

**MONTANA-DAKOTA UTILITIES CO.
 INCOME STATEMENT
 GAS UTILITY - SOUTH DAKOTA
 TWELVE MONTHS ENDED DECEMBER 31, 2014**

| | Total Company | South Dakota | Other | Reference |
|----------------------------------|----------------------|---------------------|----------------------|------------------------------|
| Operating Revenues | | | | |
| Sales | \$295,945,351 | \$60,120,976 | \$235,824,375 | Rule 20:10:13:85 Statement I |
| Transportation | 4,391,655 | 426,400 | 3,965,255 | Rule 20:10:13:85 Statement I |
| Other | 3,849,093 | 544,783 | 3,304,310 | Rule 20:10:13:85 Statement I |
| Total Revenues | 304,186,099 | \$61,092,159 | \$243,093,940 | |
| Operating Expenses | | | | |
| Operation and Maintenance | | | | |
| Cost of Gas | \$221,505,429 | \$43,342,839 | 178,162,590 | Rule 20:10:13:80 Statement H |
| Other O&M | 43,201,401 | 9,773,672 | 33,427,729 | Rule 20:10:13:80 Statement H |
| Total O&M | \$264,706,830 | \$53,116,511 | \$211,590,319 | |
| Depreciation | 14,595,798 | 3,445,175 | 11,150,623 | Rule 20:10:13:86 Statement J |
| Taxes Other Than Income | 7,210,377 | 1,128,186 | 6,082,191 | Rule 20:10:13:94 Statement L |
| Current Income Taxes | (5,592,221) | (1,428,993) | (4,163,228) | Rule 20:10:13:88 Statement K |
| Deferred Income Taxes | 10,312,978 | 2,187,554 | 8,125,424 | Rule 20:10:13:88 Statement K |
| Total Expenses | \$291,233,762 | \$58,448,433 | \$232,785,329 | |
| | | | | |
| Operating Income | \$12,952,337 | \$2,643,726 | \$10,308,611 | |
| | | | | |
| Rate Base | \$183,146,906 | \$38,825,803 | \$144,321,103 | Rule 20:10:13:96 Statement M |
| | | | | |
| Rate of Return | 7.072% | 6.809% | 7.143% | |

MONTANA-DAKOTA UTILITIES CO.
AVERAGE RATE BASE
GAS UTILITY - SOUTH DAKOTA
TWELVE MONTHS ENDED DECEMBER 31, 2014

| | Total Company | South Dakota | Other | Reference |
|--------------------------------------|--------------------------|-------------------------|--------------------------|------------------|
| Gas Plant in Service | \$435,079,458 | \$99,811,467 | \$335,267,991 | Rule 20:10:13:54 |
| Accumulated Reserve for Depreciation | <u>200,358,953</u> | <u>49,410,317</u> | <u>150,948,636</u> | Rule 20:10:13:64 |
| Net Gas Plant in Service | 234,720,505 | 50,401,150 | 184,319,355 | |
| Additions | | | | |
| Materials and Supplies | \$3,967,969 | \$513,376 | \$3,454,593 | Rule 20:10:13:68 |
| Fuel Stocks | 56,612 | 0 | 56,612 | |
| Gas in Underground Storage | 2,623,498 | 0 | 2,623,498 | |
| Prepayments | 1,235,646 | 31,221 | 1,204,425 | Rule 20:10:13:68 |
| Unamortized Gain/Loss on Debt | 1,625,255 | 416,648 | 1,208,607 | Rule 20:10:13:68 |
| Other | (16,891) | 156,179 | (173,070) | Rule 20:10:13:68 |
| Total Additions | <u>\$9,492,089</u> | <u>\$1,117,424</u> | <u>\$8,374,665</u> | |
| Total Before Deductions | \$244,212,594 | \$51,518,574 | \$192,694,020 | |
| Deductions | | | | |
| Accumulated Deferred Income Taxes | \$47,015,987 | \$11,768,954 | 35,247,033 | Rule 20:10:13:88 |
| Customer Advances | 14,049,701 | 923,817 | 13,125,884 | Rule 20:10:13:68 |
| Total Deductions | <u>\$61,065,688</u> | <u>\$12,692,771</u> | <u>\$48,372,917</u> | |
| Total Rate Base | <u>\$183,146,906</u> | <u>\$38,825,803</u> | <u>\$144,321,103</u> | |

