

**MONTANA-DAKOTA UTILITIES CO.
SOUTH DAKOTA GAS RATE OF RETURN
ADJUSTED FOR INCOME TAXES**

	<u>Ratio 1/</u>	<u>Cost 1/</u>	<u>Weighted Cost</u>	<u>Adj. for Taxes 2/</u>
Debt				
Preferred Stock				
Common Equity				
Total	<u>100.00%</u>		<u>7.600%</u>	<u>10.239%</u>

1/ Docket No. NG12-008, Staff Confidential Memo, page 6.

2/ Preferred stock and common equity subject to income taxes and weighted cost is divided by 1-tax rate.

Federal Tax Rate	35.0000%
Revenue Tax	0.1500%
Revenue tax net of federal tax	0.09750%
Combined Federal and revenue tax rate	35.0975%
1-tax rate	64.9025%