

MONTANA-DAKOTA UTILITIES CO.
RECONCILIATION OF NET INCOME PER BOOKS WITH TAXABLE
INCOME PER FEDERAL INCOME TAX RETURN
FOR THE 2021 - 2018 TAX YEAR

Statement K
Schedule K-1
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M-1 Line No.		2021	2020	2019	2018 1/
1	Net Income per Books	\$71,142,335	\$69,637,113	\$67,122,122	\$272,318,357
2	Federal Income Tax	(5,969,895)	(12,532,115)	(13,428,162)	(7,797,810)
3	Excess of Capital Losses Over Capital Gains	0	0	0	0
4	Income Subject to Tax not Recorded on Books This Year:				
	Other				
	Book Gain(Loss) on Disposition of Property	(100,987)	27,918	(211,718)	(744)
	Capital Gain(Loss) on Retirement of Assets - Tax	0	0	0	0
	Contributions in Aid of Construction	14,864,087	7,247,091	14,515,863	7,090,688
	Dividends Received from Subsidiary Companies	\$0	\$0	\$0	\$121,069,600
	Federal Non-highway Use Tax Credit	16,709	16,329	17,834	20,171
	FIN 48 Interest	(892)	9,289	8,293	0
	Jt Venture & Partnership Ordinary Income	0	0	387,708	(47,828)
	Ordinary Gain(Loss) on Retirement of Assets - Tax	(38,167,538)	(10,356,573)	(9,126,675)	(2,477,735)
	Reserved Revenue	(1,361,887)	573,507	(14,511,270)	15,514,270
	Total	(\$24,750,508)	(\$2,482,439)	(\$8,919,965)	\$141,168,422
5	Expenses Recorded on Books This Year not Deducted on This Return:				
	Depreciation	\$100,051,100	\$114,231,325	\$111,784,693	\$68,850,610
	Meals & Entertainment	1,000	125,127	270,660	234,683
	Other				
	162m Executive Compensation	2,327,085	1,888,675	0	0
	Abandoned Power Plant Cost Recovery	380,679	461,471	456,485	451,648
	Accrued Bonuses/Profit Sharing	0	(12,016,746)	6,983,482	6,585,151
	Accrued Vacation Pay	236,068	1,085,399	440,750	227,217
	Allowance for Funds Used During Construction Tax Int	2,607,625	2,686,738	13,430,432	1,141,697
	Amortization of Loss on Bond Retirements	571,714	571,714	571,714	571,714
	Amortization per Books	6,838,086	6,105,822	5,381,264	5,144,186
	Bad Debt Expense per Books	1,800,042	2,345,275	1,856,239	2,569,037
	Bobcat Contact Demand	194,128	201,685	144,726	0
	Book Depreciation Charged to Expense	1,733,537	1,619,377	1,864,994	1,343,862
	Capitalized Overheads	(90,171)	114,827	48,086	(18,600)
	Capitalized Pension	0	0	0	54,765
	Capitalized Property Taxes	1,057,706	1,175,264	2,469,536	1,918,287
	Capitalized Tax Depreciation	2,405,687	3,153,952	2,171,937	2,105,346
	Capitalized Vacation Pay	(65,642)	(174,090)	(32,955)	63,314
	Deferred Compensation	265,335	0	0	0
	Deferred Compensation Directors	0	0	0	432,153
	Lobbying Expense	174,145	159,291	185,115	156,316
	Loss on Buildings - Reg Asset	145,720	145,720	145,720	75,526
	Management Incentive Compensation	(3,030,410)	10,236,125	(163,127)	696,837
	MN Decoupling	0	0	0	545,857
	MT PSC/MCC Cost Deferral	286,159	(246,593)	53,821	194,011
	ND Recovery Riders	6,582,752	4,333,288	(1,514,288)	1,846,511
	ND Transmission Cost Adjustment	2,523,452	(3,124,631)	940,716	2,506,742
	Payroll Tax Deferral	(2,111,515)	4,057,302	0	0
	Penalties	58,918	26,480	1,148	200
	Preferred Stock Amortization	40,000	40,000	40,000	23,333
	Prepaid Demand Charges	1,005,943	(279,262)	(1,415,982)	506,240
	Purchases Gas Adjustment	(36,429,047)	(497,741)	1,171,363	1,697,523
	Qualified Transportation Fringe	88,357	94,664	125,791	166,399
	Regulatory Commission Expense	77,052	(347,856)	351,198	69,019
	SD Recovery Riders	(1,766,661)	138,516	(156,378)	33,820
	Sheridan Solar Project Deposit	1,000,000	0	0	0
	State Income Tax Accrual per Books	2,220,077	1,750,528	871,476	1,799,879
	Sundry Reserves	(116,274)	(49,231)	(595,482)	609,345
	WOTC	4,800	0	0	2,400
	Total Other	(\$8,984,653)	\$25,655,963	\$35,827,781	\$33,519,735
6	Total of Lines 1 Through 5	\$131,489,379	\$194,634,974	\$192,657,129	\$508,293,997

