

MONTANA-DAKOTA UTILITIES CO.
SUMMARY OF ADJUSTMENTS TO PER BOOKS TAXABLE INCOME
ELECTRIC UTILITY - SOUTH DAKOTA
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2014

<u>Operating Income</u>	<u>Reference</u>	<u>Pro Forma Adjustment</u>
<u>Current Income Taxes</u>		
Interest Expense Annualization 1/	Statement K, Page 8	(\$437,112)
Book Depreciation on Plant Additions 1/	Statement K, Page 9	46,142
Book Depreciation on Large Generation Projects 1/	Statement K, Page 9	839,032
Tax Depreciation on Plant Additions 1/	Statement K, Page 9	(185,594)
Tax Depreciation on Large Generation Projects 1/	Statement K, Page 9	(4,653,436)
AFUDC - Equity 1/	Statement K, Page 10	50,735
Income Taxes on Pro Forma Adjustments	Statement K, Page 10	(2,108,952)
Elimination of Closing/Filing	Statement K, Page 12	(191,404)
Electric Production Tax Credit	Statement K, Page 11	(489,867)
<u>Deferred Income Taxes</u>		
Elimination of Closing/Filing from Deferred Income Taxes	Statement K, Page 12	183,831
Deferred Income Taxes on Plant Additions	Statement K, Page 9	48,809
Deferred Income Taxes on Large Generation Projects	Statement K, Page 9	1,335,041
<u>Rate Base</u>		
Accumulated Deferred Income Taxes -		
Liberalized Depreciation	Statement K, Page 17	560,810
Large Generation Projects	Statement K, Page 9	1,335,041
Full Normalization	Statement K, Page 17	(25,826)
Unamortized Loss on Debt	Statement K, Page 17	(8,057)
Contribution in Aid of Construction	Statement K, Page 17	(6,177)
Deferred Generation Costs	Statement K, Page 17	270,775
Decommissioning of Power Plants	Statement K, Page 17	(23,815)
Retired Power Plant	Statement K, Page 17	(13,229)
Customer Advances	Statement K, Page 17	(400)
Unamortized Regulatory Commission Expense	Statement K, Page 17	156,893

1/ Amount is shown before income tax effect.

MONTANA-DAKOTA UTILITIES CO.
CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES
TAX DEDUCTIONS
TWELVE MONTHS ENDING DECEMBER 31, 2014

	Utility		Total	Non-Utility	Total Company
	Electric	Gas			
Operating Revenue	\$275,693,389	\$304,186,098	\$579,879,487		\$579,879,487
Non-Utility Income (before income taxes)				\$4,747,486	4,747,486
Total Revenue	<u>\$275,693,389</u>	<u>\$304,186,098</u>	<u>\$579,879,487</u>	<u>\$4,747,486</u>	<u>\$584,626,973</u>
Operating Expense:					
O&M Expense	\$170,792,819	264,706,830	435,499,649	3,136,103	438,635,752
Depreciation Expense	34,787,814	14,595,798	49,383,612		49,383,612
Taxes Other than Income	10,908,231	7,210,376	18,118,607	270,849	18,389,456
Total Operating Expense	<u>216,488,864</u>	<u>286,513,004</u>	<u>503,001,868</u>	<u>3,406,952</u>	<u>506,408,820</u>
Operating Income	59,204,525	17,673,094	76,877,619	1,340,534	78,218,153
Interest Expense/Other Inc. & Deduct.	15,616,121	4,972,613	20,588,734	(6,195,060)	14,393,674
Accrued Tax Interest	(20,402)	(5,090)	(25,492)	25,492	
Book Taxable Income before Adjustments	<u>43,608,806</u>	<u>12,705,571</u>	<u>56,314,377</u>	<u>7,510,102</u>	<u>63,824,479</u>
Deductions and Adjustments to Book Income:					
Tax Deductions and Adjustments 1/ Preferred Dividend Paid Deduction	(70,174,482)	(27,226,707)	(97,401,189)	(9,779,625)	(107,180,814)
Total Deductions and Adjustments	<u>(70,304,461)</u>	<u>(27,272,214)</u>	<u>(97,576,675)</u>	<u>(9,779,625)</u>	<u>(107,356,300)</u>
Taxable Income - Before State Income Tax	(26,695,655)	(14,566,643)	(41,262,298)	(2,269,523)	(43,531,821)
Less: Deductible State Income Taxes	(1,228,870)	(672,402)	(1,901,272)	(1,904,762)	(3,806,034)
Federal Taxable Income	<u>(25,466,785)</u>	<u>(13,894,241)</u>	<u>(39,361,026)</u>	<u>(364,761)</u>	<u>(39,725,787)</u>
Federal Income Taxes @ 35%	(8,913,375)	(4,862,984)	(13,776,359)	(127,666)	(13,904,025)
Credits and Adjustments	(6,170,829)	(9,141)	(6,179,970)		(6,179,970)
State Income Taxes	(1,228,870)	(672,402)	(1,901,272)	(1,904,762)	(3,806,034)
Federal and State Income Taxes	<u>(16,313,074)</u>	<u>(5,544,527)</u>	<u>(21,857,601)</u>	<u>(2,032,428)</u>	<u>(23,890,029)</u>
Closing and Prior Year's Adjustment	(1,587,438)	(47,694)	(1,635,132)	(2,339,204)	(3,974,336)
Total Federal and State Income Taxes	<u><u>(\$17,900,512)</u></u>	<u><u>(\$5,592,221)</u></u>	<u><u>(\$23,492,733)</u></u>	<u><u>(\$4,371,632)</u></u>	<u><u>(\$27,864,365)</u></u>

1/ See pages 3 - 4.