MONTANA-DAKOTA UTILITIES CO.
SUMMARY OF PRO FORMA ADJUSTMENTS
GAS UTILITY - SOUTH DAKOTA

Docket No. NG15-____
Rule 20:10:13:96
Statement M
Page 3 of 7

| | Adjustment No. | Pro Forma Adjustment | Reference |
|---|-------------------|---------------------------|--|
| Revenue | | | |
| Current rates | 1 | (\$5,990,966) | Rule 20:10:13:85 Statement I, page 3 |
| Normal Weather | 2 | (4,828,375) | Rule 20:10:13:85 Statement I, page 4 |
| Other Revenue | 3 | (24,333) | Rule 20:10:13:85 Statement I, page 6 |
| Total adjustments to Revenue | | <u>(\$10,843,674)</u> | |
| Expenses | | | |
| Cost of Gas | 4 | (\$10,701,894) | Rule 20:10:13:81 Schedule H-1, page 3 |
| Other O&M | | | |
| Labor | 5 | \$236,286 | Rule 20:10:13:81 Schedule H-1, page 4 |
| Benefits | 6 | 181,799 | Rule 20:10:13:81 Schedule H-1, page 5 |
| Vehicles & Work Equipment | 7 | 6,079 | Rule 20:10:13:81 Schedule H-1, page 6 |
| Subcontract Labor | 8 | 116,688 | Rule 20:10:13:81 Schedule H-1, page 7 |
| Materials | 9 | 15,048 | Rule 20:10:13:81 Schedule H-1, page 8 |
| Software Maintenance | 10 | 8,158 | Rule 20:10:13:81 Schedule H-1, page 9 |
| Office Expense | 11 | 3,589 | Rule 20:10:13:81 Schedule H-1, page 10 |
| Communications | 12 | (1,481) | Rule 20:10:13:81 Schedule H-1, page 11 |
| Rent | 13 | (19,536) | Rule 20:10:13:81 Schedule H-1, page 12 |
| Company Consumption | 14 | (13,338) | Rule 20:10:13:81 Schedule H-1, page 13 |
| Uncollectible Accounts | 15 | (97,134) | Rule 20:10:13:81 Schedule H-1, page 14 |
| Postage | 16 | 402 | Rule 20:10:13:81 Schedule H-1, page 15 |
| Advertising | 17 | (29,555) | Rule 20:10:13:81 Schedule H-1, page 16 |
| Insurance | 18 | 43,234 | Rule 20:10:13:81 Schedule H-1, page 17 |
| Industry Dues | 19 | (4,980) | Rule 20:10:13:81 Schedule H-1, page 18 |
| Regulatory Commission Expense | 20 | 44,178 | Rule 20:10:13:81 Schedule H-1, page 19 |
| Total adjustments to Other O&M | | <u>\$489,437</u> | |
| Depreciation Expense | 21 | \$223,250 | Rule 20:10:13:86 Statement J, page 2 |
| Taxes Other than Income | | | |
| Ad Valorem | 22 | \$25,440 | Rule 20:10:13:95 Schedule L-1, page 1 |
| Payroll Taxes | 23 | 16,878 | Rule 20:10:13:95 Schedule L-1, page 3 |
| Gross Revenue Tax | 24 | (1,380) | Rule 20:10:13:95 Schedule L-1, page 4 |
| Total adj. to Taxes Other than Income | | <u>\$40,938</u> | |
| Current Income Taxes | | | |
| Interest Annualization | 25 | (\$94,269) | Rule 20:10:13:88 Statement K, page 8 |
| Net Tax Depr. on Plant Additions | 26 | 633,468 | Rule 20:10:13:88 Statement K, page 9 |
| Income Taxes on Pro Forma Adj. | 27 | (502,111) | Rule 20:10:13:88 Statement K, page 10 |
| Elimination of Closing/Filing and Prior Period | 28 | (413,244) | Rule 20:10:13:88 Statement K, page 11 |
| Total adj. to Current Income Taxes | | <u>(\$915,355)</u> | |
| Deferred Income Taxes | | | |
| Plant Additions | 26 | \$221,714 | Rule 20:10:13:88 Statement K, page 9 |
| Elimination of Closing/Filing and Prior Period | 28 | 409,938 | Rule 20:10:13:88 Statement K, page 11 |
| Total adj. to Deferred Income Taxes | | <u>\$631,652</u> | |
| Total Expenses | | <u>(\$10,231,972)</u> | |
| Net Adjustments to Operating Income | | <u><u>(\$611,702)</u></u> | |

