

**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.

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|------------------|----------|
| Federal Tax Rate | 35.0000% |
| Revenue Tax | 0.1500% |

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| Revenue tax net of federal tax | 0.09750% |
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| Combined Federal and revenue tax rate | 35.0975% |
| 1-tax rate | 64.9025% |