MONTANA-DAKOTA UTILITIES CO.
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
FIRST DATA REQUEST ISSUED MARCH 16, 2020
DOCKET NO. EL20-009

5. Refer to the "AFUDC Equity Add Back" line item on Attachment B and Attachment C. Explain why this item is included in the revenue requirement calculation and how it is calculated.

Response:

AFUDC Equity (or Other Funds) is included in the total project cost for Thunder Spirit Wind and is a component of plant in service. Book depreciation expense is based on the total amount of plant in service and portion of AFUDC Equity is included in book depreciation expense each month. However, AFUDC Equity is not deductible for tax purposes, thus it becomes a permanent tax difference. Montana-Dakota's fixed asset accounting system (PowerPlan) maintains the book/tax differences related to AFUDC Equity.

Therefore, AFUDC Equity must be "Added Back" to taxable income to appropriately calculate the Company's income tax expense.

In prior years, AFUDC Equity Add Back was incorrectly excluded in the revenue requirement calculation.