

**MONTANA-DAKOTA UTILITIES CO.
OPERATION & MAINTENANCE EXPENSE
GAS UTILITY - SOUTH DAKOTA
TWELVE MONTHS ENDING JUNE 30, 2012
PRO FORMA**

Function	Total	Cost of Gas	Labor	Benefits	Vehicles & Work Equipment	Company Consumption	Uncollectible Accounts	Postage
Cost of Gas	\$31,574,240	\$31,574,240						
Other Gas Supply	55,406		\$36,801		\$141			
Production	139,130		20,145		653			
Distribution	3,581,078		2,733,136		271,779	\$51,372	\$0	\$4,214
Customer Accounting	1,346,645		700,638		22,996	1,933	141,953	195,543
Customer Service & Information	117,193		80,739		2,940			
Sales	82,590		71,352		3,127	3,518		149
Administrative and General	3,272,503		861,978	\$1,243,410	9,612	20,074		29,087
Total Other O&M	8,594,545	0	4,504,789	1,243,410	311,248	76,897	141,953	228,993
Total O&M	\$40,168,785	\$31,574,240	\$4,504,789	\$1,243,410	\$311,248	\$76,897	\$141,953	\$228,993
Adjustment No.		5	6	7	8	9	11	12
Page No.		3	4	5	6	7	9	10

**MONTANA-DAKOTA UTILITIES CO.
OPERATION & MAINTENANCE EXPENSE
GAS UTILITY - SOUTH DAKOTA
TWELVE MONTHS ENDING JUNE 30, 2012
PRO FORMA**

<u>Function</u>	<u>Advertising</u>	<u>Insurance</u>	<u>Industry Dues</u>	<u>Regulatory Commission Expense</u>	<u>All Other O&M</u>
Cost of Gas					
Other Gas Supply					\$18,464
Production					118,332
Distribution					520,577
Customer Accounting					283,582
Customer Service & Information	\$31,720				1,794
Sales	0				4,444
Administrative and General	29,657	\$231,943	\$33,122	\$139,211	674,409
Total Other O&M	<u>61,377</u>	<u>231,943</u>	<u>33,122</u>	<u>139,211</u>	<u>1,621,602</u>
 Total O&M	 <u><u>\$61,377</u></u>	 <u><u>\$231,943</u></u>	 <u><u>\$33,122</u></u>	 <u><u>\$139,211</u></u>	 <u><u>\$1,621,602</u></u>
 Adjustment No.	 13	 14	 15	 16	
Page No.	11	12	13	14	

**MONTANA-DAKOTA UTILITIES CO.
 COST OF GAS
 GAS UTILITY - SOUTH DAKOTA
 ADJUSTMENT NO. 5**

	<u>Pro Forma Dk Sales 1/</u>	<u>Dk Adjusted for Distribution Losses 2/</u>	<u>Commodity Charge 3/</u>	<u>Pro Forma Cost of Gas</u>
Residential	3,532,536	3,568,218	\$4.599	\$16,410,235
Firm General Service	2,894,376	2,923,612	4.599	13,445,692
Small Interruptible	85,915	86,783	3.567	309,555
Large Interruptible	71,279	71,999	3.567	256,820
Air Force	<u>319,714</u>	<u>322,943</u>	3.567	<u>1,151,938</u>
Total	<u><u>6,903,820</u></u>	<u><u>6,973,555</u></u>		<u><u>\$31,574,240</u></u>
Per Books Cost of Gas				<u>28,093,760</u>
Pro Forma Adjustment				<u><u>\$3,480,480</u></u>

1/ Rule 20:10:13:85, Statement I, page 2.

2/ Distribution loss factor of 1%.

3/ Combined Black Hills and East River December 2012 PGA adjusted to reflect annual commodity costs.