MONTANA-DAKOTA UTILITIES CO.
CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES
TAX DEDUCTIONS
TWELVE MONTHS ENDING DECEMBER 31, 2014

	Utility		Total	Non-Utility	Total Company
	Electric	Gas			
<u>Property Timing Differences</u>					
AFUDC CWIP	\$3,545,143	\$938,374	\$4,483,517	(\$3,902,250)	\$581,267
AFUDC Equity	(3,070,938)	(847,400)	(3,918,338)		(3,918,338)
MT - Net Negative Salvage Amortization	356,714		356,714		356,714
Liberalized Depreciation and Other					
Property Timing Differences	(44,248,240)	(27,059,871)	(71,308,111)	(164,269)	(71,472,380)
Property Timing Differences-Common	(404,485)	(367,411)	(771,896)		(771,896)
Property Timing Differences-Power Production	(23,575,022)		(23,575,022)		(23,575,022)
Property Timing Differences - CIAC's	470,083	495,779	965,862	283,706	1,249,568
Total Property Timing Differences	(66,926,745)	(26,840,529)	(93,767,274)	(3,782,813)	(97,550,087)
<u>Other Timing Differences</u>					
Bad Debt Expense	(16,359)	55,045	38,686	754	39,440
Bonus & 401k Profit Sharing	(1,913,693)	(1,294,625)	(3,208,318)		(3,208,318)
Charitable Contribution Carryover				(500,895)	(500,895)
Customer Advances	(391,928)	3,993,564	3,601,636		3,601,636
Prepaid Demand Charge		(422,289)	(422,289)		(422,289)
Fuel and Purchased Power Deferral	818,521		818,521		818,521
ND Environmental Cost Recovery Rider	(1,406,465)		(1,406,465)		(1,406,465)
Property Insurance	(766,396)	(280,512)	(1,046,908)		(1,046,908)
Purchased Gas Adjustment		(586,860)	(586,860)		(586,860)
Reserved Revenues	450,000	(191,186)	258,814		258,814
Sundry Reserves	9,956	3,486	13,442		13,442
Uniform Capitalization		88,143	88,143		88,143
Vacation Pay	80,341	99,507	179,848		179,848
Abandoned Power Plant Cost Recovery	348,093		348,093		348,093
Board of Directors Retirement Benefit	(22,390)	(15,147)	(37,537)		(37,537)
Contingency Reserve		(346,664)	(346,664)		(346,664)
Deferred Compensation- Directors	(686,721)	(464,571)	(1,151,292)		(1,151,292)
Deferred Pension Expense	(15,289,121)	(21,463,575)	(36,752,696)		(36,752,696)

MONTANA-DAKOTA UTILITIES CO.
CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES
TAX DEDUCTIONS
TWELVE MONTHS ENDING DECEMBER 31, 2014

	Utility			Non-Utility	Total Company
	Electric	Gas	Total		
Deferred Postretirement Benefit Costs	(3,296,923)	(4,083,445)	(7,380,368)		(7,380,368)
Deferred Postretirement Transition Obligation		32,222	32,222		32,222
Gain on Building Sale	872,362	346,139	1,218,501		1,218,501
Management Incentive	98,097	33,307	131,404		131,404
MT PSC/MCC Tax Deferral	(143,271)	(298,917)	(442,188)		(442,188)
PCB Related Income		(27,929)	(27,929)		(27,929)
Pension Expense	14,080,470	19,766,813	33,847,283		33,847,283
Performance Share Program	150,730	101,970	252,700		252,700
Postretirement Benefits Cost	3,217,373	3,984,916	7,202,289	137,035	7,339,324
Regulatory Assets Awaiting Recovery	(1,014)	90,780	89,766		89,766
Regulatory Commission Expense	1,345	262,222	263,567		263,567
Retired Power Plant	(56,210)		(56,210)		(56,210)
Unamortized Loss on Reacquired Debt	550,754	157,997	708,751		708,751
WAPA Fiber Demand Revenue	(49,315)		(49,315)		(49,315)
Total Other Timing Differences	(3,361,764)	(459,609)	(3,821,373)	(363,106)	(4,184,479)
<u>Permanent Differences</u>					
50% Meals and Entertainment	89,247	60,376	149,623	3,771	153,394
401(k) Dividend Deduction				(2,903,242)	(2,903,242)
Accrued Tax Interest				(36,640)	(36,640)
Dividend Received Deduction	(97)	(65)	(162)		(162)
Fuel Tax Credit	13,512	9,141	22,653		22,653
Lobbying Expenses				42,169	42,169
Penalties				6,549	6,549
SISP				(630,558)	(630,558)
SISP - Unrealized Gain/Loss				(2,115,755)	(2,115,755)
Preferred Stock Expense Amortization	11,365	3,979	15,344		15,344
Total Permanent M-1's	114,027	73,431	187,458	(5,633,706)	(5,446,248)
Total Tax Deductions and Adjustments	<u>(\$70,174,482)</u>	<u>(\$27,226,707)</u>	<u>(\$97,401,189)</u>	<u>(\$9,779,625)</u>	<u>(\$107,180,814)</u>

