage of base taxes to base margin is derived to establish the baseline tax recovery amounts included within the basic service charge,

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Director - Regulatory Affairs

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after October 1, 2023



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energy charge and demand charge by applying that percentage to each rate component of each rate schedule.

- d. The Tax Tracking Adjustment shall have two components and be computed as follows:

- (1) Rate Year Estimate- To recover changes in estimated tax expenses from the base tax level for the year in which the rates will apply (the "Rate Year"), actual tax expense for the prior year shall be used as a proxy for Rate Year taxes and compared to the tax expense projected to be recovered in the Rate Year. That difference (whether positive or negative), adjusted for income taxes, is the Rate Year estimate component.
- (2) Annual True-Up- To true-up each year's tax expense recovered to the actual tax expense for that year, the actual tax expense for the year prior to the Rate Year is compared to the tax expense recovered in the same year. That difference (whether positive or negative), adjusted for income taxes, is the Annual True-Up component.
- (3) The sum of amounts (positive or negative) in 3.d.(1) and 3.d.(2) above is divided by the base margin to derive the percent increase (decrease) in taxes.
- (4) The base tax percentage determined in 3.c.(2) and the tax adjustment percentage determined in 3.d.(3) are added to calculate the total percent of taxes.
- (5) The total percent of taxes is applied to the base margin, comprised of the basic service charge, energy charge, and demand charge billed to each customer, and shown separately on the customer bill.

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#### **4. Time and Manner of Filing:**

A filing shall be made on or before November 30 of each year to modify the Tax Tracker Adjustment for the subsequent year. That filing shall be accompanied by the detailed computations which clearly show the derivation of the relevant amounts.

#### **5. Tax Tracking Adjustment:**

Base	12.3735%
Adjustment	<u>(0.5398%)</u>
Total tax	11.8337%

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