**MONTANA-DAKOTA UTILITIES CO.
 GAS UTILITY - SOUTH DAKOTA
 SUMMARY OF PRO FORMA RATE BASE ADJUSTMENTS**

| <u>Plant</u> | <u>Adjustment</u> | <u>Total South Dakota</u> | <u>Reference</u> | |
|------------------------------------|-------------------|-------------------------------|------------------|----------------------|
| Plant Additions | A | \$3,760,375 | Rule 20:10:13:54 | Statement D, page 2 |
| <u>Accumulated Reserve</u> | | | | |
| Plant Additions | B | 2,352,689 | Rule 20:10:13:64 | Statement E, page 2 |
| Adjustments to Net Plant | | <u>\$1,407,686</u> | | |
| <u>Additions:</u> | | | | |
| Materials and Supplies | C | \$46,796 | Rule 20:10:13:69 | Schedule F-1, page 2 |
| Prepaid Insurance | D | 72,601 | Rule 20:10:13:69 | Schedule F-1, page 4 |
| Unamortized Gain/Loss on Debt | E | (111,667) | Rule 20:10:13:69 | Schedule F-1, page 4 |
| Unamortized Rate Case Expense | F | 151,068 | Rule 20:10:13:69 | Schedule F-1, page 5 |
| Total Additions | | <u>\$158,798</u> | | |
| <u>Deductions:</u> | | | | |
| Accumulated Def. Inc. Tax | | | | |
| Plant Additions & Other | H | \$468,280 | Rule 20:10:13:88 | Statement K, page 16 |
| Normalization | I | (57,030) | Rule 20:10:13:88 | Statement K, page 16 |
| Unamortized Loss on Debt | E | (39,084) | Rule 20:10:13:69 | Schedule F-1, page 4 |
| Unamortized Rate Case Expense | F | 53,517 | Rule 20:10:13:65 | Schedule F-1, page 5 |
| Adjustments to Acc. DITs | | <u>425,683</u> | | |
| Customer Advances for Construction | G | 73,637 | Rule 20:10:13:69 | Schedule F-1, page 6 |
| Total Deductions | | <u>\$499,320</u> | | |
| Total Pro Forma Adjustments | | <u><u>\$1,067,164</u></u> | | |

**MONTANA-DAKOTA UTILITIES CO.
 PRO FORMA INCOME STATEMENT
 GAS UTILITY - SOUTH DAKOTA
 TWELVE MONTHS ENDED DECEMBER 31, 2014**

| | <u>South Dakota</u> | <u>Pro Forma Adjustments</u> | <u>Total Adjusted Amount</u> |
|---------------------------|---------------------|--------------------------------------|--------------------------------------|
| Operating Revenues | | | |
| Sales | \$60,120,976 | (\$10,741,849) | \$49,379,127 |
| Transportation | 426,400 | (77,492) | 348,908 |
| Other | 544,783 | (24,333) | 520,450 |
| Total Revenues | <u>\$61,092,159</u> | <u>(\$10,843,674)</u> | <u>\$50,248,485</u> |
| Operating Expenses | | | |
| Operation and Maintenance | | | |
| Cost of Gas | \$43,342,839 | (\$10,701,894) | \$32,640,945 |
| Other O&M | 9,773,672 | 489,437 | 10,263,109 |
| Total O&M | <u>\$53,116,511</u> | <u>(\$10,212,457)</u> | <u>\$42,904,054</u> |
| Depreciation | 3,445,175 | 223,250 | 3,668,425 |
| Taxes Other Than Income | 1,128,186 | 40,938 | 1,169,124 |
| Current Income Taxes | (1,428,993) | (915,355) | (2,344,348) |
| Deferred Income Taxes | 2,187,554 | 631,652 | 2,819,206 |
| Total Expenses | <u>\$58,448,433</u> | <u>(\$10,231,972)</u> | <u>\$48,216,461</u> |
| Operating Income | <u>\$2,643,726</u> | <u>(\$611,702)</u> | <u>\$2,032,024</u> |
| Rate Base | <u>\$38,825,803</u> | <u>\$1,067,164</u> | <u>\$39,892,967</u> |
| Rate of Return | <u>6.809%</u> | | <u>5.094%</u> |

