

## MONTANA-DAKOTA UTILITIES CO.

### Rate of Return (December 31, 2013 and December 31, 2014)

<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)	<u>Cost</u> (3)	<u>Weighted</u> <u>Cost</u> (4)
1	Long-Term Debt*	\$ 505,460,413	43.89%	5.79%	2.54%
2	Short-Term Debt	\$ 99,623,527	8.65%	1.63%	0.14%
3	Preferred Stock	\$ 15,258,600	1.32%	4.58%	0.06%
4	Common Equity**	<u>\$ 531,387,131</u>	<u>46.14%</u>	<b>9.30%</b>	<u>4.29%</u>
5	<b>Total</b>	<b>\$ 1,151,729,671</b>	<b>100.00%</b>		<b>7.03%</b>

Source:

Rule 20:10:13:72, Statement G, Page 1.

\* Public Service Commission of Montana, Docket No. D2015.6.51,  
Rebuttal testimony of Garret Senger at 2.

\*\* Page 2.

# MONTANA-DAKOTA UTILITIES CO.

## Adjusted Capital Structure

<u>Line</u>	<u>Description</u>	<u>Amount</u>
1	Common Equity - 12/31/2013	\$2,808,164,204
2	Investment in Subsidiaries	<u>2,454,243,612</u>
3	Utility Common Equity - 12/31/2013	<u>\$353,920,592</u>
4	Common Equity - 12/31/2014	\$3,119,040,893
5	Investment in Subsidiaries	<u>2,667,331,431</u>
6	Utility Common Equity - 12/31/2014	<u>\$451,709,462</u>
7	<b>Average @ 12/31/2014</b>	<b>\$402,815,027</b>
8	Common Equity - 12/31/2015	\$3,275,802,000
9	Investment in Subsidiaries	<u>2,664,737,201</u>
10	Utility Common Equity - 12/31/2015	<u>\$611,064,799</u>
11	Average @ 12/31/2015	<u>\$531,387,131</u>

Source:  
Rule 20:10:13:75, Statement G, Page 1.

# MONTANA-DAKOTA UTILITIES CO.

## Nonconsolidated Balance Sheet (December 31, 2013 and December 31, 2014)

<u>Line</u>	<u>Description</u>	<u>2013</u>	<u>2014</u>
	<u>Assets and Other Debits</u>		
1	Utility Plant	\$1,618,679,070	\$1,807,075,033
2	Construction Work in Progress	151,552,008	161,794,898
3	Less Acc. Provision for Depreciation and Amort.	760,970,889	781,150,735
4	Net Utility Plant	1,009,260,189	1,187,719,196
5	Gas Stored Underground - Noncurrent	1,558,796	2,539,826
	<u>Other Property and Investments</u>		
6	Nonutility Property	15,629,869	16,086,364
7	(Less) Accum. Prov. for Depr. And Amort.	2,901,889	3,483,659
8	Investment in Subsidiary Companies	2,380,828,521	2,590,283,230
9	Other investments	60,687,111	64,445,496
10	Net Other Property and Investments	2,454,243,612	2,667,331,431
11		(73,415,091)	(77,048,201)
	<u>Current and Accrued Assets</u>		
12	Cash	4,718,520	5,873,534
13	Special Deposits	260,505	14,870
14	Working Fund	332,668	246,893
15	Temporary Cash Investments	0	0
16	Customer Accounts Receivable	29,796,719	29,467,184
17	Other Accounts Receivable	4,403,590	8,855,452
18	(Less) Accum.Prov. For Uncollectible Acct. - Cr.	443,629	485,245
19	Notes Receivable from Assoc. Companies	0	0
20	Accounts Receivable from Assoc.Companies	31,371,687	32,690,791
21	Fuel Stock	4,751,688	4,417,908
22	Plant Materials and Operating Supplies	19,097,488	19,800,235
23	Merchandise	75,479	16,232
24	Stores Expense Undistributed	0	0
25	Gas Stored Underground - Current	5,386,681	9,350,117
26	Prepayments	5,074,231	6,105,991
27	Accrued Utility Revenues	49,648,010	47,389,618
28	Miscellaneous Current and Accrued Assets	0	0
29	Total Current and Accrued Assets	154,473,637	163,743,580
	<u>Deferred Debits</u>		
30	Unamortized Debt Expenses	1,219,120	2,019,812
31	Unrecovered Plant and Regulatory Study Costs	3,698,596	3,350,503
32	Other Regulatory Assets	83,915,120	121,494,214
33	Prelim. Survey and Investigation Charges (EI)	336,423	500,300
34	Prelim. Survey and Investigation Charges (Gas)	61,412	93,539
35	Clearing Accounts	(6,513)	55,122
36	Miscellaneous Deferred Debits	26,225,949	29,214,803
37	Unamortized Loss on Reaquired Debt	7,407,081	6,687,570
38	Accumulated Deferred Income Taxes	49,133,806	63,779,943
39	Unrecovered Purchased Gas Costs	8,019,627	10,651,144
40	Total Deferred Debits	180,010,621	237,846,950
41	Total Assets and Other Debits	\$3,799,546,855	\$4,259,180,983

# MONTANA-DAKOTA UTILITIES CO.

## Nonconsolidated Balance Sheet (December 31, 2013 and December 31, 2014)

<u>Line</u>	<u>Description</u>	<u>2013</u>	<u>2014</u>
<u>Liabilities and Other Credits</u>			
<u>Proprietary Capital</u>			
42	Common Stock Issued	\$189,868,780	\$194,754,812
43	Preferred Stock Issued	15,000,000	15,000,000
44	Premium on Capital Stock	1,061,253,848	1,213,676,764
45	(Less) Capital Stock Expense	4,257,578	6,488,675
46	Retained Earnings	540,130,502	555,934,822
47	Unappropriated Undistributed Sub Earnings	1,062,999,041	1,206,892,280
48	(Less) Reacquired Capital Stock	3,625,813	3,625,813
49	Accumulated Other Comprehensive Income	(38,204,576)	(42,103,297)
50	Total Proprietary Capital	2,823,164,204	3,134,040,893
<u>Long-Term Debt</u>			
51	Bonds	280,000,000	0
52	Other Long-Term Debt	154,705,972	508,273,506
53	(Less) Unamortized Discount on Long-Term Debt-De	0	0
54	Total Long-Term Debt	434,705,972	508,273,506
<u>Other Noncurrent Liabilities</u>			
55	Accumulated Provision for Injuries and Damages	1,355,445	3,736,056
56	Accumulated Provision for Pensions and Benefits	51,449,261	54,640,098
57	Accumulated Provision for Rate Refunds	191,185	450,000
58	Asset Retirement Obligations	7,142,915	6,509,617
59	Total Other Noncurrent Liabilities	60,138,806	65,335,771
<u>Current and Accrued Liabilities</u>			
60	Notes Payable	0	0
61	Accounts Payable	44,138,862	46,830,236
62	Accounts Payable to Associated Companies	4,839,083	30,863,009
63	Customer Deposits	1,428,796	1,510,515
64	Taxes Accrued	12,336,506	(41,641,535)
65	Interest Accrued	4,973,368	7,431,466
66	Dividends Declared	33,737,408	35,606,942
67	Tax Collections Payable	1,143,473	1,257,661
68	Miscellaneous Current and Accrued Liabilities	29,444,730	24,909,601
69	Total Current and Accrued Assets	132,042,226	106,767,895
<u>Deferred Credits</u>			
70	Customer Advances for Construction	18,726,550	22,623,499
71	Accumulated Deferred Investment Tax Credit	767,331	2,411,735
72	Other Deferred Credits	62,138,894	96,422,495
73	Other Regulatory Liabilities	16,286,380	9,005,624
74	Accumulated Deferred Income Taxes	251,576,492	314,299,565
75	Total Deferred Credits	349,495,647	444,762,918
76	Total Liabilities and Equity	\$3,799,546,855	\$4,259,180,983

Source:  
Rule 20:10:13:51, Statement A, Pages 1-2 of 4.

# Montana-Dakota Utilities Co.

## Proxy Group

<u>Line</u>	<u>Company</u>	<u>Credit Ratings<sup>1</sup></u>		<u>Common Equity Ratios</u>	
		<u>S&amp;P</u> (1)	<u>Moody's</u> (2)	<u>SNL<sup>1</sup></u> (3)	<u>Value Line<sup>2</sup></u> (4)
1	Atmos Energy Corporation	A-	A2	53.8%	55.7%
2	Laclede Group, Inc. (The)	A-	Baa2	41.4%	44.9%
3	New Jersey Resources Corporation	N/A	N/A	50.9%	61.8%
4	Northwest Natural Gas Company	A+	A3	46.1%	55.2%
5	South Jersey Industries, Inc.	BBB+	N/A	42.6%	52.0%
6	Southwest Gas Corporation	BBB+	A3	47.1%	47.6%
7	WGL Holdings, Inc.	A+	A3	51.4%	63.8%
8	<b>Average</b>	<b>A-</b>	<b>A3</b>	<b>47.6%</b>	<b>54.4%</b>
9	<b>Montana-Dakota Utilities Co.</b>	<b>BBB+<sup>3</sup></b>		<b>46.1%<sup>4</sup></b>	

Sources:

<sup>1</sup> SNL Financial, Downloaded on February 29, 2016.