**MONTANA DAKOTA UTILITIES CO.
 COMPUTATION OF INCOME TAX LIABILITY AND TAX SAVINGS
 BASED ON MDU RESOURCES GROUP, INC. 2013
 CONSOLIDATED FEDERAL INCOME TAX RETURN**

	Montana-Dakota Utilities Co.	MDU Resources Group, Inc. 1/
Net Taxable Income (Loss)	(\$41,931,003)	\$35,452,336
Federal Income Tax:		
Statutory Taxes @ 35%	\$0	\$12,408,318
Alternative Minimum Tax	\$0	\$7,303,702
Less Credits:		
Foreign Tax Credit		94,716
General Business Credit	0	2,097,015
Total Tax	\$0	\$17,520,289
Tax Savings Arising From Consolidation	\$0	

Montana Dakota Utilities Co. is a member of a group that files a consolidated Federal Income Tax Return. There are no tax savings available to Montana-Dakota Utilities Co. as a result of being included in a consolidated tax return during the test period.

1/ Reflects MDU Resources Group, Inc. and includible subsidiaries.

MONTANA-DAKOTA UTILITIES CO.
CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES
ELECTRIC UTILITY - SOUTH DAKOTA
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2014

	<u>Total Company</u>	<u>South Dakota</u>
Operating Revenue	\$275,693,389	\$14,238,818
Operating Expense:		
O&M Expense	170,792,819	9,541,553
Depreciation Expense	34,787,814	1,844,337
Taxes Other than Income	10,908,231	630,066
Total Operating Expense	<u>216,488,864</u>	<u>12,015,956</u>
Operating Income	59,204,525	2,222,862
Interest Expense	15,616,121	625,295
Accrued Tax Interest	<u>(20,402)</u>	<u>(885)</u>
Total Interest	15,595,719	624,410
Book Taxable Income before Adjustments	43,608,806	1,598,452
Deductions and Adjustments to Book Income:		
Tax Deductions 1/	70,174,482	4,270,027
Preferred Dividend Paid Deduction	<u>129,979</u>	<u>7,314</u>
Total Deductions and Adjustments	70,304,461	4,277,341
Taxable Income - Before State Income Tax	(26,695,655)	(2,678,889)
Less: State Income Taxes	<u>(1,228,870)</u>	<u>0</u>
Federal Taxable Income	(25,466,785)	(2,678,889)
Federal Income Taxes @ 35%	(8,913,375)	(937,611)
Credits and Adjustments	(13,512)	(917)
Production Tax Credit	(6,157,317)	(329,751)
State Income Taxes	<u>(1,228,870)</u>	<u>0</u>
Federal and State Income Taxes	(16,313,074)	(1,268,279)
Prior Year's Adjustment and Rounding	<u>(1,587,438)</u>	<u>191,404</u>
Total Federal and State Income Taxes	<u>(\$17,900,512)</u>	<u>(\$1,076,875)</u>

1/ See page 7.

MONTANA-DAKOTA UTILITIES CO.
CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES
INCOME TAX DEDUCTIONS
ELECTRIC UTILITY - SOUTH DAKOTA
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2014

