

Public Service Commission of Montana



Montana-Dakota Utilities Co.

400 N 4th Street
Bismarck, ND 58501

Natural Gas Service

Volume No. 7
Original Sheet No. 36

GAS TAX TRACKING ADJUSTMENT Rate 87

Page 1 of 3

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 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 a general rate case for each rate schedule:
 - (1) The ratio of authorized Montana state and local taxes and fees, excluding tribal taxes, to the total distribution revenues authorized in the rate case shall be determined.
 - (2) The ratio is applied to the total basic service charge and distribution delivery charge revenues for each rate schedule to derive the base tax amount for each rate schedule.
- c. Rates excluding taxes
 - (1) The authorized margin excluding base taxes (defined as base margin) is established by applying the ratio derived in 3.b.(1) to the authorized distribution revenues by rate schedule.
 - (2) The percentage of taxes to base margin is derived to establish the basic service charge and distribution delivery charge amounts excluding the base

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By: Travis R. Jacobson
Director - Regulatory Affairs

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Service rendered on and
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Volume No. 7
Original Sheet No. 36.1

GAS TAX TRACKING ADJUSTMENT Rate 87

Page 2 of 3

tax amount by applying the percentage to each rate component of each rate schedule.

- d. The Tax Tracking Adjustment shall be computed as follows:
- (1) Tax expense for the year is compared to the tax expense recovered, including the tax related revenue from the conservation tracking adjustment lost margin with the difference net of income taxes determined.
 - (2) A true-up of the prior year's adjustment for:
 - i. Actual tax expense less actual tax recovery (adjusted for income taxes).
 - ii. Tax expense less tax recovery included in the filing.
 - iii. The net of 3.d.(2)i. and 3.2.(2)ii. is calculated and adjusted to exclude income taxes.
 - (3) The sum of amounts 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 basic service charge and distribution delivery charge billed to each customer, and shown separately on the customer bill.

4. Time and Manner of Filing:

Each filing shall be made on or before the effective date of the adjustment, accompanied by the detailed computations which clearly show the derivation of the relevant amounts.

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Natural Gas Service

Volume No. 7
Original Sheet No. 36.2

GAS TAX TRACKING ADJUSTMENT Rate 87

Page 3 of 3

5. Tax Tracking Adjustment:

Base	25.3507%
Adjustment	4.6187%
Total tax	<u>29.9694%</u>

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