**MONTANA-DAKOTA UTILITIES CO.
 GAS UTILITY - SOUTH DAKOTA
 LABOR EXPENSE
 TWELVE MONTHS ENDING JUNE 30, 2012
 ADJUSTMENT NO. 6**

	Per Books			Total South Dakota	Pro Forma South Dakota 1/	Pro Forma Adjustment
	Gas Utility	Black Hills	East River			
Other Gas Supply	\$171,797	\$30,087	\$4,255	\$34,342	\$36,801	\$2,459
Production	93,962	16,470	2,329	18,799	20,145	1,346
Distribution	11,741,075	2,114,608	435,911	2,550,519	2,733,136	182,617
Customer Accounting	3,058,406	541,965	111,859	653,824	700,638	46,814
Customer Service	274,193	67,806	7,538	75,344	80,739	5,395
Sales	250,924	64,229	2,356	66,585	71,352	4,767
A&G	3,601,300	675,313	129,071	804,384	861,978	57,594
Total	\$19,191,657	\$3,510,478	\$693,319	\$4,203,797	\$4,504,789	\$300,992

1/ Reflects a 7.16% increase which includes annualized wages as of June 30, 2012 with a 2.50 percent increase to union employees effective in May 2013 and a 3.0 percent increase to non-union employees effective in December 2012 and a three year average increase for bonuses and incentive pay.

MONTANA-DAKOTA UTILITIES CO.
BENEFITS EXPENSE
GAS UTILITY - SOUTH DAKOTA
TWELVE MONTHS ENDING JUNE 30, 2012
ADJUSTMENT NO. 7

	Per Books				Pro Forma 1/	Pro Forma Adjustment
	Gas Utility	Black Hills	East River	Total South Dakota		
Medical/Dental	\$2,061,845	\$395,907	\$80,627	\$476,534	\$503,267	\$26,733
Pension expense	(483,960)	(92,993)	(19,591)	(112,584)	150,086	262,670
Post-retirement	903,198	179,777	31,965	211,742	27,569	(184,173)
401-K	2,454,841	471,986	86,018	558,004	535,405	(22,599)
Workers compensation	91,172	20,966	4,309	25,275	27,083	1,808
Supplemental Insurance	564,296	108,339	21,177	129,516	0	(129,516)
Total	\$5,591,392	\$1,083,982	\$204,505	\$1,288,487	\$1,243,410	(\$45,077)

1/ Reflects an increase of 5.61% to medical and dental, an increase of 233.31% to Pension expense, a decrease of 86.98% to Post-retirement expense, and a decrease of 4.05% to 401-K expense. Workers Compensation expense is based on the ratio of worker's compensation to pro forma labor expense and Supplemental Insurance was eliminated from benefits expense.

**MONTANA-DAKOTA UTILITIES CO.
 GAS UTILITY - SOUTH DAKOTA
 VEHICLES AND WORK EQUIPMENT
 TWELVE MONTHS ENDING JUNE 30, 2012
 ADJUSTMENT NO. 8**

	Per Books				Pro Forma South Dakota 1/	Pro Forma Adjustment
	Gas Utility	Black Hills	East River	Total South Dakota		
Other Gas Supply	\$799	\$123	\$17	\$140	\$141	\$1
Production	3,224	565	79	644	653	9
Distribution	1,382,263	209,202	60,153	269,355	271,779	2,424
Customer Accounting	137,522	15,762	7,111	22,873	22,996	123
Customer Service	9,824	2,865	59	2,924	2,940	16
Sales	10,358	3,095	15	3,110	3,127	17
A&G	48,504	8,187	1,374	9,561	9,612	51
Total	\$1,592,494	\$239,799	\$68,808	\$308,607	\$311,248	\$2,641

1/ Based on pro forma plant and proposed depreciation rates.