	Total Company	South Dakota
<u>1900 Account M-1's</u>		
Pension Expense	(\$14,080,470)	(\$955,227)
Accrued Vacation	(80,341)	(5,450)
Property Insurance Adjustment	766,396	43,276
Bad Debt Expense	16,359	(909)
Management Incentive Compensation	(98,097)	(6,655)
Sundry Reserves	(9,956)	(560)
Customer Advances	391,928	(2,286)
Reserved Revenues	(450,000)	0
Bonus & 401k Profit Sharing	1,913,693	129,826
Post-retirement Benefit Costs	(3,217,373)	(218,268)
Deferred Compensation-Directors	686,721	46,587
BOD Retirement Benefits	22,390	1,519
Post-retirement Benefit Costs - Reg. Asset	3,296,923	223,665
Gain on Building Sale - Reg. Liability	(872,362)	0
Performance Share Program	(150,730)	(10,226)
Retired Power Plant	56,210	0
WAPA Fiber Demand Revenue	49,315	2,956
<u>2820 Account M-1's</u>		
Liberalized Depreciation and Other		
Property Timing Differences	44,248,240	2,695,096
Property Timing Differences-Common	404,485	18,945
Property Timing Differences-Power Production	23,575,022	1,317,400
AFUDC - Equity	(474,205)	(28,027)
MT - Net Negative Salvage	(356,714)	0
Contributions in Aid of Construction	(470,083)	14,137
<u>2830 Account M-1's</u>		
Rate Case Expense	(1,345)	0
Amortization of Loss on Bond Retirements	(550,754)	(26,405)
ND Environmental Cost Recovery Rider	1,406,465	0
F&PP Deferral	(818,521)	0
Deferred Pension Expense - Reg. Asset	15,289,121	1,037,223
Abandoned Power Plant Cost Recovery	(348,093)	0
Regulatory Assets Awaiting Recovery	1,014	1,014
MT PSC/MCC Tax Deferral	143,271	0
<u>Permanent M-1's</u>		
Preferred Stock Expense Amortization	(11,365)	(639)
Disallowed Meals & Entertainment	(89,247)	(6,055)
Penalties	0	0
Federal Nonhighway Use Tax Credit	(13,512)	(917)
Qualified Production Activity Deduction	0	0
Dividend Received Deduction	97	7
Total M-1 Deductions	<u>\$70,174,482</u>	<u>\$4,270,027</u>

**MONTANA-DAKOTA UTILITIES CO.
 ELECTRIC UTILITY - SOUTH DAKOTA
 INTEREST EXPENSE ANNUALIZATION
 FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2014
 ADJUSTMENT NO. 36**

	<u>Per Books Average</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
Rate Base 1/	\$22,298,483	\$18,861,743	\$41,160,226
Weighted Cost of Debt 2/			2.579%
Interest Expense - Pro Forma			1,061,522
Interest Expense - Per books			<u>624,410</u>
Pro Forma Adjustment			<u><u>\$437,112</u></u>

1/ Rule 20:10:13:96, Statement M, page 8.

2/ Rule 20:10:13:72, Statement G, page 1.

**MONTANA-DAKOTA UTILITIES CO.
 DEFERRED INCOME TAX ON PLANT ADDITIONS
 ELECTRIC UTILITY - SOUTH DAKOTA
 FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2014
 ADJUSTMENT O
 ADJUSTMENT NO. 37**

	<u>Total</u>	<u>Plant Additions</u>	<u>Large Generation Projects</u>
<u>Tax Depreciation Deduction</u>			
Tax Depreciation 1/	\$4,839,030	\$185,594	\$4,653,436
Book Depreciation 2/	<u>885,174</u>	<u>46,142</u>	<u>839,032</u>
Net Tax Depreciation on Plant Additions	<u>\$3,953,856</u>	<u>\$139,452</u>	<u>\$3,814,404</u>
<u>Deferred Income Taxes - Current</u>	<u>\$1,383,850</u>	<u>\$48,809</u>	<u>\$1,335,041</u>

1/ See Rule 20:10:13:88, Statement K, page 18.

2/ Includes depreciation on accounts charged to clearing accounts.

**MONTANA-DAKOTA UTILITIES CO.
 CALCULATION OF ADJUSTMENT TO
 CURRENT INCOME TAXES
 ELECTRIC UTILITY - SOUTH DAKOTA
 ADJUSTMENT NO. 38**

	Pro Forma Adjustments
Operating Revenues	
Sales Revenues	\$334,215
Sales for Resale	(35,069)
Other Revenues	(145,839)
Total Operating Revenues	153,307
Operating Expenses	
Operation and Maintenance	
Cost of Fuel & Purchased Power	(304,305)
Other O&M	803,729
Total O&M	499,424
Depreciation Expense	1,234,024
Taxes other Than Income	105,203
Total Operating Expenses	1,838,651
Gross Adjustments to Operating Income	(1,685,344)
Deductions/(Addbacks) and Adjustments to Book Income:	
Interest Annualization 1/	437,112
Book/Tax Depreciation Difference on Plant Additions 2/	139,452
Book/Tax Depreciation Difference on New Generation Projects 2/	3,814,404
AFUDC - Equity	(50,735)
Total Adjustments to Taxable Income	4,340,233
Taxable Income	(6,025,577)
Federal Income Taxes @ 35.00%	(\$2,108,952)
Production Tax Credit 3/	(489,867)
Elimination of Federal & State Prior Period Adj.	(191,404)
Total Adjustment to Current Income Taxes	(\$2,790,223)

1/ Rule 20:10:13:88, Statement K, page 8.

2/ Rule 20:10:13:88, Statement K, page 9.

3/ Rule 20:10:13:88, Statement K, page 11.

