

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

M-1 Line No.	2021	2020	2019	2018 1/
<b>1 Net Income per Books</b>	\$71,142,335	\$69,637,113	\$67,122,122	\$272,318,357
<b>2 Federal Income Tax</b>	(5,969,895)	(12,532,115)	(13,428,162)	(7,797,810)
<b>3 Excess of Capital Losses Over Capital Gains</b>	0	0	0	0
<b>4 Income Subject to Tax not Recorded on Books This Year:</b>				
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
<b>5 Expenses Recorded on Books This Year not Deducted on This Return:</b>				
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
<b>6 Total of Lines 1 Through 5</b>	\$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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<b>7</b>	<b>Income Recorded on Books This Year not Included on This Return:</b>				
	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>
<b>8</b>	<b>Deductions on This Return not Charged Against Book Income This Year:</b>				
	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>
<b>9</b>	<b>Add Lines 7 and 8</b>	<u>153,843,581</u>	<u>196,483,492</u>	<u>207,939,244</u>	<u>366,884,659</u>
<b>10</b>	<b>Income (Form 1120, Page 1, Line 28) - Line 6 less Line 9</b>	<u>(\$22,354,202)</u>	<u>(\$1,848,518)</u>	<u>(\$15,282,115)</u>	<u>\$141,409,338</u>
	<b>Less: Special Deductions</b>	<u>235</u>	<u>6,987</u>	<u>58,226</u>	<u>121,115,419</u>
	<b>Taxable Income (Form 1120, Page 1, Line 30)</b>	<u><u>(\$22,354,437)</u></u>	<u><u>(\$1,855,505)</u></u>	<u><u>(\$15,340,341)</u></u>	<u><u>\$20,293,919</u></u>

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