**MONTANA-DAKOTA UTILITIES CO.
 COMPANY CONSUMPTION
 GAS UTILITY - SOUTH DAKOTA
 TWELVE MONTHS ENDING JUNE 30, 2012
 ADJUSTMENT NO. 9**

	Per Books				Pro Forma 1/	Pro Forma Adjustment
	Total Utility	Black Hills	East River	Total South Dakota		
Total						
Distribution	\$206,428	\$14,578	\$33,951	\$48,529	\$51,372	\$2,843
Customer Accounting	23,177	1,182	651	1,833	1,933	100
Sales	16,090	1,683	1,685	3,368	3,518	150
A&G	87,662	16,529	3,220	19,749	20,074	325
Total	\$333,357	\$33,972	\$39,507	\$73,479	\$76,897	\$3,418
Electric						
Distribution	\$80,926	\$969	\$9,951	\$10,920	\$10,920	\$0
Customer Accounting	13,827	0	515	515	515	0
Sales	7,544	0	1,388	1,388	1,388	0
A&G	68,505	12,929	2,519	15,448	15,448	0
Total Electric	\$170,802	\$13,898	\$14,373	\$28,271	\$28,271	\$0
Gas						
Distribution	\$125,502	\$13,609	\$24,000	\$37,609	\$40,452	\$2,843
Customer Accounting	9,350	1,182	136	1,318	1,418	100
Sales	8,546	1,683	297	1,980	2,130	150
A&G	19,157	3,600	701	4,301	4,626	325
Total Gas	\$162,555	\$20,074	\$25,134	\$45,208	\$48,626	\$3,418

1/ Reflects a 7.56% increase to reflect normalized firm sales revenue at current rates.

**MONTANA-DAKOTA UTILITIES CO.
PIERRE OFFICE RENTAL
GAS UTILITY - SOUTH DAKOTA
TWELVE MONTHS ENDING JUNE 30, 2012
ADJUSTMENT NO. 10**

	<u>Per Books</u>	<u>Pro Forma</u>	<u>Pro Forma Adjustment</u>
A&G	<u>\$31,305</u>	<u>\$0</u>	<u>(\$31,305) 1/</u>

1/ Reflects adjustment to eliminate rent associated with Pierre office building and warehouse.

**MONTANA-DAKOTA UTILITIES CO.
 GAS UTILITY - SOUTH DAKOTA
 UNCOLLECTIBLE ACCOUNTS
 TWELVE MONTHS ENDING JUNE 30, 2012
 ADJUSTMENT NO. 11**

	Per Books			Total South Dakota	Pro Forma South Dakota 1/	Pro Forma Adjustment
	Gas Utility	Black Hills	East River			
Distribution	\$5,628	\$0	\$0	\$0	\$0	\$0
Customer Accounting	600,645	135,909	15,530	151,439	141,953	(9,486)
Total	\$606,273	\$135,909	\$15,530	\$151,439	\$141,953	(\$9,486)

1/ Based on 5 year average of write-offs to revenues applied to pro forma revenues.

**MONTANA-DAKOTA UTILITIES CO.
 GAS UTILITY - SOUTH DAKOTA
 POSTAGE
 TWELVE MONTHS ENDING JUNE 30, 2012
 ADJUSTMENT NO. 12**

	Per Books			Total South Dakota	Pro Forma South Dakota 1/	Pro Forma Adjustment
	Gas Utility	Black Hills	East River			
Distribution	\$6,780	\$3,868	\$234	\$4,102	\$4,214	\$112
Customer Accounting	858,504	165,614	24,733	190,347	195,543	5,196
Sales	298		145	145	149	4
A&G	125,774	23,698	4,616	28,314	29,087	773
Total	\$991,356	\$193,180	\$29,728	\$222,908	\$228,993	\$6,085

1/ Reflects 2.73% increase in postage rates to be effective January 2013.

**MONTANA-DAKOTA UTILITIES CO.
 ADVERTISING EXPENSE
 GAS UTILITY - SOUTH DAKOTA
 TWELVE MONTHS ENDING JUNE 30, 2012
 ADJUSTMENT NO. 13**

	Per Books				Total South Dakota	Pro Forma 1/	Pro Forma Adjustment
	Gas Utility	Black Hills	East River				
Informational	\$193,863	\$34,169	\$7,978		\$42,147	\$31,720	(\$10,427)
Promotional	61,870	13,129	597		13,726	0	(13,726)
Institutional	112,579	18,269	14,841		33,110	29,657	(3,453)
Total	\$368,312	\$65,567	\$23,416		\$88,983	\$61,377	(\$27,606)

1/ Eliminates promotional advertising expenses and informational and institutional expenses not applicable to South Dakota gas operations.