<sup>2</sup> *The Value Line Investment Survey*, December 4, 2015.

<sup>3</sup> Rating for MDU Resources.

<sup>4</sup> Exhibit No.\_\_\_\_(MPG-2), Schedule 1.

## Montana-Dakota Utilities Co.

### Consensus Analysts' Growth Rates

<u>Line</u>	<u>Company</u>	<u>Zacks</u>		<u>SNL</u>		<u>Reuters</u>		<u>Average of Growth Rates</u>
		<u>Estimated Growth %<sup>1</sup></u> (1)	<u>Number of Estimates</u> (2)	<u>Estimated Growth %<sup>2</sup></u> (3)	<u>Number of Estimates</u> (4)	<u>Estimated Growth %<sup>3</sup></u> (5)	<u>Number of Estimates</u> (6)	
1	Atmos Energy Corporation	6.60%	N/A	7.00%	1	6.40%	2	6.67%
2	Laclede Group, Inc. (The)	4.80%	N/A	4.70%	3	4.78%	3	4.76%
3	New Jersey Resources Corporation	6.50%	N/A	6.50%	2	6.50%	2	6.50%
4	Northwest Natural Gas Company	4.00%	N/A	4.00%	1	NA	NA	4.00%
5	South Jersey Industries, Inc.	NA	N/A	N/A	N/A	NA	NA	N/A
6	Southwest Gas Corporation	5.00%	N/A	4.00%	1	NA	NA	4.50%
7	WGL Holdings, Inc.	7.30%	N/A	8.00%	2	8.00%	2	7.77%
8	<b>Average</b>	<b>5.70%</b>	<b>N/A</b>	<b>5.70%</b>	<b>2</b>	<b>6.42%</b>	<b>2</b>	<b>5.70%</b>

Sources:

<sup>1</sup> Zacks Elite, <http://www.zackselite.com/>, downloaded on February 26, 2016.

<sup>2</sup> SNL Interactive, <http://www.snl.com/>, downloaded on February 26, 2016.

<sup>3</sup> Reuters, <http://www.reuters.com/>, downloaded on February 26, 2016.

## Montana-Dakota Utilities Co.

### Constant Growth DCF Model (Consensus Analysts' Growth Rates)

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price<sup>1</sup></u> (1)	<u>Analysts' Growth<sup>2</sup></u> (2)	<u>Annualized Dividend<sup>3</sup></u> (3)	<u>Adjusted Yield</u> (4)	<u>Constant Growth DCF</u> (5)
1	Atmos Energy Corporation	\$65.10	6.67%	\$1.68	2.75%	9.42%
2	Laclede Group, Inc. (The)	\$60.51	4.76%	\$1.96	3.39%	8.15%
3	New Jersey Resources Corporation	\$32.85	6.50%	\$0.96	3.11%	9.61%
4	Northwest Natural Gas Company	\$50.66	4.00%	\$1.87	3.84%	7.84%
5	South Jersey Industries, Inc.	\$24.01	N/A	\$1.00	N/A	N/A
6	Southwest Gas Corporation	\$56.24	4.50%	\$1.62	3.01%	7.51%
7	WGL Holdings, Inc.	\$63.73	7.77%	\$1.85	3.13%	10.90%
1	<b>Average</b>	<b>\$50.44</b>	<b>5.70%</b>	<b>\$1.56</b>	<b>3.21%</b>	<b>8.91%</b>
2	<b>Median</b>					<b>8.79%</b>

Sources:

<sup>1</sup> SNL Financial, Downloaded on February 29, 2016.

<sup>2</sup> Exhibit No.\_\_\_\_(MPG-2) Schedule 3.

<sup>3</sup> *The Value Line Investment Survey*, December 4, 2015.

## Montana-Dakota Utilities Co.

### Payout Ratios

<u>Line</u>	<u>Company</u>	<u>Dividends Per Share</u>		<u>Earnings Per Share</u>		<u>Payout Ratio</u>	
		<u>2014</u> (1)	<u>Projected</u> (2)	<u>2014</u> (3)	<u>Projected</u> (4)	<u>2014</u> (5)	<u>Projected</u> (6)
1	Atmos Energy Corporation	\$1.48	\$1.95	\$2.96	\$3.80	50.00%	51.32%
2	Laclede Group, Inc. (The)	\$1.76	\$2.20	\$2.35	\$4.20	74.89%	52.38%
3	New Jersey Resources Corporation	\$0.86	\$1.00	\$2.10	\$1.95	40.95%	51.28%
4	Northwest Natural Gas Company	\$1.85	\$2.10	\$2.16	\$3.30	85.65%	63.64%
5	South Jersey Industries, Inc.	\$0.96	\$1.35	\$1.57	\$2.30	61.15%	58.70%
6	Southwest Gas Corporation	\$1.46	\$2.10	\$3.01	\$4.50	48.50%	46.67%
7	WGL Holdings, Inc.	\$1.72	\$1.99	\$2.68	\$3.55	64.18%	56.06%
1	<b>Average</b>	<b>\$1.44</b>	<b>\$1.81</b>	<b>\$2.40</b>	<b>\$3.37</b>	<b>60.76%</b>	<b>54.29%</b>

Source:

*The Value Line Investment Survey*, December 4, 2015.



## Montana-Dakota Utilities Co.

### Sustainable Growth Rate

<u>Line</u>	<u>Company</u>	<u>3 to 5 Year Projections</u>									<u>Sustainable</u>	
		<u>Dividends</u>	<u>Earnings</u>	<u>Book Value</u>	<u>Book Value</u>		<u>Adjustment</u>	<u>Adjusted</u>	<u>Payout</u>	<u>Retention</u>	<u>Internal</u>	<u>Growth</u>
		<u>Per Share</u>	<u>Per Share</u>	<u>Per Share</u>	<u>Growth</u>	<u>ROE</u>	<u>Factor</u>	<u>ROE</u>	<u>Ratio</u>	<u>Rate</u>	<u>Growth Rate</u>	<u>Rate</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	Atmos Energy Corporation	\$1.95	\$3.80	\$36.65	3.58%	10.37%	1.02	10.55%	51.32%	48.68%	5.14%	9.20%
2	Laclede Group, Inc. (The)	\$2.20	\$4.20	\$48.10	6.61%	8.73%	1.03	9.01%	52.38%	47.62%	4.29%	4.90%
3	New Jersey Resources Corporation	\$1.00	\$1.95	\$16.35	7.35%	11.93%	1.04	12.35%	51.28%	48.72%	6.02%	6.37%
4	Northwest Natural Gas Company	\$2.10	\$3.30	\$33.85	3.78%	9.75%	1.02	9.93%	63.64%	36.36%	3.61%	4.03%
5	South Jersey Industries, Inc.	\$1.35	\$2.30	\$18.40	6.15%	12.50%	1.03	12.87%	58.70%	41.30%	5.32%	6.95%
6	Southwest Gas Corporation	\$2.10	\$4.50	\$39.40	4.28%	11.42%	1.02	11.66%	46.67%	53.33%	6.22%	7.93%
7	WGL Holdings, Inc.	\$1.99	\$3.55	\$30.55	4.87%	11.62%	1.02	11.90%	56.06%	43.94%	5.23%	5.23%
8	<b>Average</b>	<b>\$1.81</b>	<b>\$3.37</b>	<b>\$31.90</b>	<b>5.23%</b>	<b>10.90%</b>	<b>1.03</b>	<b>11.18%</b>	<b>54.29%</b>	<b>45.71%</b>	<b>5.12%</b>	<b>6.37%</b>

Sources and Notes:

Cols. (1), (2) and (3): *The Value Line Investment Survey*, December 4, 2015.

Col. (4): [ Col. (3) / Page 2 Col. (2) ] ^ (1/5) - 1.

Col. (5): Col. (2) / Col. (3).

Col. (6): [ 2 \* (1 + Col. (4)) ] / (2 + Col. (4)).

Col. (7): Col. (6) \* Col. (5).

Col. (8): Col. (1) / Col. (2).

Col. (9): 1 - Col. (8).

Col. (10): Col. (9) \* Col. (7).

Col. (11): Col. (10) + Page 2 Col. (9).