**MONTANA-DAKOTA UTILITIES CO.
 ELECTRIC UTILITY - SOUTH DAKOTA
 PRODUCTION TAX CREDIT
 FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2014
 ADJUSTMENT NO. 39**

	<u>Per Books</u>	<u>Pro Forma</u>	<u>Pro Forma Adjustment</u>
<u>Generation - Kwh</u>			
Cedar Hills	59,420,190	63,998,000	
Diamond Willow	96,534,000	98,574,000	
Thunder Spirit	0	415,565,000	
Total	<u>155,954,190</u>	<u>578,137,000</u>	
 Production Tax Credit	 <u>(\$0.023)</u>	 <u>(\$0.023)</u>	
 Total Production Tax Credit	 <u>(\$3,586,946)</u>	 <u>(\$13,297,151)</u>	
 Allocated to South Dakota 1/	 <u>(\$191,770)</u>	 <u>(\$681,637)</u>	 <u><u>(\$489,867)</u></u>
 Utilization of PTC carryover from 2013 2/	 <u>(\$137,981)</u>	 <u>0</u>	
 Total South Dakota	 <u><u>(\$329,751)</u></u>	 <u><u>(\$681,637)</u></u>	

1/ Allocated on Factor 16: Integrated System Kwh Sales.

2/ Offset in Deferred Taxes shown on Rule 20:10:13:88, Statement K, page 14.

**MONTANA-DAKOTA UTILITIES CO.
ADJUSTMENT TO CURRENT AND DEFERRED INCOME TAXES
FOR ROUNDING AND PRIOR YEAR'S AND CLOSING/FILING
ELECTRIC UTILITY - SOUTH DAKOTA
ADJUSTMENT NO. 40**

Adjustment to Current Federal Income Taxes to Eliminate Closing/Filing and Prior Years Adjustments	<u><u>(\$191,404)</u></u>
Adjustment to Deferred Income Taxes to Eliminate Closing/Filing	<u><u>\$183,831</u></u>

**MONTANA-DAKOTA UTILITIES CO./GREAT PLAINS NATURAL GAS CO.
ACCUMULATED DEFERRED INCOME TAXES
FOR THE 12 MONTHS ENDED DECEMBER 31, 2014**

Docket No. _____
Rule 20:10:13:88
Statement K
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	Total Company	Electric	Gas	Non-Utility
<u>Account 190:</u>				
January	50,479,086.75	15,080,381.97	17,563,950.60	17,834,754.18
February	50,482,752.29	14,659,815.88	17,996,107.55	17,826,828.86
March	51,280,084.16	14,744,291.74	18,718,445.24	17,817,347.18
April	51,336,992.38	14,891,453.40	18,635,628.63	17,809,910.35
May	50,775,500.32	14,805,071.64	18,128,730.38	17,841,698.30
June	49,149,812.98	14,450,503.43	16,849,764.48	17,849,545.07
July	48,488,469.81	14,357,784.91	16,267,061.94	17,863,622.96
August	47,778,111.25	14,336,959.11	15,579,731.10	17,861,421.04
September	46,291,086.81	14,010,275.91	14,421,594.58	17,859,216.32
October	45,622,508.32	13,838,049.30	13,927,443.68	17,857,015.34
November	46,525,745.54	13,872,457.87	14,797,573.50	17,855,714.17
December 2014	63,779,943.12	19,802,119.56	25,209,695.40	18,768,128.16
<u>Account 282: (Other Property)</u>				
January	(215,051,155.47)	(167,264,053.98)	(46,871,924.93)	(915,176.56)
February	(216,027,387.55)	(168,271,680.72)	(46,845,309.25)	(910,397.58)
March	(216,980,584.51)	(169,286,611.87)	(46,788,354.04)	(905,618.60)
April	(217,933,525.42)	(170,300,655.09)	(46,732,030.72)	(900,839.61)
May	(218,892,246.90)	(171,320,015.15)	(46,676,171.13)	(896,060.62)
June	(220,031,289.17)	(172,498,697.94)	(46,641,309.60)	(891,281.63)
July	(221,057,262.87)	(173,578,803.59)	(46,591,956.61)	(886,502.67)
August	(222,039,660.76)	(174,622,350.41)	(46,535,586.67)	(881,723.68)
September	(222,826,627.17)	(175,472,962.40)	(46,476,720.06)	(876,944.71)
October	(223,729,792.31)	(176,429,945.27)	(46,427,681.33)	(872,165.71)
November	(224,633,604.61)	(177,388,161.48)	(46,378,056.40)	(867,386.73)
December 2014	(259,629,865.34)	(196,920,618.06)	(58,496,804.21)	(4,212,443.07)
<u>Account 283: (Other)</u>				
January	(35,875,930.08)	(18,104,251.95)	(17,760,550.58)	(11,127.55)
February	(40,009,296.34)	(18,282,026.53)	(21,716,142.26)	(11,127.55)
March	(40,790,278.21)	(18,284,572.47)	(22,494,578.19)	(11,127.55)
April	(39,176,124.62)	(18,133,720.03)	(21,031,277.04)	(11,127.55)
May	(39,312,832.93)	(18,158,018.90)	(21,143,686.48)	(11,127.55)
June	(40,478,806.84)	(19,056,076.43)	(21,411,602.86)	(11,127.55)
July	(41,206,482.07)	(19,204,557.39)	(21,990,797.13)	(11,127.55)
August	(41,000,228.62)	(19,129,962.97)	(21,859,138.10)	(11,127.55)
September	(40,666,144.93)	(18,976,720.88)	(21,678,296.50)	(11,127.55)
October	(40,354,133.93)	(18,841,326.54)	(21,501,679.84)	(11,127.55)
November	(38,820,060.38)	(18,820,633.49)	(19,988,299.34)	(11,127.55)
December 2014	(54,669,699.51)	(24,680,192.99)	(29,982,261.47)	(7,245.05)
<u>Total Company</u>				
January	(200,447,998.80)	(170,287,923.96)	(47,068,524.91)	16,908,450.07
February	(205,553,931.60)	(171,893,891.37)	(50,565,343.96)	16,905,303.73
March	(206,490,778.56)	(172,826,892.60)	(50,564,486.99)	16,900,601.03
April	(205,772,657.66)	(173,542,921.72)	(49,127,679.13)	16,897,943.19
May	(207,429,579.51)	(174,672,962.41)	(49,691,127.23)	16,934,510.13
June	(211,360,283.03)	(177,104,270.94)	(51,203,147.98)	16,947,135.89
July	(213,775,275.13)	(178,425,576.07)	(52,315,691.80)	16,965,992.74
August	(215,261,778.13)	(179,415,354.27)	(52,814,993.67)	16,968,569.81
September	(217,201,685.29)	(180,439,407.37)	(53,733,421.98)	16,971,144.06
October	(218,461,417.92)	(181,433,222.51)	(54,001,917.49)	16,973,722.08
November	(216,927,919.45)	(182,336,337.10)	(51,568,782.24)	16,977,199.89
December 2014	(250,519,621.73)	(201,798,691.49)	(63,269,370.28)	14,548,440.04