**MONTANA-DAKOTA UTILITIES CO.
INSURANCE EXPENSE
GAS UTILITY - SOUTH DAKOTA
FOR THE TWELVE MONTHS ENDING JUNE 30, 2012
ADJUSTMENT NO. 14**

<u>A&G Expense for Insurance</u>	Total	<u>Per Books</u>			Pro Forma 1/	Pro Forma Adjustment
	Company Per Books	Black Hills	East River	Total South Dakota		
Director's & Officer's Liability Insurance	\$60,441	\$11,394	\$2,220	\$13,614	\$15,840	\$2,226
Excess Liability						
Fiduciary & Employee Benefits Liability	24,322	4,582	893	5,475	5,365	(110)
Public Liab. & Property Ins. Damage of Others	594,309	111,836	21,780	133,616	113,671	(19,945)
All Risk	330,157	62,093	12,091	74,184	92,893	18,709
Blanket Crime	2,438	458	89	547	596	49
Special Contingency	61	12	2	14	85	71
Total	<u>\$1,011,728</u>	<u>\$190,375</u>	<u>\$37,075</u>	<u>\$227,450</u>	<u>\$231,943</u>	<u>\$4,493</u>

1/ Adjusted to reflect insurance expense at current levels.

MONTANA-DAKOTA UTILITIES CO.
INDUSTRY DUES
GAS UTILITY - SOUTH DAKOTA
TWELVE MONTHS ENDING JUNE 30, 2012
ADJUSTMENT NO. 15

	Per Books			Pro Forma	Pro Forma Adjustment
	Black Hills	East River	Total South Dakota		
American Gas Association	\$11,895	\$2,317	\$14,212	\$14,857	\$645
Belle Fourche Chamber of Commerce	599	0	599	600	1
Black Hills Home Builders Association	373	0	373	373	0
Common Ground Alliance (CGA)	109	21	130	130	0
Construction Industry Center	775	0	775	775	0
Deadwood Chamber of Commerce	599	0	599	600	1
Energy Solutions Center	829	161	990	990	0
Fort Pierre Chamber of Commerce	0	50	50	50	0
Fort Pierre Development Corporation	0	500	500	500	0
Gettysburg Chamber of Commerce	0	28	28	30	2
Governor's Office of Economic Dev.	1,125	165	1,290	1,290	0
Ipswich Commercial Club	0	9	9	10	1
Lead Area Chamber of Commerce	329	0	329	330	1
Midwest Energy Association, Inc.	5,031	977	6,008	6,008	0
Mobridge Chamber of Commerce	0	175	175	185	10
National Fuel Funds Network	38	7	45	45	0
Pierre Area Chamber of Commerce	0	675	675	675	0
Pierre Economic Dev. Corporation	1,000	0	1,000	1,000	0
SD Chamber of Economic Dev. Council	118	406	524	548	24
Selby Chamber of Economic Dev. Council	0	13	13	14	1
Spearfish Chamber of Commerce	729	0	729	730	1
Spearfish Downtown Business Association	50	0	50	50	0
Spearfish Economic Dev.	1,000	0	1,000	1,000	0
Sturgis Area Chamber of Commerce	699	0	699	700	1
Sturgis Economic Dev. Council	500	0	500	500	0
United Telecom Council	220	43	263	263	0
Utility Solid Waste Activities Group	686	133	819	819	0
Whitewood Chamber of Commerce	50	0	50	50	0
Other	14,810	473	15,283	0	(15,283)
Total Industry Dues	\$41,564	\$6,153	\$47,717	\$33,122	(\$14,595)