## Montana-Dakota Utilities Co.

### Sustainable Growth Rate

<u>Line</u>	<u>Company</u>	<u>13-Week</u>	<u>2014</u>	<u>Market</u>	<u>Common Shares</u>		<u>Growth</u>	<u>S Factor</u> <sup>3</sup>	<u>V Factor</u> <sup>4</sup>	<u>S * V</u>
		<u>Average</u>	<u>Book Value</u>	<u>to Book</u>	<u>Outstanding (in Millions)</u> <sup>2</sup>					
		<u>Stock Price</u> <sup>1</sup>	<u>Per Share</u> <sup>2</sup>	<u>Ratio</u>	<u>2014</u>	<u>3-5 Years</u>	<u>(6)</u>	<u>(7)</u>	<u>(8)</u>	<u>(9)</u>
		(1)	(2)	(3)	(4)	(5)				
1	Atmos Energy Corporation	\$65.10	\$30.74	2.12	100.39	120.00	3.63%	7.69%	52.78%	4.06%
2	Laclede Group, Inc. (The)	\$60.51	\$34.93	1.73	43.18	45.00	0.83%	1.44%	42.28%	0.61%
3	New Jersey Resources Corporation	\$32.85	\$11.47	2.86	84.20	85.00	0.19%	0.54%	65.09%	0.35%
4	Northwest Natural Gas Company	\$50.66	\$28.12	1.80	27.28	28.00	0.52%	0.94%	44.49%	0.42%
5	South Jersey Industries, Inc.	\$24.01	\$13.65	1.76	68.33	76.00	2.15%	3.78%	43.16%	1.63%
6	Southwest Gas Corporation	\$56.24	\$31.95	1.76	46.52	52.00	2.25%	3.96%	43.19%	1.71%
7	WGL Holdings, Inc.	\$63.73	\$24.08	2.65	51.76	50.00	- 0.69%	- 1.82%	62.22%	- 1.14%
8	<b>Average</b>	<b>\$50.44</b>	<b>\$24.99</b>	<b>2.10</b>	<b>60.24</b>	<b>65.14</b>	<b>1.60%</b>	<b>3.06%</b>	<b>50.46%</b>	<b>1.46%</b>

Sources and Notes:

<sup>1</sup> SNL Financial, Downloaded on February 29, 2016.

<sup>2</sup> *The Value Line Investment Survey*, December 4, 2015.

<sup>3</sup> Expected Growth in the Number of Shares, Column (3) \* Column (6).

<sup>4</sup> Expected Profit of Stock Investment, [ 1 - 1 / Column (3) ].

# Montana-Dakota Utilities Co.

## Constant Growth DCF Model (Sustainable Growth Rate)

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price<sup>1</sup></u> (1)	<u>Sustainable Growth<sup>2</sup></u> (2)	<u>Annualized Dividend<sup>3</sup></u> (3)	<u>Adjusted Yield</u> (4)	<u>Constant Growth DCF</u> (5)
1	Atmos Energy Corporation	\$65.10	9.20%	\$1.68	2.82%	12.02%
2	Laclede Group, Inc. (The)	\$60.51	4.90%	\$1.96	3.40%	8.30%
3	New Jersey Resources Corporation	\$32.85	6.37%	\$0.96	3.11%	9.48%
4	Northwest Natural Gas Company	\$50.66	4.03%	\$1.87	3.84%	7.87%
5	South Jersey Industries, Inc.	\$24.01	6.95%	\$1.00	4.47%	11.42%
6	Southwest Gas Corporation	\$56.24	7.93%	\$1.62	3.11%	11.04%
7	WGL Holdings, Inc.	\$63.73	5.23%	\$1.85	3.06%	8.29%
8	<b>Average</b>	<b>\$50.44</b>	<b>6.37%</b>	<b>\$1.56</b>	<b>3.40%</b>	<b>9.77%</b>
9	<b>Median</b>					<b>9.48%</b>

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Sources:

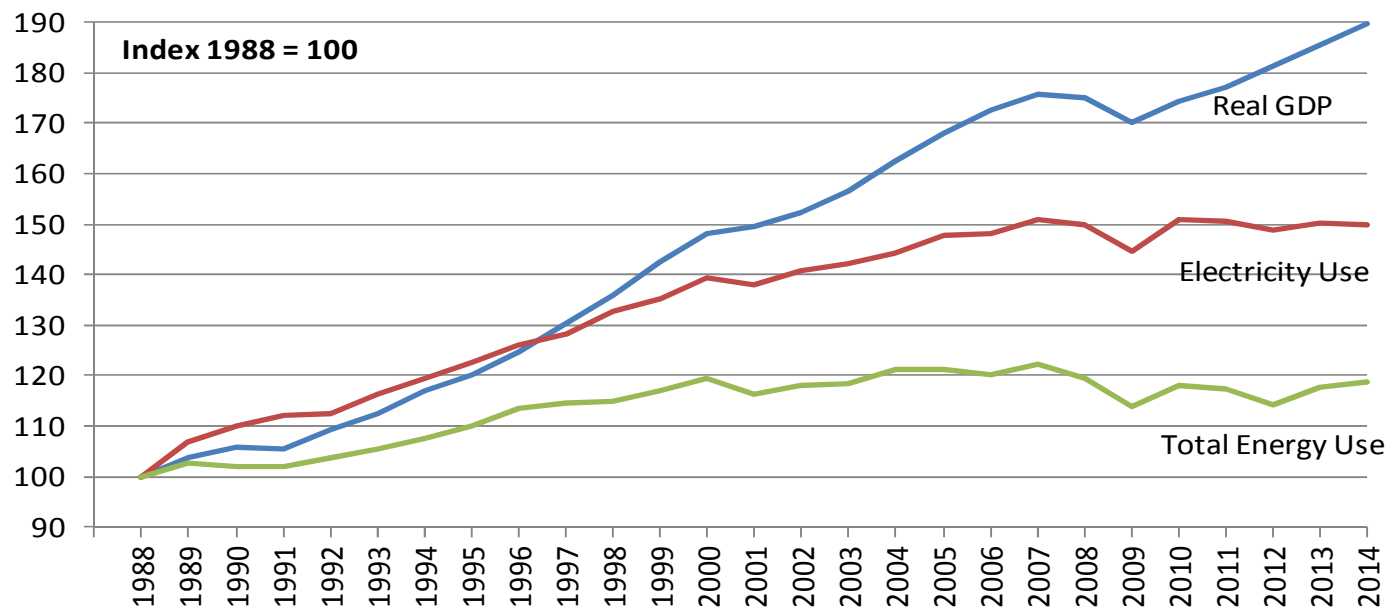
<sup>1</sup> SNL Financial, Downloaded on February 29, 2016.

<sup>2</sup> Exhibit No.\_\_\_\_(MPG-2), Schedule 6.

<sup>3</sup> *The Value Line Investment Survey*, December 4, 2015.

# Montana-Dakota Utilities Co.

## Electricity Sales Are Linked to U.S. Economic Growth



**Note:**

1988 represents the base year. Graph depicts increases or decreases from the base year.

**Sources:**

U.S. Department of Energy, Energy Information Administration.  
Edison Electric Institute, <http://www.eei.org>. Downloaded 4/16/2015.

## Montana-Dakota Utilities Co.

### Multi-Stage Growth DCF Model

Line	Company	13-Week AVG Stock Price <sup>1</sup> (1)	Annualized Dividend <sup>2</sup> (2)	First Stage Growth <sup>3</sup> (3)	Second Stage Growth					Third Stage Growth <sup>4</sup> (9)	Multi-Stage Growth DCF (10)
					Year 6 (4)	Year 7 (5)	Year 8 (6)	Year 9 (7)	Year 10 (8)		
1	Atmos Energy Corporation	\$65.10	\$1.68	6.67%	6.29%	5.91%	5.53%	5.16%	4.78%	4.40%	7.51%
2	Laclede Group, Inc. (The)	\$60.51	\$1.96	4.76%	4.70%	4.64%	4.58%	4.52%	4.46%	4.40%	7.86%
3	New Jersey Resources Corporation	\$32.85	\$0.96	6.50%	6.15%	5.80%	5.45%	5.10%	4.75%	4.40%	7.89%
4	Northwest Natural Gas Company	\$50.66	\$1.87	4.00%	4.07%	4.13%	4.20%	4.27%	4.33%	4.40%	8.15%
5	South Jersey Industries, Inc.	\$24.01	\$1.00	N/A	N/A	N/A	N/A	N/A	N/A	4.40%	N/A
6	Southwest Gas Corporation	\$56.24	\$1.62	4.50%	4.48%	4.47%	4.45%	4.43%	4.42%	4.40%	7.42%
7	WGL Holdings, Inc.	\$63.73	\$1.85	7.77%	7.21%	6.64%	6.08%	5.52%	4.96%	4.40%	8.15%
8	<b>Average</b>	<b>\$50.44</b>	<b>\$1.56</b>	<b>5.70%</b>	<b>5.48%</b>	<b>5.27%</b>	<b>5.05%</b>	<b>4.83%</b>	<b>4.62%</b>	<b>4.40%</b>	<b>7.83%</b>
9	<b>Median</b>										<b>7.87%</b>