MONTANA-DAKOTA UTILITIES CO.
DEFERRED INCOME TAXES
ELECTRIC UTILITY - SOUTH DAKOTA
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2014

	<u>Total Utility</u>	<u>South Dakota</u>
<u>Electric Utility - Rate Base Deductions:</u>		
Contributions In Aid of Construction	(\$178,023)	(\$6,211)
Customer Advances	148,889	(800)
Depreciation, Retirements and Other Timing		
Differences Required to be Normalized	16,950,253	961,075
MT - Net Negative Salvage	(140,501)	0
Power Production	8,942,057	461,090
Retired Power Plant	21,573	0
South Georgia Normalization - Excess DIT's	(281,922)	(25,826)
Unamortized Loss on Reacquired Debt	(209,289)	(9,242)
Total Rate Base Deductions	<u>25,253,037</u>	<u>1,380,086</u>
<u>Electric Utility - Timing Differences:</u>		
Abandoned Power Plant Cost Recovery	(134,626)	0
Bad Debt Expense	5,790	(318)
Board of Directors Retirement Benefits	8,508	532
Bonus & 401k Profit Sharing	727,212	45,439
Deferred Compensation - Directors	260,957	16,306
Deferred Pension Expense - Reg. Asset	5,809,933	363,028
Deferred Postretirement Benefit Obligation - Reg. Asset	1,252,844	78,283
F&PP Deferral	(299,873)	0
Gain on Building Sale - Reg. Liability	(331,013)	0
Management Incentive	(37,277)	(2,329)
MT PSC/MCC Tax Deferral - Noncurrent	56,431	0
ND Environmental Cost Recovery Rider	533,676	0
Pension Expense	(5,350,640)	(334,330)
Performance Share Program	(23,033)	(1,439)
Postretirement Benefit Costs	(1,222,616)	(76,394)
Production Tax Credit Carryforward	2,570,371	137,981
Property Insurance Recovery	291,234	15,147
Regulatory Assets Awaiting Recovery	355	355
Regulatory Commission Expense	(510)	0
Reserved Revenues	(153,161)	0
Sundry Reserves	(3,783)	(196)
Vacation Pay	(30,530)	(1,908)
WAPA Fiber Demand Revenue	18,740	1,035
Closing/Filing and Out of Period	1,640,597	(183,831)
Total Current Timing Differences	<u>5,589,586</u>	<u>57,361</u>
Total Deferred Income Taxes	<u>\$30,842,623</u>	<u>\$1,437,447</u>

MONTANA-DAKOTA UTILITIES CO.
ANALYSIS OF ACCUMULATED DEFERRED INCOME TAXES
ELECTRIC UTILITY - SOUTH DAKOTA
DECEMBER 31, 2013 AND DECEMBER 31, 2014