**MONTANA-DAKOTA UTILITIES CO.
 REGULATORY COMMISSION EXPENSE
 GAS UTILITY - SOUTH DAKOTA
 TWELVE MONTHS ENDING JUNE 30, 2012
 ADJUSTMENT NO. 16**

	Per Books			ProForma 1/	Pro Forma Adjustment
	Black Hills	East River	Total South Dakota		
A & G	<u>\$22,583</u>	<u>\$3,470</u>	<u>\$26,053</u>	<u>\$139,211</u>	<u>\$113,158</u>

1/ Reflects three year amortization of rate case expense and three year average of ongoing regulatory commission expenses.

MONTANA-DAKOTA UTILITIES CO.
OTHER O&M
GAS UTILITY - SOUTH DAKOTA
TWELVE MONTHS ENDING JUNE 30, 2012

<u>Function</u>	<u>Per Books Other O & M</u>	<u>Items Adjusted Individually</u>	<u>Other O & M</u>
Other Gas Supply	\$52,946	\$34,482	\$18,464
Production	137,775	19,443	118,332
Distribution	3,393,082	2,872,505	520,577
Customer Accounting	1,303,898	1,020,316	283,582
Customer Service & Information	122,209	120,415	1,794
Sales	91,378	86,934	4,444
Administrative and General	3,190,539	2,516,130	674,409
Total Other O&M	<u>\$8,291,827</u>	<u>\$6,670,225</u>	<u>\$1,621,602</u>

**MONTANA-DAKOTA UTILITIES CO.
ITEMS ADJUSTED INDIVIDUALLY
GAS UTILITY - SOUTH DAKOTA
TWELVE MONTHS ENDING JUNE 30, 2012 ✓**

<u>Function</u>	<u>Per Books</u>	<u>Cost of Gas</u>	<u>Labor</u>	<u>Benefits</u>	<u>Vehicles & Work Equipment</u>	<u>Company Consumption</u>	<u>Pierre Office Rental</u>	<u>Uncollectible Accounts</u>
Cost of Gas	\$28,093,760	\$28,093,760						
Other Gas Supply	52,946		\$34,342		\$140			
Production	137,775		18,799		644			
Distribution	3,393,082		2,550,519		269,355	\$48,529		
Customer Accounting	1,303,898		653,824		22,873	1,833		\$151,439
Customer Service & Information	122,209		75,344		2,924			
Sales	91,378		66,585		3,110	3,368		
Administrative and General	3,190,539		804,384	\$1,288,487	9,561	19,749	\$31,305	
Total Other O&M	8,291,827	0	4,203,797	1,288,487	308,607	73,479	31,305	151,439
Total O&M	\$36,385,587	\$28,093,760	\$4,203,797	\$1,288,487	\$308,607	\$73,479	\$31,305	\$151,439

**MONTANA-DAKOTA UTILITIES CO.
ITEMS ADJUSTED INDIVIDUALLY
GAS UTILITY - SOUTH DAKOTA
TWELVE MONTHS ENDING JUNE 30, 2012**

<u>Function</u>	<u>Postage</u>	<u>Advertising</u>	<u>Insurance</u>	<u>Industry Dues</u>	<u>Regulatory Commission Expense</u>	<u>Total items adjusted individually</u>	<u>All Other O&M</u>
Cost of Gas						\$28,093,760	
Other Gas Supply						34,482	\$18,464
Production						19,443	118,332
Distribution	\$4,102					2,872,505	520,577
Customer Accounting	190,347					1,020,316	283,582
Customer Service & Information		\$42,147				120,415	1,794
Sales	145	13,726				86,934	4,444
Administrative and General	28,314	33,110	\$227,450	\$47,717	\$26,053	2,516,130	674,409
Total Other O&M	222,908	88,983	227,450	47,717	26,053	6,670,225	1,621,602
Total O&M	222,908	88,983	227,450	47,717	26,053	34,763,985	1,621,602