Sources:

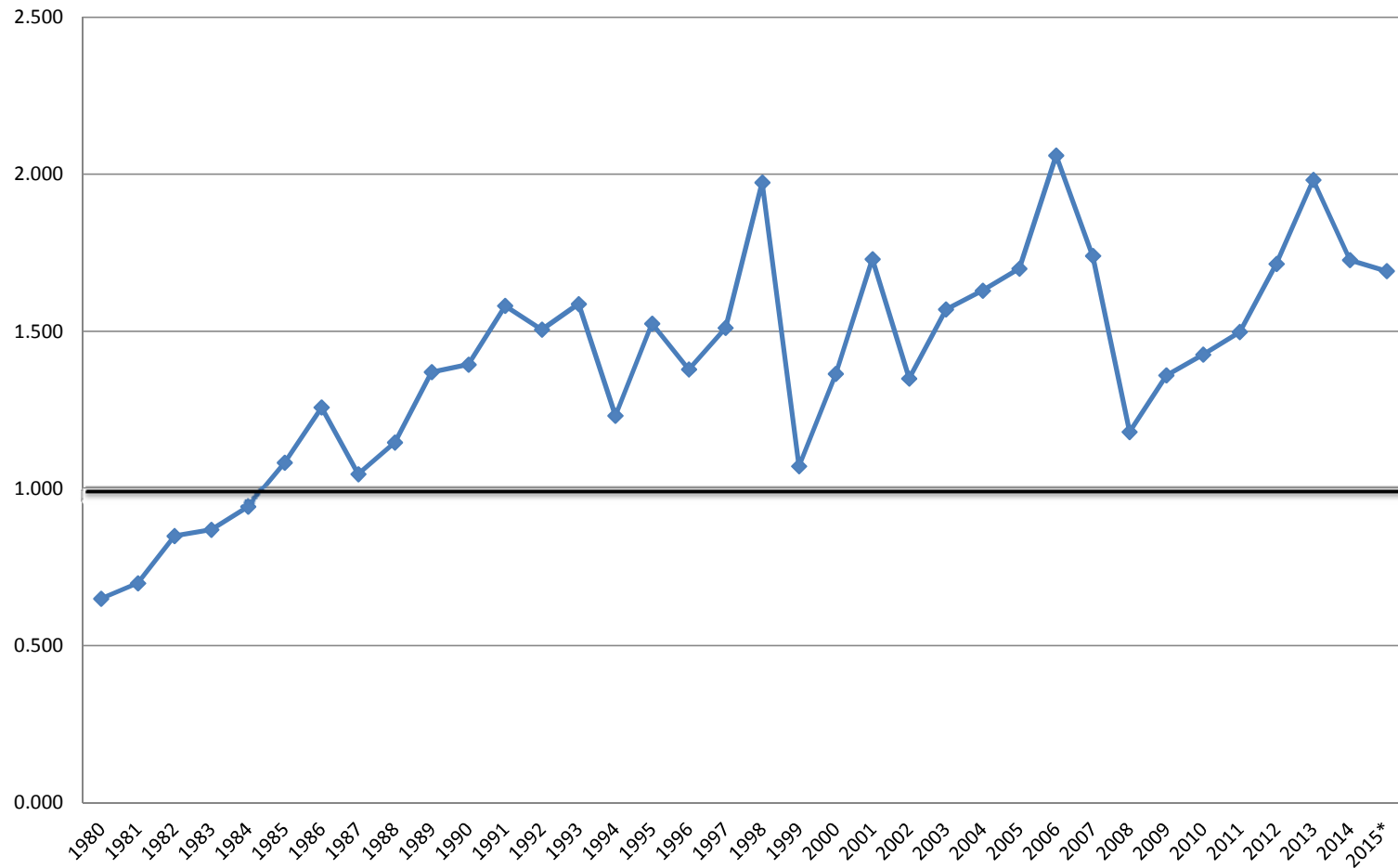
<sup>1</sup> SNL Financial, Downloaded on February 29, 2016.

<sup>2</sup> *The Value Line Investment Survey*, December 4, 2015.

<sup>3</sup> Exhibit No.\_\_\_\_(MPG-2), Schedule 4.

<sup>4</sup> Blue Chip Financial Forecasts, December 1, 2015 at 14.

## Montana-Dakota Utilities Co. Common Stock Market/Book Ratio



\* through September 2015

Source:

1980 - 2000: Mergent Public Utility Manual.

2001 - 2015: AUS Utility Reports, various dates.

## Montana-Dakota Utilities Co.

### Equity Risk Premium - Treasury Bond

<u>Line</u>	<u>Year</u>	<u>Authorized Gas Returns<sup>1</sup></u> (1)	<u>30 yr. Treasury Bond Yield<sup>2</sup></u> (2)	<u>Indicated Risk Premium</u> (3)	<u>Rolling 5 - Year Average</u> (4)	<u>Rolling 10 - Year Average</u> (5)
1	1986	13.46%	7.80%	5.66%		
2	1987	12.74%	8.58%	4.16%		
3	1988	12.85%	8.96%	3.89%		
4	1989	12.88%	8.45%	4.43%		
5	1990	12.67%	8.61%	4.06%	4.44%	
6	1991	12.46%	8.14%	4.32%	4.17%	
7	1992	12.01%	7.67%	4.34%	4.21%	
8	1993	11.35%	6.60%	4.75%	4.38%	
9	1994	11.35%	7.37%	3.98%	4.29%	
10	1995	11.43%	6.88%	4.55%	4.39%	4.42%
11	1996	11.19%	6.70%	4.49%	4.42%	4.30%
12	1997	11.29%	6.61%	4.68%	4.49%	4.35%
13	1998	11.51%	5.58%	5.93%	4.73%	4.55%
14	1999	10.66%	5.87%	4.79%	4.89%	4.59%
15	2000	11.39%	5.94%	5.45%	5.07%	4.73%
16	2001	10.95%	5.49%	5.46%	5.26%	4.84%
17	2002	11.03%	5.43%	5.60%	5.45%	4.97%
18	2003	10.99%	4.96%	6.03%	5.47%	5.10%
19	2004	10.59%	5.05%	5.54%	5.62%	5.25%
20	2005	10.46%	4.65%	5.81%	5.69%	5.38%
21	2006	10.43%	4.99%	5.44%	5.69%	5.47%
22	2007	10.24%	4.83%	5.41%	5.65%	5.55%
23	2008	10.37%	4.28%	6.09%	5.66%	5.56%
24	2009	10.19%	4.07%	6.12%	5.77%	5.69%
25	2010	10.15%	4.25%	5.90%	5.79%	5.74%
26	2011	9.92%	3.91%	6.01%	5.91%	5.80%
27	2012	9.94%	2.92%	7.02%	6.23%	5.94%
28	2013	9.68%	3.45%	6.23%	6.26%	5.96%
29	2014	9.78%	3.34%	6.44%	6.32%	6.05%
30	2015	9.60%	2.84%	6.76%	6.49%	6.14%
31	<b>Average</b>	<b>11.12%</b>	<b>5.81%</b>	<b>5.31%</b>	<b>5.26%</b>	<b>5.26%</b>
32	<b>Minimum</b>				<b>4.17%</b>	<b>4.30%</b>
	<b>Maximum</b>				<b>6.49%</b>	<b>6.14%</b>

Sources:

<sup>1</sup> Regulatory Research Associates, Inc. , Regulatory Focus, Major Rate Case Decisions, Calendar 2015.

<sup>2</sup> St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>.

The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.