	Total Company		South Dakota		Average Balance
	Balance 12/31/13	Balance 12/31/14	Balance 12/31/13	Balance 12/31/14	
Electric Utility - Rate Base Deductions:					
Depreciation, Retirements and Other Timing Differences Required to be Normalized	\$169,473,643	\$198,395,349	\$8,841,004	\$9,913,815	\$9,377,410
Net Negative Salvage	(5,073,940)	(5,284,700)	-	-	-
Contributions In Aid of Construction	(1,174,035)	(1,454,591)	(25,941)	(38,296)	(32,119)
Customer Advances	(2,377,363)	(2,228,474)	(25,259)	(26,059)	(25,659)
Full Normalization	2,203,568	1,921,646	206,611	180,785	193,698
North Dakota - Investment Tax Credit	(291,160)	(915,121)			
Unamortized Loss on Required Debt	2,089,566	1,945,261	94,158	85,899	90,029
Retired Power Plant	(179,437)	(157,864)			
Provision for Pension & Benefits	1,389,715	1,573,157			
Provision for Injuries and Damages	(15,127)	23,393			
Total Rate Base Deductions	<u>\$166,045,430</u>	<u>\$193,818,056</u>	<u>\$9,090,573</u>	<u>\$10,116,144</u>	<u>\$9,603,359</u>
Electric Utility - Timing Differences:					
Board of Directors Retirement Benefits	(\$367,989)	(\$360,786)			
Bonus & 401(k) Profit Sharing	(2,265,332)	(1,548,838)			
Deferred Compensation - Directors	(701,641)	(443,172)			
Deferred Medicare Part D	(253,006)	(253,615)			
Deferred Postretirement Benefit Costs	(1,264,232)	(14,433)			
Gain on Building Sale	0	(331,013)			
Management Incentive	(1,053,910)	(1,077,673)			
Pension Expense	(1,927,554)	(6,889,626)			
Performance Share Program	(1,422,676)	(1,450,754)			
Postretirement Benefit Costs	771,406	(449,352)			
Reserved Revenues	(17,605)	(170,766)			
Sundry Reserves	(124,964)	(127,145)			
Uncollectible Accounts	(82,650)	(76,860)			
Vacation Pay	(1,158,858)	(1,209,035)			
WAPA Fiber Demand Revenue	(281,099)	(262,359)			
AFUDC - Equity	6,126,373	5,734,810			
Abandoned Power Plant Cost Recovery	854,976	720,350			
Contingency Reserve	2,637	2,637			
Deferred Pension Expense	8,471,198	13,098,588			
Fuel & Purchased Power Deferral	299,933	60			
Margin Sharing Adjustment	60	60			
MT PSC/MCC Tax Deferral	96,709	153,140			
ND Environmental Cost Recovery Rider	0	533,676			
Property Insurance Recovery	(361,641)	158,895			
Regulatory Assets Awaiting Recovery	284,671	285,026			
Regulatory Commission Expense	31,388	30,878			
	<u>\$5,656,194</u>	<u>\$6,052,693</u>			
Total Electric Utility	<u>\$171,701,624</u>	<u>\$199,870,749</u>			

**MONTANA-DAKOTA UTILITIES CO.
ADJUSTMENT TO ACCUMULATED DEFERRED INCOME TAXES
TO REFLECT FULL NORMALIZATION
ELECTRIC UTILITY - SOUTH DAKOTA
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2014**

Amortization of deferred taxes to reflect full normalization	<u><u>(\$25,826)</u></u>
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**MONTANA-DAKOTA UTILITIES CO.
ACCUMULATED DEFERRED INCOME TAXES
ELECTRIC UTILITY - SOUTH DAKOTA
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2014
ADJUSTMENT M**

	Balance @ 12/31/13	Balance @ 12/31/14	Average Balance @ 12/31/14	Adjustments	Pro Forma Balance @ 12/31/15	Average Balance 12/31/15	Pro Forma Adjustment
Liberalized Depreciation	\$8,841,004	\$9,913,815	\$9,377,410	\$48,809 1/	\$9,962,624	\$9,938,220	\$560,810
Full Normalization	206,611	180,785	193,698	(25,826) 2/	154,959	167,872	(25,826)
Unamortized Loss on Debt	94,158	85,899	90,029	(7,855) 3/	78,044	81,972	(8,057)
Contribution in Aid of Construction	(25,941)	(38,296)	(32,119)		(38,296)	(38,296)	(6,177)
Deferred Generation Costs				270,775 4/		270,775	270,775
Decommissioning of Power Plants				(23,815) 5/		(23,815)	(23,815)
Retired Power Plant				(13,229) 6/		(13,229)	(13,229)
Customer Advances	(25,259)	(26,059)	(25,659)		(26,059)	(26,059)	(400)
Unamort. Regulatory Commission Exp.				156,893 7/		156,893	156,893
Balance	<u>\$9,090,573</u>	<u>\$10,116,144</u>	<u>\$9,603,359</u>	<u>\$405,752</u>	<u>\$10,131,272</u>	<u>\$10,514,333</u>	<u>\$910,974</u>

1/ See Rule 20:10:13:88, Statement K, page 9.