1/ The 2018 taxable income calculation differs from years 2019 - 2021 due to the MDU Resources Inc. merger reorganization approved in Docket No. GE18-001.

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7	Income Recorded on Books This Year not Included on This Return:			
Other				
Allowance for Funds Used During Construction	1,339,931	1,848,547	2,372,547	2,309,389
Equity in Earnings of Subsidiary Companies	\$0	\$0	\$0	\$216,359,388
Mor-Gran-Sioux Capacity Revenue	81,806	81,806	81,806	81,806
WAPA Fiber Demand Revenue	49,315	49,315	49,315	49,315
Total Other	<u>\$1,471,052</u>	<u>\$1,979,668</u>	<u>\$2,503,668</u>	<u>\$218,799,898</u>
8	Deductions on This Return not Charged Against Book Income This Year:			
Depreciation	\$108,540,662	\$130,712,250	\$126,650,523	\$98,321,175
Other				
401(k) Dividend Deduction	2,389,857	2,496,092	2,706,567	3,066,056
Amortization of Retired Power Plants	38,842	60,853	60,853	60,853
Amortization per Return	8,318,752	4,218,864	7,636,036	5,972,035
Bad Debt Expense per Return	2,897,483	1,290,236	2,028,278	2,350,679
BOD Retirement Benefits	0	0	0	19,165
Capitalized Meals	96,066	45,757	86,523	74,270
Casualty Losses-Storm Damages	151,161	81,910	0	22,110
Charitable Contributions Carryover	0	0	0	1,299,081
Contingency Reserve	(675,364)	(272,231)	(104,419)	70,743
Customer Advances	1,568,777	169,671	3,405,712	3,159,185
Fuel and Purchased Power Deferral	4,874,595	0	(329,125)	329,125
Gain on Building Sale - Reg Liability	61,182	61,182	61,182	61,182
Manufactured Gas Plant - MT	213,583	223,149	134,487	80,406
Medicare Part D Subsidy	187,455	0	161,646	299,823
MISO Reserve	0	0	414,550	0
MN Decoupling	1,578,643	386,147	0	0
MN Rider	(720,807)	(367,809)	393,283	296,533
Montana Decommissioning	0	0	3,280,963	1,342,439
Montana Trackers	(2,167,609)	2,793,338	(1,537,998)	1,472,091
ND Generation Resource Rider	26,067,609	105,433		
PCB Related Income	4,161	14,959	23,285	44,664
Pension Expense per Return	661,503	105,065	14,001,024	6,474,269
Plant Closures	(15,250,991)	31,385,793	31,534,492	0
Postretirement	2,336,182	6,155,842	1,912,404	1,851,374
Prepaid HSA	4,458	26,275	63,500	58,533
Restricted Stock/KESOP	(220,413)	(3,803)	1,134,380	2,929,061
Software As a Service	85,720	0	0	0
South Dakota Conservation Tracker	37,134	0	0	0
State Income Tax Accrual per Return	(2,605,749)	(2,867,233)	(2,490,228)	(541,212)
Supplemental Income Security Plan	3,944,445	7,017,861	5,054,840	911,205
Tax Repairs	9,955,192	10,664,223	9,152,818	18,059,916
Total Other	<u>\$43,831,867</u>	<u>\$63,791,574</u>	<u>\$78,785,053</u>	<u>\$49,763,586</u>
9	Add Lines 7 and 8	<u>153,843,581</u>	<u>196,483,492</u>	<u>207,939,244</u>
10	Income (Form 1120, Page 1, Line 28) - Line 6 less Line 9	(\$22,354,202)	(\$1,848,518)	(\$15,282,115)
	Less: Special Deductions	<u>235</u>	<u>6,987</u>	<u>58,226</u>
	Taxable Income (Form 1120, Page 1, Line 30)	<u>(\$22,354,437)</u>	<u>(\$1,855,505)</u>	<u>(\$15,340,341)</u>

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