## Montana-Dakota Utilities Co.

### Equity Risk Premium - Utility Bond

<u>Line</u>	<u>Year</u>	<u>Authorized Gas Returns<sup>1</sup></u> (1)	<u>Average "A" Rated Utility Bond Yield<sup>2</sup></u> (2)	<u>Indicated Risk Premium</u> (3)	<u>Rolling 5 - Year Average</u> (4)	<u>Rolling 10 - Year Average</u> (5)
1	1986	13.46%	9.58%	3.88%		
2	1987	12.74%	10.10%	2.64%		
3	1988	12.85%	10.49%	2.36%		
4	1989	12.88%	9.77%	3.11%		
5	1990	12.67%	9.86%	2.81%	2.96%	
6	1991	12.46%	9.36%	3.10%	2.80%	
7	1992	12.01%	8.69%	3.32%	2.94%	
8	1993	11.35%	7.59%	3.76%	3.22%	
9	1994	11.35%	8.31%	3.04%	3.21%	
10	1995	11.43%	7.89%	3.54%	3.35%	3.16%
11	1996	11.19%	7.75%	3.44%	3.42%	3.11%
12	1997	11.29%	7.60%	3.69%	3.49%	3.22%
13	1998	11.51%	7.04%	4.47%	3.64%	3.43%
14	1999	10.66%	7.62%	3.04%	3.64%	3.42%
15	2000	11.39%	8.24%	3.15%	3.56%	3.45%
16	2001	10.95%	7.76%	3.19%	3.51%	3.46%
17	2002	11.03%	7.37%	3.66%	3.50%	3.50%
18	2003	10.99%	6.58%	4.41%	3.49%	3.56%
19	2004	10.59%	6.16%	4.43%	3.77%	3.70%
20	2005	10.46%	5.65%	4.81%	4.10%	3.83%
21	2006	10.43%	6.07%	4.36%	4.33%	3.92%
22	2007	10.24%	6.07%	4.17%	4.44%	3.97%
23	2008	10.37%	6.53%	3.84%	4.32%	3.91%
24	2009	10.19%	6.04%	4.15%	4.27%	4.02%
25	2010	10.15%	5.46%	4.69%	4.24%	4.17%
26	2011	9.92%	5.04%	4.88%	4.35%	4.34%
27	2012	9.94%	4.13%	5.81%	4.67%	4.56%
28	2013	9.68%	4.48%	5.20%	4.95%	4.63%
29	2014	9.78%	4.28%	5.50%	5.22%	4.74%
30	2015	9.60%	4.12%	5.48%	5.38%	4.81%
31	<b>Average</b>	<b>11.12%</b>	<b>7.19%</b>	<b>3.93%</b>	<b>3.87%</b>	<b>3.85%</b>
32	<b>Minimum</b>				<b>2.80%</b>	<b>3.11%</b>
33	<b>Maximum</b>				<b>5.38%</b>	<b>4.81%</b>

Sources:

<sup>1</sup> *Regulatory Research Associates, Inc.*, Regulatory Focus, Major Rate Case Decisions, Calendar 2015.

<sup>2</sup> Mergent Public Utility Manual, Mergent Weekly News Reports, 2003. The utility yields for the period 2001-2009 were obtained from the Mergent Bond Record. The utility yields from 2010-2015 were obtained from <http://credittrends.moody.com/>.

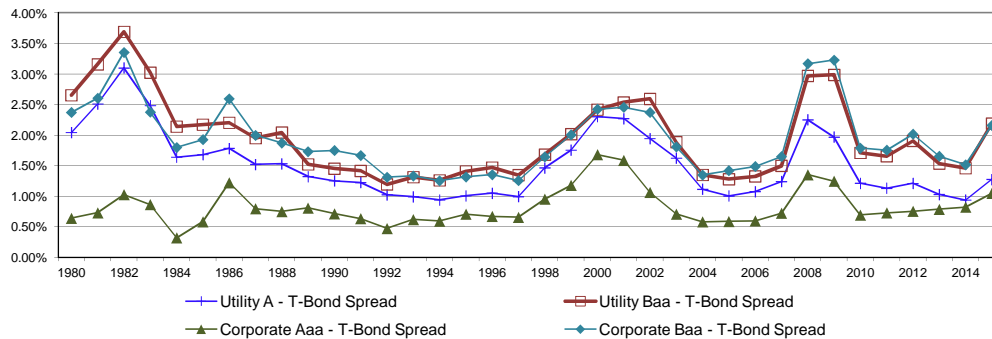


## Montana-Dakota Utilities Co.

### Bond Yield Spreads

Line	Year	T-Bond Yield <sup>1</sup> (1)	Public Utility Bond			Corporate Bond				Utility to Corporate		
			A <sup>2</sup> (2)	Baa <sup>2</sup> (3)	A-T-Bond Spread (4)	Baa-T-Bond Spread (5)	Aaa <sup>1</sup> (6)	Baa <sup>1</sup> (7)	Aaa-T-Bond Spread (8)	Baa-T-Bond Spread (9)	Baa Spread (10)	A-Aaa Spread (11)
1	1980	11.30%	13.34%	13.95%	2.04%	2.65%	11.94%	13.67%	0.64%	2.37%	0.28%	1.40%
2	1981	13.44%	15.95%	16.60%	2.51%	3.16%	14.17%	16.04%	0.73%	2.60%	0.56%	1.78%
3	1982	12.76%	15.86%	16.45%	3.10%	3.69%	13.79%	16.11%	1.03%	3.35%	0.34%	2.07%
4	1983	11.18%	13.66%	14.20%	2.48%	3.02%	12.04%	13.55%	0.86%	2.38%	0.65%	1.62%
5	1984	12.39%	14.03%	14.53%	1.64%	2.14%	12.71%	14.19%	0.32%	1.80%	0.34%	1.32%
6	1985	10.79%	12.47%	12.96%	1.68%	2.17%	11.37%	12.72%	0.58%	1.93%	0.24%	1.10%
7	1986	7.80%	9.58%	10.00%	1.78%	2.20%	9.02%	10.39%	1.22%	2.59%	-0.39%	0.56%
8	1987	8.58%	10.10%	10.53%	1.52%	1.95%	9.38%	10.58%	0.80%	2.00%	-0.05%	0.72%
9	1988	8.96%	10.49%	11.00%	1.53%	2.04%	9.71%	10.83%	0.75%	1.87%	0.17%	0.78%
10	1989	8.45%	9.77%	9.97%	1.32%	1.52%	9.26%	10.18%	0.81%	1.73%	-0.21%	0.51%
11	1990	8.61%	9.86%	10.06%	1.25%	1.45%	9.32%	10.36%	0.71%	1.75%	-0.29%	0.54%
12	1991	8.14%	9.36%	9.55%	1.22%	1.41%	8.77%	9.80%	0.63%	1.67%	-0.25%	0.59%
13	1992	7.67%	8.69%	8.86%	1.02%	1.19%	8.14%	8.98%	0.47%	1.31%	-0.12%	0.55%
14	1993	6.60%	7.59%	7.91%	0.99%	1.31%	7.22%	7.93%	0.62%	1.33%	-0.02%	0.37%
15	1994	7.37%	8.31%	8.63%	0.94%	1.26%	7.96%	8.62%	0.59%	1.25%	0.01%	0.35%
16	1995	6.88%	7.89%	8.29%	1.01%	1.41%	7.59%	8.20%	0.71%	1.32%	0.09%	0.30%
17	1996	6.70%	7.75%	8.17%	1.05%	1.47%	7.37%	8.05%	0.67%	1.35%	0.12%	0.38%
18	1997	6.61%	7.60%	7.95%	0.99%	1.34%	7.26%	7.86%	0.66%	1.26%	0.09%	0.34%
19	1998	5.58%	7.04%	7.26%	1.46%	1.68%	6.53%	7.22%	0.95%	1.64%	0.04%	0.51%
20	1999	5.87%	7.62%	7.88%	1.75%	2.01%	7.04%	7.87%	1.18%	2.01%	0.01%	0.58%
21	2000	5.94%	8.24%	8.36%	2.30%	2.42%	7.62%	8.36%	1.68%	2.42%	-0.01%	0.62%
22	2001	5.49%	7.76%	8.03%	2.27%	2.54%	7.08%	7.95%	1.59%	2.45%	0.08%	0.68%
23	2002	5.43%	7.37%	8.02%	1.94%	2.59%	6.49%	7.80%	1.06%	2.37%	0.22%	0.88%
24	2003	4.96%	6.58%	6.84%	1.62%	1.89%	5.67%	6.77%	0.71%	1.81%	0.08%	0.91%
25	2004	5.05%	6.16%	6.40%	1.11%	1.35%	5.63%	6.39%	0.58%	1.35%	0.00%	0.53%
26	2005	4.65%	5.65%	5.93%	1.00%	1.28%	5.24%	6.06%	0.59%	1.42%	-0.14%	0.41%
27	2006	4.99%	6.07%	6.32%	1.08%	1.32%	5.59%	6.48%	0.60%	1.49%	-0.16%	0.48%
28	2007	4.83%	6.07%	6.33%	1.24%	1.50%	5.56%	6.48%	0.72%	1.65%	-0.15%	0.52%
29	2008	4.28%	6.53%	7.25%	2.25%	2.97%	5.63%	7.45%	1.35%	3.17%	-0.20%	0.90%
30	2009	4.07%	6.04%	7.06%	1.97%	2.99%	5.31%	7.30%	1.24%	3.23%	-0.24%	0.72%
31	2010	4.25%	5.46%	5.96%	1.21%	1.71%	4.94%	6.04%	0.69%	1.79%	-0.08%	0.52%
32	2011	3.91%	5.04%	5.56%	1.13%	1.65%	4.64%	5.66%	0.73%	1.75%	-0.10%	0.40%
33	2012	2.92%	4.13%	4.83%	1.21%	1.91%	3.67%	4.94%	0.75%	2.01%	-0.11%	0.46%
34	2013	3.45%	4.48%	4.98%	1.03%	1.53%	4.24%	5.10%	0.79%	1.65%	-0.12%	0.24%
35	2014	3.34%	4.28%	4.80%	0.94%	1.46%	4.16%	4.85%	0.82%	1.51%	-0.06%	0.11%
36	2015	2.84%	4.12%	5.03%	1.27%	2.19%	3.89%	5.00%	1.05%	2.16%	0.03%	0.23%
37	<b>Average</b>	<b>6.84%</b>	<b>8.36%</b>	<b>8.79%</b>	<b>1.52%</b>	<b>1.95%</b>	<b>7.67%</b>	<b>8.77%</b>	<b>0.83%</b>	<b>1.94%</b>	<b>0.02%</b>	<b>0.69%</b>

**Yield Spreads**  
 Treasury Vs. Corporate & Treasury Vs. Utility



**Sources:**

<sup>1</sup> St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>.