2/ See Rule 20:10:13:88, Statement K, page 16.

3/ See Rule 20:10:13:69, Statement F, Schedule F-1, page 5.

4/ See Rule 20:10:13:69, Statement F, Schedule F-1, page 6.

5/ See Rule 20:10:13:69, Statement F, Schedule F-1, page 7.

5/ See Rule 20:10:13:69, Statement F, Schedule F-1, page 8.

6/ See Rule 20:10:13:69, Statement F, Schedule F-1, page 9.

**MONTANA-DAKOTA UTILITIES CO.
TAX DEPRECIATION ON PLANT ADDITIONS
ELECTRIC UTILITY - SOUTH DAKOTA
PRO FORMA**

	Plant Additions	Annual Depreciation	Book Depr. 1/ for Taxes	Tax 2/ Depreciation	Book/Tax Difference	Deferred Income Taxes
Steam Production	\$501,493	\$16,493	\$8,247	\$18,806	\$10,559	\$3,696
Other Production	103,153	4,519	2,260	5,158	2,898	1,014
Transmission	672,539	13,426	6,713	25,220	18,507	6,477
Distribution	596,585	15,964	7,982	22,372	14,390	5,037
General						
Other	\$163,914	\$8,786	\$4,393	\$23,423	\$19,030	\$6,661
Transportation	73,835	4,046	2,023	14,767	12,744	4,460
Intangible Plant	34,167	3,417	1,709	11,388	9,679	3,388
Total General	<u>\$271,916</u>	<u>\$16,249</u>	<u>\$8,125</u>	<u>\$49,578</u>	<u>\$41,453</u>	<u>\$14,509</u>
Common						
Other	\$57,433	\$4,387	\$2,194	\$8,207	\$6,013	\$2,105
Structures & Improvements	11,627	269	135	162	27	9
Computer Equipment	40,090	8,018	4,009	8,018	4,009	1,403
Transportation	36,167	2,405	1,203	7,233	6,030	2,111
Intangible Plant	122,533	10,548	5,274	40,840	35,566	12,448
Total Common	<u>\$267,850</u>	<u>\$25,627</u>	<u>\$12,815</u>	<u>\$64,460</u>	<u>\$51,645</u>	<u>\$18,076</u>
Total Additions	<u><u>\$2,413,536</u></u>	<u><u>\$92,278</u></u>	<u><u>\$46,142</u></u>	<u><u>\$185,594</u></u>	<u><u>\$139,452</u></u>	<u><u>\$48,809</u></u>

1/ Annual depreciation divided by 2 to reflect half year convention.

2/ Tax depreciation rates are:

Steam Production	3.75%
Other Production	5.00%
Transmission	3.75%
Distribution	3.75%
General & Common	14.29%
Structures & Improvements	1.39%
Transportation & Computer	20.00%
Intangible	33.33%

**MONTANA-DAKOTA UTILITIES CO.
TAX DEPRECIATION ON LARGE GENERATION PROJECT PLANT ADDITIONS
ELECTRIC UTILITY - SOUTH DAKOTA
PRO FORMA**

Description	Generation Projects	Annual Depreciation	Book 1/ Depreciation	Tax 2/ Depreciation	Book/Tax Difference
<u>Steam Production</u>					
AQCS Project - Big Stone Station	\$5,280,147	\$183,749	\$183,749	\$2,132,391	\$1,948,642
MATS compliance - Lewis & Clark	\$834,948	34,734	34,734	150,665	115,931
	<u>\$6,115,095</u>	<u>\$218,483</u>	<u>\$218,483</u>	<u>\$2,283,056</u>	<u>\$2,064,573</u>
<u>Other Production</u>					
Reciprocating Engine Generator - L&C	\$2,236,371	\$55,909	\$55,909	\$111,819	\$55,910
Thunder Spirit Wind Farm	11,292,805	564,640	564,640	2,258,561	1,693,921
Total Transmission	<u>\$13,529,176</u>	<u>\$620,549</u>	<u>\$620,549</u>	<u>\$2,370,380</u>	<u>\$1,749,831</u>
Total Generation Projects	<u>\$19,644,271</u>	<u>\$839,032</u>	<u>\$839,032</u>	<u>\$4,653,436</u>	<u>\$3,814,404</u>
Deferred Income Taxes					\$1,335,041

1/ Reflects pro forma full year 2015 commercial operation.

2/ Tax depreciation rates are:

Steam Production - Expenditures incurred prior to 1/1/15 qualify for 50% bonus depreciation. Remaining tax basis qualifies as Certified Pollution Control Facilities under I.R.C. Section 169, Treasury Regulation Section 1.169-3 and allows 60% of the remaining basis to be amortized over an 84-month (AQCS) or a 60-month (MATS) period based on the original in-service date. The remaining 40% of tax basis is depreciated over 20 year MACRS rates.

Other Production 5.000%

Other Production - Wind Generation 20.000%