

# GREAT FALLS NATURAL GAS TARIFF



Canceling

Original

Revised  
Revised

Sheet No.  
Sheet No.

10.1

Schedule No. 10

## PROPERTY TAX TRACKING ADJUSTMENT

### PURPOSE:

This rate schedule sets forth the procedure in calculating the Property Tax Tracking Adjustment in order to reflect: (1) changes in NorthWestern Great Falls Gas, LLC ("GFG") state and local taxes and fees and (2) a true-up of taxes recovered to actual taxes paid. The tax adjustment shall be shown as a separate line item on the bill.

### EFFECTIVE DATE:

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

### TAX TRACKING ADJUSTMENT:

1. The Tax Tracking Adjustment shall reflect changes in GFG's 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 Property Tax Tracking Adjustment shall be net of income taxes.
2. Base Tax: A base tax amount shall be established and updated in general rate cases for each rate class:
  - a. 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.
  - b. The ratio is applied to the total basic service charge and distribution delivery charge revenues for each rate class to derive the base tax amount for each rate class.
3. Rates excluding taxes:
  - a. The authorized total distribution revenues excluding base taxes is established by applying one minus the ratio derived in 2a to the authorized distribution revenues by rate class.
  - b. The percentage of base taxes to the total distribution revenues excluding base taxes is derived to establish the baseline tax recovery amounts included within the basic service charge and distribution delivery charge amounts by applying that percentage to each rate component of each rate class.

(continued)



# GREAT FALLS NATURAL GAS TARIFF



Canceling

Original

Revised  
Revised

Sheet No.  
Sheet No.

10.2

Schedule No. 10

## PROPERTY TAX TRACKING ADJUSTMENT

4. The Property Tax Tracking Adjustment shall have two components and be computed as follows:
- 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"), the projected Rate Year tax expense shall be 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.
    - The projected Rate Year tax expense shall be calculated using the actual Montana Department of Revenue ("MT DOR") appraisal for the prior year as proxy.
    - The tax expense projected to be recovered in the Rate Year shall be calculated using revenues based on weather normalized volumes multiplied by the percentage attributable to base taxes (2a above).
  - 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.
  - The sum of amounts (positive or negative) in 4a and 4b above is divided by the base margin to derive the percent increase (decrease) in taxes.
  - The base tax percentage determined in 3b and the tax adjustment percentage determined in 4c are added to calculate the total percent of taxes.
  - The total percent of taxes is applied to the base margin, comprised of the basic service charge and distribution delivery charge billed to each customer, and shown as a separate line item on the customer bill.

### ANNUAL FILING:

A filing shall be made on or before November 30 of each year to modify the Property 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.

### PROPERTY TAX TRACKING ADJUSTMENT:

Base	10.31800%
Adjustment	<u>4.08121%</u>
Total Tax	14.39921%