<sup>2</sup> Mergent Public Utility Manual, Mergent Weekly News Reports, 2003. The utility yields for the period 2001-2009 were obtained from the Mergent Bond Record. The utility yields from 2010-2015 were obtained from <http://credittrends.moodys.com/>.

# Montana-Dakota Utilities Co.

## Treasury and Utility Bond Yields

<u>Line</u>	<u>Date</u>	<u>Treasury Bond Yield<sup>1</sup></u> (1)	<u>"A" Rated Utility Bond Yield<sup>2</sup></u> (2)	<u>"Baa" Rated Utility Bond Yield<sup>2</sup></u> (3)
1	02/26/16	2.58%	4.15%	5.25%
2	02/19/16	2.61%	4.10%	5.26%
3	02/12/16	2.60%	4.09%	5.26%
4	02/05/16	2.68%	4.15%	5.34%
5	01/29/16	2.75%	4.19%	5.40%
6	01/22/16	2.83%	4.25%	5.51%
7	01/15/16	2.81%	4.23%	5.45%
8	01/08/16	2.91%	4.32%	5.52%
9	12/31/15	3.01%	4.41%	5.58%
10	12/24/15	2.96%	4.35%	5.56%
11	12/18/15	2.90%	4.30%	5.53%
12	12/11/15	2.87%	4.26%	5.45%
13	12/04/15	3.01%	4.38%	5.55%
14	<b>Average</b>	<b>2.81%</b>	<b>4.24%</b>	<b>5.44%</b>
15	<b>Spread To Treasury</b>		<b>1.43%</b>	<b>2.63%</b>

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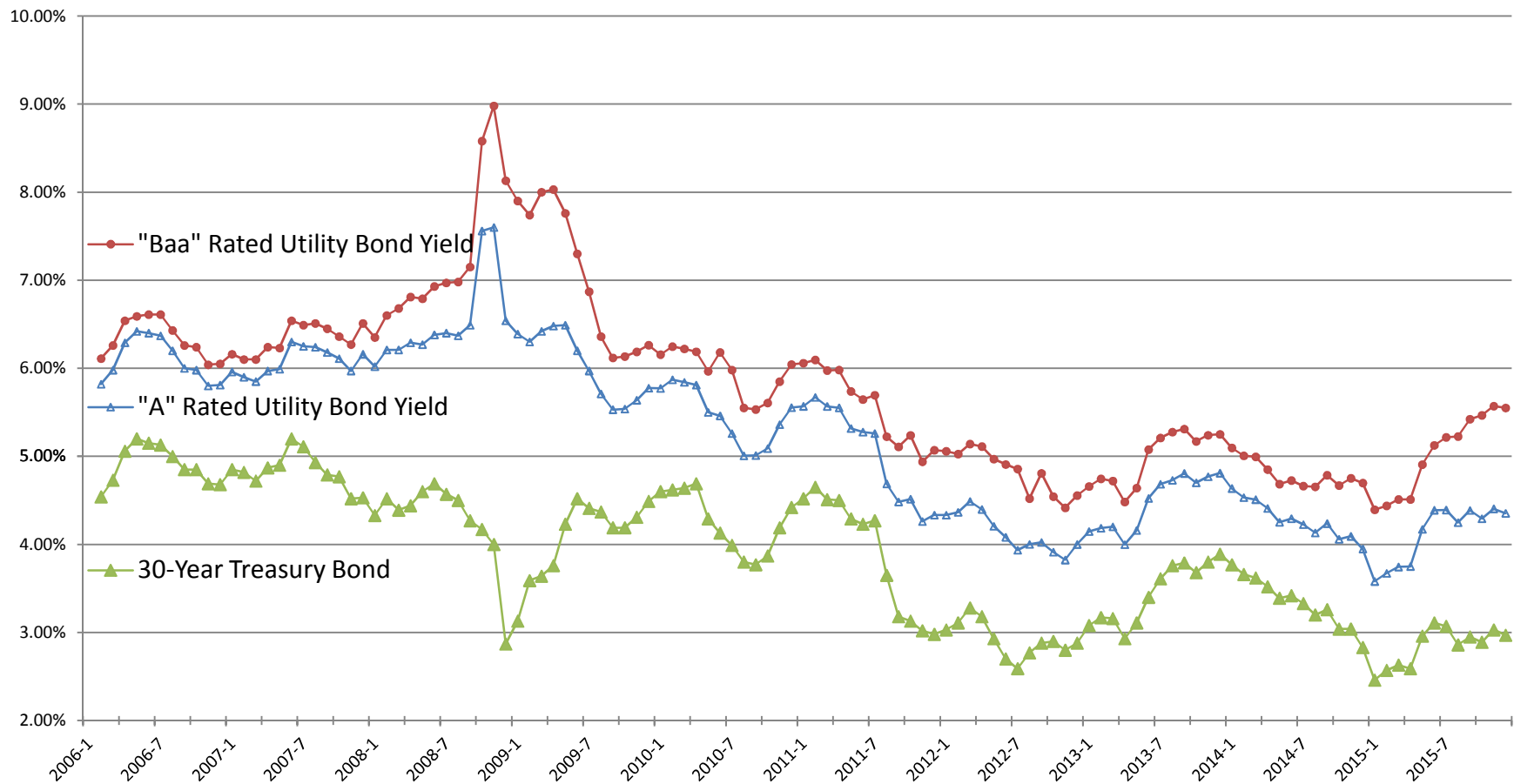
Sources:

<sup>1</sup> St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org>.

<sup>2</sup> <http://credittrends.moody.com/>.