**MONTANA-DAKOTA UTILITIES CO.
 AVERAGE RATE BASE
 GAS UTILITY - SOUTH DAKOTA
 TWELVE MONTHS ENDED DECEMBER 31, 2014
 PRO FORMA**

| | Total South Dakota | Pro Forma Adjustments | Pro Forma |
|-----------------------------------|-------------------------|--------------------------|-------------------------|
| Gas Plant in Service | \$99,811,467 | \$3,760,375 | \$103,571,842 |
| Accumulated Reserve for Depr. | 49,410,317 | 2,352,689 | 51,763,006 |
| Net Gas Plant in Service | <u>50,401,150</u> | <u>1,407,686</u> | <u>51,808,836</u> |
| Additions | | | |
| Materials and Supplies | \$513,376 | \$46,796 | \$560,172 |
| Prepayments | 31,221 | 72,601 | 103,822 |
| Unamortized Gain/Loss on Debt | 416,648 | (111,667) | 304,981 |
| Rate Case Expense | 156,179 | 151,068 | 307,247 |
| Total Additions | <u>1,117,424</u> | <u>158,798</u> | <u>1,276,222</u> |
| Total Before Deductions | \$51,518,574 | \$1,566,484 | \$53,085,058 |
| Deductions | | | |
| Accumulated Deferred Income Taxes | \$11,768,954 | \$425,683 | \$12,194,637 |
| Customer Advances | 923,817 | 73,637 | 997,454 |
| Total Deductions | <u>12,692,771</u> | <u>499,320</u> | <u>13,192,091</u> |
| Total Rate Base | <u>\$38,825,803</u> | <u>\$1,067,164</u> | <u>\$39,892,967</u> |

**MONTANA-DAKOTA UTILITIES CO.
 PROJECTED OPERATING INCOME AND RATE OF RETURN
 REFLECTING ADDITIONAL REVENUE REQUIREMENTS
 GAS UTILITY - SOUTH DAKOTA**

| | Before Additional Revenue Requirements 1/ | Additional Revenue Requirements | Reflecting Additional Revenue Requirements |
|---------------------------|--|--|---|
| Operating Revenues | | | |
| Sales | \$49,379,127 | \$1,532,999 | \$50,912,126 |
| Transportation | 348,908 | | 348,908 |
| Other | 520,450 | | 520,450 |
| Total Revenues | <u>50,248,485</u> | <u>1,532,999</u> | <u>51,781,484</u> |
| Operating Expenses | | | |
| Operation and Maintenance | | | |
| Cost of Gas | 32,640,945 | | 32,640,945 |
| Other O&M | 10,263,109 | | 10,263,109 |
| Total O&M | <u>42,904,054</u> | | <u>42,904,054</u> |
| Depreciation | 3,668,425 | | 3,668,425 |
| Taxes Other Than Income | 1,169,124 | 2,146 2/ | 1,171,270 |
| Current Income Taxes | (2,344,348) | 535,799 2/ | (1,808,549) |
| Deferred Income Taxes | 2,819,206 | | 2,819,206 |
| Total Expenses | <u>48,216,461</u> | <u>537,945</u> | <u>48,754,406</u> |
| Operating Income | <u>\$2,032,024</u> | <u>\$995,054</u> | <u>\$3,027,078</u> |
| Rate Base | <u>\$39,892,967</u> | | <u>\$39,892,967</u> |
| Rate of Return | <u>5.094%</u> | | <u>7.588%</u> |

1/ See Rule 20:10:13:96, page 5.

2/ Reflects taxes at 35 percent after deducting South Dakota Gross Receipts tax of 0.14 percent.