



ADMINISTRATIVE RULES OF MONTANA



38.5.2903 CALCULATION OF CONTRIBUTION

- (1) The amount a regulated utility collects from a customer making a contribution in aid of construction must include:
 - (a) The contribution in aid of construction, and
 - (b) An amount equal to the utility's increased income tax expense that is caused by including the contribution in income, less the present value of estimated future tax savings from depreciation of the additional plant.
 - (i) To calculate the present value of future tax savings a utility must determine a reasonable discount rate using the following criteria:
 - (A) The discount rate may not exceed the overall rate of return established in the utility's last rate case.
 - (B) The discount rate must apply for no less than 12 months. All changes in the discount rate must be filed to be effective on January 1.
 - (C) The same discount rate must apply to all customers.
- (2) A utility may be exempt from the requirement of ARM 38.5.2903 (1) (b) that it collect from the customer the tax expense and discounted present value of future tax savings associated with the contribution in aid of construction if:
 - (a) The additional tax expense is borne by the shareholders as a "below the line" expense, and
 - (b) All consumer's contributions in aid of construction are calculated in the same manner as regards responsibility for the tax expense; and
 - (c) The utility agrees to maintain its policy of treating the additional tax expense as shareholder expense until authorized to change by the commission.

Authorizing statute(s): Sec. 69-3-103, MCA

Implementing statute(s): Sec. 69-3-102, MCA

History: NEW, 1988 MAR p. 731, Eff. 4/15/88.