# Montana-Dakota Utilities Co.

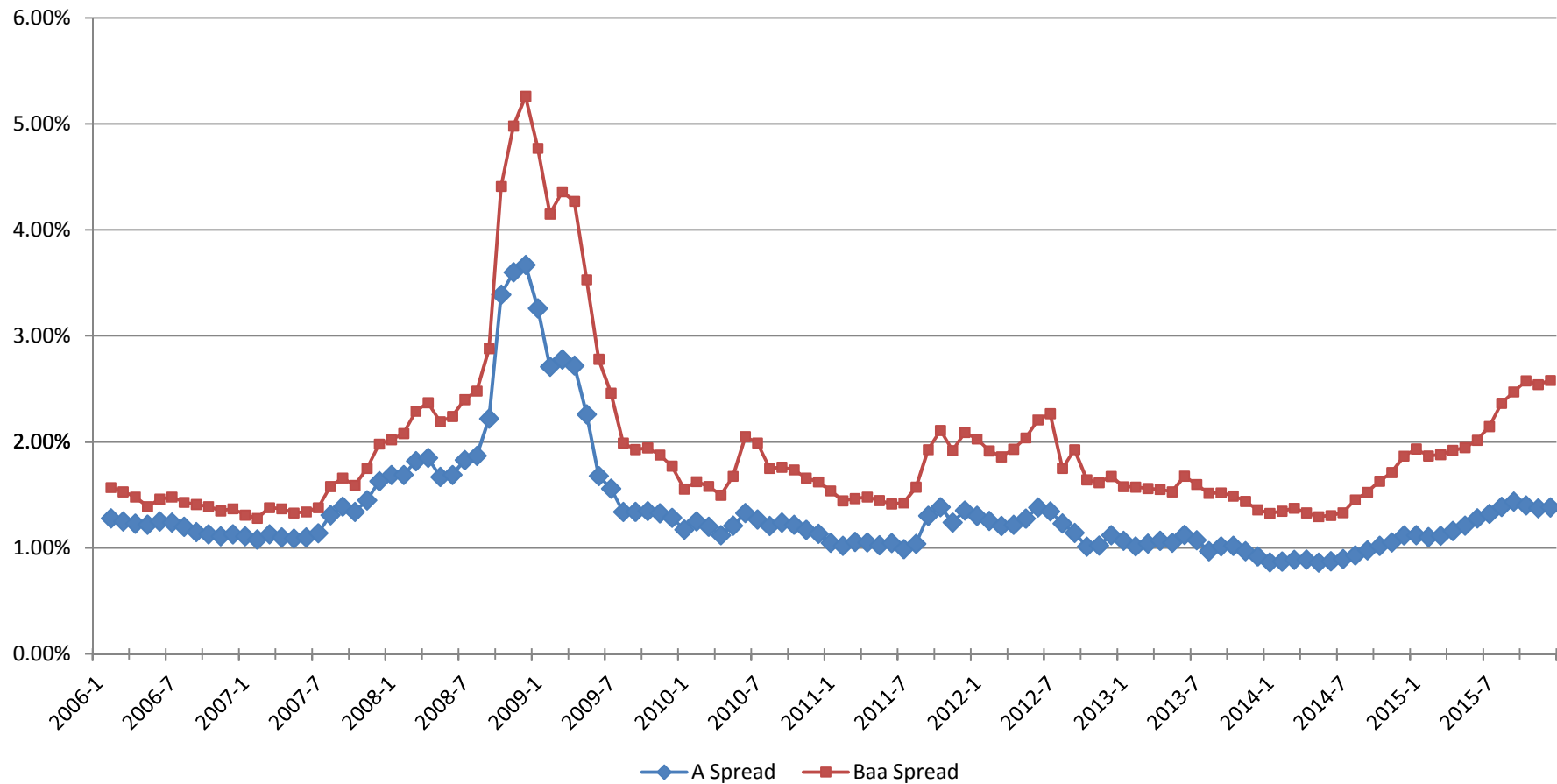
## Trends in Bond Yields



Sources:  
Mergent Bond Record.  
www.moodys.com, Bond Yields and Key Indicators.  
St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>

# Montana-Dakota Utilities Co.

## Yield Spread Between Utility Bonds and 30-Year Treasury Bonds



Sources:  
Mergent Bond Record.  
www.moodys.com, Bond Yields and Key Indicators.  
St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>

## Montana-Dakota Utilities Co.

### Value Line Beta

<u>Line</u>	<u>Company</u>	<u>Beta</u>
1	Atmos Energy Corporation	0.80
2	Laclede Group, Inc. (The)	0.70
3	New Jersey Resources Corporation	0.80
4	Northwest Natural Gas Company	0.65
5	South Jersey Industries, Inc.	0.80
6	Southwest Gas Corporation	0.80
7	WGL Holdings, Inc.	0.75
8	<b>Average</b>	<b>0.76</b>

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Source:  
*The Value Line Investment Survey, December 4, 2015.*

# Montana-Dakota Utilities Co.

## CAPM Return

<u>Line</u>	<u>Description</u>	<u>High Market Risk Premium (1)</u>	<u>Low Market Risk Premium (2)</u>
1	Risk-Free Rate <sup>1</sup>	3.70%	3.70%
2	Risk Premium <sup>2</sup>	7.90%	6.00%
3	Beta <sup>3</sup>	0.76	0.76
4	<b>CAPM</b>	<b>9.68%</b>	<b>8.24%</b>

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Sources:

<sup>1</sup> Blue Chip Financial Forecasts; February 1, 2016, at 2.

<sup>2</sup> Morningstar, Inc. Ibbotson SBBI 2015 Classic Yearbook at 91 and 152.

<sup>3</sup> Exhibit No.\_\_\_\_(MPG-2), Schedule 15.

## MONTANA-DAKOTA UTILITIES CO.

### Standard & Poor's Credit Metrics

<u>Line</u>	<u>Description</u>	Retail	<u>S&amp;P Benchmark (Medial Volatility)<sup>1/2</sup></u>			<u>Reference</u>
		<u>Cost of Service</u> <u>Amount (\$000)</u> (1)	<u>Modest</u> (2)	<u>Intermediate</u> (3)	<u>Significant</u> (4)	
1	Rate Base	\$ 39,892,967				Rule 20:10:13:96, Page 7 of 7.
2	Weighted Common Return	4.29%				Page 2, Line 4, Col. 4.
3	Pre-Tax Rate of Return	9.35%				Page 2, Line 5, Col. 5.
4	Income to Common	\$ 1,711,748				Line 1 x Line 2.
5	EBIT	\$ 3,730,987				Line 1 x Line 3.
6	Depreciation & Amortization	\$ 3,668,425				Rule 20:10:13:96, Page 7 of 7.
7	Imputed Amortization	\$ -				N/A
8	Deferred Income Taxes & ITC	\$ 2,819,206				Rule 20:10:13:96, Page 7 of 7.
9	Funds from Operations (FFO)	\$ 8,199,379				Sum of Line 4 and Lines 6 through 8.
10	Imputed Interest Expense	\$ -				N/A
11	EBITDA	\$ 7,399,412				Sum of Lines 5 through 7 and Line 10.
12	Total Debt Ratio	54%				Page 3, Line 4, Col. 2.
13	Debt to EBITDA	2.9x	1.75x - 2.5x	2.5x - 3.5x	3.5x - 4.5x	(Line 1 x Line 12) / Line 11.
14	FFO to Total Debt	38%	35% - 50%	23% - 35%	13% - 23%	Line 9 / (Line 1 x Line 12).

Sources:

<sup>1</sup> Standard & Poor's RatingsDirect: "Criteria: Corporate Methodology," November 19, 2013.

<sup>2</sup> Standard & Poor's RatingsDirect: "MDU Resources Group Inc. and Subsidiary 'BBB+' Corporate Credit Ratings Affirmed, Outlook Revised To Negative.," November 30, 2015.

Note:

Based on the November 2015 S&P report, MDU has a "Satisfactory" business risk profile and a "Significant" financial risk profile, and falls under the "Medial Volatility" matrix.

## MONTANA-DAKOTA UTILITIES CO.

### Standard & Poor's Credit Metrics (Pre-Tax Rate of Return)

<u>Line</u>	<u>Description</u>	<u>Amount</u> <sup>1</sup> (1)	<u>Weight</u> (2)	<u>Cost</u> (3)	<u>Weighted Cost</u> (4)	<u>Pre-Tax Weighted Cost</u> (5)
1	Long-Term Debt	\$ 505,460,413	43.89%	5.79%	2.54%	2.54%
2	Short-Term Debt	\$ 99,623,527	8.65%	1.63%	0.14%	0.14%
3	Preferred Stock	\$ 15,258,600	1.32%	4.58%	0.06%	0.06%
4	Common Equity	<u>\$ 531,387,131</u>	<u>46.14%</u>	<b>9.30%</b>	<u>4.29%</u>	<u>6.61%</u>
5	<b>Total</b>	<b>\$ 1,151,729,671</b>	<b>100.00%</b>		<b>7.03%</b>	<b>9.35%</b>
6	Tax Conversion Factor*					1.5406

Sources:

<sup>1</sup> Exhibit No.\_\_\_\_(MPG-2), Schedule 1.

\* Rule 20:10:13:96, Page 7 of 7.



# MONTANA-DAKOTA UTILITIES CO.

## Standard & Poor's Credit Metrics (Financial Capital Structure)

<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)
1	Long-Term Debt	\$ 505,460,413	43.89%
2	Short-Term Debt	\$ 99,623,527	8.65%
3	Preferred Stock	<u>\$ 15,258,600</u>	<u>1.32%</u>
4	<b>Total Debt</b>	<b>\$ 620,342,540</b>	<b>53.86%</b>
5	Common Equity	<u>531,387,131</u>	<u>46.14%</u>
6	<b>Total</b>	<b>\$ 1,151,729,671</b>	<b>100.00%</b>

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Sources:  
Page 2.

**MONTANA-DAKOTA UTILITIES CO.  
COMPANY PROPOSAL  
TOTAL NORMALIZED REVENUES UNDER CURRENT AND PROPOSED RATES  
GAS UTILITY - SOUTH DAKOTA**

<b>Line</b>	<b>Rate Class</b>	<b>Billing Units</b>	<b>Dk</b>	<b>Current Rates Revenue</b>	<b>Proposed Rates Revenue</b>	<b>Proposed Revenue Increase</b>	<b>Percent Increase</b>	<b>Index</b>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	<b>Residential</b>	50,016	3,607,260	\$28,587,683	\$29,908,561	\$1,320,878	4.62%	1.50
	<b>Firm General Service</b>							
2	Small Firm General	5,124	669,013	\$ 4,712,824				
3	Large Firm General	1,823	2,281,656	14,552,498				
4	<b>Total Firm General</b>	<u>6,947</u>	<u>2,950,669</u>	<u>\$19,265,322</u>	<u>\$19,421,931</u>	<u>\$ 156,609</u>	<u>0.81%</u>	<u>0.26</u>
	<b>Small Interruptible</b>							
5	Sales - Rate 71	5	21,860	\$ 120,906				
6	Transport - Rate 81	20	314,711	149,437				
7	<b>Total Small Interruptible</b>	<u>25</u>	<u>336,571</u>	<u>\$ 270,343</u>	<u>\$ 272,629</u>	<u>\$ 2,286</u>	<u>0.85%</u>	<u>0.27</u>
	<b>Large Interruptible</b>							
8	Sales - Rate 85	2	378,296	\$ 1,405,216				
9	Transport - Rate 82	8	895,914	199,471				
10	<b>Total Large Interruptible</b>	<u>10</u>	<u>1,274,210</u>	<u>\$ 1,604,687</u>	<u>\$ 1,657,233</u>	<u>\$ 52,546</u>	<u>3.27%</u>	<u>1.06</u>
11	<b>Total South Dakota</b>	56,998	8,168,710	\$49,728,035	\$51,260,354	\$1,532,319	3.08%	1.00

Source: Exhibit TAA-1, page 1 of 1

**MONTANA-DAKOTA UTILITIES CO.  
COMPANY PROPOSAL  
DISTRIBUTION NORMALIZED REVENUES UNDER CURRENT AND PROPOSED RATES  
GAS UTILITY - SOUTH DAKOTA**

<b>Line</b>	<b>Rate Class</b>	<b>Billing Units</b>	<b>Dk</b>	<b>Current Rates Revenue</b>	<b>Proposed Rates Revenue</b>	<b>Proposed Revenue Increase</b>	<b>Percent Increase</b>	<b>Index</b>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	<b>Residential</b>	50,016	3,607,260	\$ 11,402,696	\$ 12,723,574	\$ 1,320,878	11.58%	1.29
	<b>Firm General Service</b>							
2	Small Firm General	5,124	669,013	\$ 1,525,646				
3	Large Firm General	1,823	2,281,656	3,682,689				
4	<b>Total Firm General</b>	<u>6,947</u>	<u>2,950,669</u>	<u>\$ 5,208,335</u>	<u>\$ 5,364,944</u>	<u>\$ 156,609</u>	<u>3.01%</u>	<u>0.33</u>
	<b>Small Interruptible</b>							
5	Sales - Rate 71	5	21,860	\$ 16,765				
6	Transport - Rate 81	20	314,711	149,437				
7	<b>Total Small Interruptible</b>	<u>25</u>	<u>336,571</u>	<u>\$ 166,202</u>	<u>\$ 168,488</u>	<u>\$ 2,286</u>	<u>1.38%</u>	<u>0.15</u>
	<b>Large Interruptible</b>							
8	Sales - Rate 85	2	378,296	\$ 80,423				
9	Transport - Rate 82	8	895,914	199,471				
10	<b>Total Large Interruptible</b>	<u>10</u>	<u>1,274,210</u>	<u>\$ 279,894</u>	<u>\$ 332,440</u>	<u>\$ 52,546</u>	<u>18.77%</u>	<u>2.09</u>
11	<b>Total South Dakota</b>	56,998	8,168,710	\$ 17,057,127	\$ 18,589,446	\$ 1,532,319	8.98%	1.00

Source: Statement I, pp. 6-7  
Exhibit TAA-1, page 1 of 1

**MONTANA-DAKOTA UTILITIES CO.  
FEA PROPOSAL  
DISTRIBUTION REVENUES UNDER CURRENT AND PROPOSED RATES  
GAS UTILITY - SOUTH DAKOTA**

<b>Line</b>	<b>Rate Class</b>	<b>Billing Units</b>	<b>Dk</b>	<b>Current Rates Revenue</b>	<b>Proposed Rates Revenue</b>	<b>Proposed Revenue Increase</b>	<b>Percent Increase</b>	<b>Index</b>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	<b>Residential</b>	50,016	3,607,260	\$ 11,402,696	\$ 12,935,015	\$ 1,532,319	13.44%	1.50
	<b>Firm General Service</b>							
2	Small Firm General	5,124	669,013	\$ 1,525,646				
3	Large Firm General	1,823	2,281,656	3,682,689				
4	<b>Total Firm General</b>	<u>6,947</u>	<u>2,950,669</u>	<u>\$ 5,208,335</u>	<u>\$ 5,208,335</u>	<u>\$ -</u>	<u>0.00%</u>	<u>-</u>
	<b>Small Interruptible</b>							
5	Sales - Rate 71	5	21,860	\$ 16,765				
6	Transport - Rate 81	20	314,711	149,437				
7	<b>Total Small Interruptible</b>	<u>25</u>	<u>336,571</u>	<u>\$ 166,202</u>	<u>\$ 166,202</u>	<u>\$ -</u>	<u>0.00%</u>	<u>-</u>
	<b>Large Interruptible</b>							
8	Sales - Rate 85	2	378,296	\$ 80,423				
9	Transport - Rate 82	8	895,914	199,471				
10	<b>Total Large Interruptible</b>	<u>10</u>	<u>1,274,210</u>	<u>\$ 279,894</u>	<u>\$ 279,894</u>	<u>\$ -</u>	<u>0.00%</u>	<u>-</u>
11	<b>Total South Dakota</b>	56,998	8,168,710	\$ 17,057,127	\$ 18,589,446	\$ 1,532,319	8.98%	1.00

MONTANA-DAKOTA UTILITIES CO.  
COMPANY PROPOSAL  
COST OF SERVICE  
GAS UTILITY - SOUTH DAKOTA

Line	Rate Class	Billing Units	Dk	Current Rates Revenue	Proposed Rates Revenue	Proposed Revenue Increase	Percent Increase	Index
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	<b>Residential</b>	50,016	3,607,260	\$ 11,404,008	\$ 13,380,996	\$ 1,976,988	17.34%	1.93
	<b>Firm General Service</b>							
2	Small Firm General	5,124	669,013	\$ 1,525,888				
3	Large Firm General	1,823	2,281,656	3,683,519				
4	<b>Total Firm General</b>	<u>6,947</u>	<u>2,950,669</u>	<u>\$ 5,209,407</u>	<u>\$ 4,773,672</u>	<u>\$ (435,735)</u>	<u>-8.36%</u>	<u>(0.93)</u>
	<b>Small Interruptible</b>							
5	Sales - Rate 71	5	21,860					
6	Transport - Rate 81	20	314,711					
7	<b>Total Small Interruptible</b>	<u>25</u>	<u>336,571</u>	<u>\$ 193,788</u>	<u>\$ 133,103</u>	<u>\$ (60,685)</u>	<u>-31.32%</u>	<u>(3.49)</u>
	<b>Large Interruptible</b>							
8	Sales - Rate 85	2	378,296					
9	Transport - Rate 82	8	895,914					
10	<b>Total Large Interruptible</b>	<u>10</u>	<u>1,274,210</u>	<u>\$ 279,887</u>	<u>\$ 332,317</u>	<u>\$ 52,430</u>	<u>18.73%</u>	<u>2.09</u>
11	<b>Total South Dakota</b>	56,998	8,168,710	\$ 17,087,090	\$ 18,620,088	\$ 1,532,998	8.97%	1.00

Source: Statement N, Cost of Service Study  
Provided in response to data request FEA 1-8

**MONTANA-DAKOTA UTILITIES CO.  
FEA PROPOSAL  
COST OF SERVICE  
GAS UTILITY - SOUTH DAKOTA**

<b>Line</b>	<b>Rate Class</b>	<b>Billing Units</b>	<b>Dk</b>	<b>Current Rates Revenue</b>	<b>Proposed Rates Revenue</b>	<b>Proposed Revenue Increase</b>	<b>Percent Increase</b>	<b>Index</b>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	<b>Residential</b>	50,016	3,607,260	\$ 11,404,008	\$ 13,482,527	\$ 2,078,519	18.23%	2.03
	<b>Firm General Service</b>							
2	Small Firm General	5,124	669,013	\$ 1,525,888				
3	Large Firm General	1,823	2,281,656	3,683,519				
4	<b>Total Firm General</b>	<u>6,947</u>	<u>2,950,669</u>	<u>\$ 5,209,407</u>	<u>\$ 4,848,515</u>	<u>\$ (360,892)</u>	<u>-6.93%</u>	<u>(0.77)</u>
	<b>Small Interruptible</b>							
5	Sales - Rate 71	5	21,860					
6	Transport - Rate 81	20	314,711					
7	<b>Total Small Interruptible</b>	<u>25</u>	<u>336,571</u>	<u>\$ 193,788</u>	<u>\$ 96,255</u>	<u>\$ (97,533)</u>	<u>-50.33%</u>	<u>(5.61)</u>
	<b>Large Interruptible</b>							
8	Sales - Rate 85	2	378,296					
9	Transport - Rate 82	8	895,914					
10	<b>Total Large Interruptible</b>	<u>10</u>	<u>1,274,210</u>	<u>\$ 279,887</u>	<u>\$ 192,793</u>	<u>\$ (87,094)</u>	<u>-31.12%</u>	<u>(3.47)</u>
11	<b>Total South Dakota</b>	56,998	8,168,710	\$ 17,087,090	\$ 18,620,090	\$ 1,533,000	8.97%	1.00