

**MONTANA-DAKOTA UTILITIES CO.  
INCOME STATEMENT  
ELECTRIC UTILITY - SOUTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2014**

	<u>Total Company</u>	<u>South Dakota</u>	<u>Other</u>	<u>Reference</u>
Operating Revenues				
Sales	\$264,115,616	\$13,501,927	\$250,613,689	Rule 20:10:13:85
Sales for Resale	655,955	35,069	620,886	Rule 20:10:13:85
Other	10,921,818	701,822	10,219,996	Rule 20:10:13:85
Total Revenues	<u>275,693,389</u>	<u>14,238,818</u>	<u>261,454,571</u>	
Operating Expenses				
Operation and Maintenance				
Cost of Fuel and Purchased Power	89,311,570	4,199,643	85,111,927	Rule 20:10:13:80
Other O&M	81,481,249	5,341,910	76,139,339	Rule 20:10:13:80
Total O&M	<u>170,792,819</u>	<u>9,541,553</u>	<u>161,251,266</u>	
Depreciation	34,787,814	1,844,338	32,943,476	Rule 20:10:13:86
Taxes Other Than Income	10,908,231	630,066	10,278,165	Rule 20:10:13:94
Current Income Taxes	(17,900,512)	(1,076,875)	(16,823,637)	Rule 20:10:13:88
Deferred Income Taxes	30,842,623	1,437,447	29,405,176	Rule 20:10:13:88
Total Expenses	<u>229,430,975</u>	<u>12,376,529</u>	<u>217,054,446</u>	
Operating Income	<u>\$46,262,414</u>	<u>\$1,862,289</u>	<u>\$44,400,125</u>	
Rate Base	<u>\$566,317,581</u>	<u>\$22,298,483</u>	<u>\$544,019,098</u>	
Rate of Return	<u>8.169%</u>	<u>8.352%</u>	<u>8.162%</u>	

**MONTANA-DAKOTA UTILITIES CO.**  
**AVERAGE RATE BASE**  
**ELECTRIC UTILITY - SOUTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2014**

	Total Company	South Dakota	Other	Reference
Electric Plant in Service 1/	\$1,268,980,642	\$64,833,736	\$1,204,146,906	Rule 20:10:13:54
Accumulated Reserve for Depreciation	543,051,225	34,239,047	508,812,178	Rule 20:10:13:64
Net Electric Plant in Service	<u>725,929,417</u>	<u>30,594,689</u>	<u>695,334,728</u>	
<b>Additions</b>				
Materials and Supplies	15,070,322	876,827	14,193,495	Rule 20:10:13:68
Fuel Stocks	4,528,185	242,605	4,285,580	Rule 20:10:13:68
Prepayments	187,769	9,483	178,286	Rule 20:10:13:68
Unamortized Loss on Debt	5,308,921	251,553	5,057,368	Rule 20:10:13:68
Decommissioning of Retired Plants	(439,350)	0	(439,350)	Rule 20:10:13:68
Provision for Pension and Benefits	3,382,275	0	3,382,275	Rule 20:10:13:68
Provision for Injuries and Damages	10,876	0	10,876	Rule 20:10:13:68
Total Additions	<u>28,048,998</u>	<u>1,380,468</u>	<u>26,668,530</u>	
 Total Before Deductions	 \$753,978,415	 \$31,975,157	 \$722,003,258	
<b>Deductions</b>				
Accumulated Deferred Income Taxes	179,931,743	9,603,359	170,328,384	Rule 20:10:13:88
Accumulated Investment Tax Credits	1,589,533	0	1,589,533	
Customer Advances	6,139,558	73,315	6,066,243	Rule 20:10:13:68
Total Deductions	<u>187,660,834</u>	<u>9,676,674</u>	<u>177,984,160</u>	
 Total Rate Base	 <u>\$566,317,581</u>	 <u>\$22,298,483</u>	 <u>\$544,019,098</u>	

1/ Includes North Dakota's share of an environmental project under construction being recovered in rates.

**MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - SOUTH DAKOTA  
SUMMARY OF PRO FORMA INCOME STATEMENT ADJUSTMENTS**

	Adjustment No.	Amount	Reference
<b>REVENUE</b>			
Current Rates	1	\$334,215	Rule 20:10:13:85 Statement I, page 2
Sales for Resale	2	(35,069)	Rule 20:10:13:85 Statement I, page 3
Other Revenue	3	(145,839)	Rule 20:10:13:85 Statement I, page 4
Total Adjustments to Revenue		<u>153,307</u>	
<b>OPERATION &amp; MAINTENANCE EXPENSES</b>			
Cost of Fuel & Purchased Power-Pro Forma	4	(305,792)	Rule 20:10:13:81 Schedule H-1, page 5
Labor Expense	5	100,396	Rule 20:10:13:81 Schedule H-1, page 6
Benefits Expense	6	84,549	Rule 20:10:13:81 Schedule H-1, page 7
Incremental Labor & Benefits	7	44,046	Rule 20:10:13:81 Schedule H-1, page 8
Heskett Station - Unit III	8	17,967	Rule 20:10:13:81 Schedule H-1, page 9
Lewis & Clark Station - RICE Unit	9	26,451	Rule 20:10:13:81 Schedule H-1, page 10
Wind Generation - Thunder Spirit	10	142,187	Rule 20:10:13:81 Schedule H-1, page 11
Facility Charge	11	(255,790)	Rule 20:10:13:81 Schedule H-1, page 12
Subcontract Labor	12	474,426	Rule 20:10:13:81 Schedule H-1, page 13
Big Stone/Coyote	13	132,454	Rule 20:10:13:81 Schedule H-1, page 14
Materials	14	(14,846)	Rule 20:10:13:81 Schedule H-1, page 15
Sand	15	6,870	Rule 20:10:13:81 Schedule H-1, page 16
Reagent	16	(42,443)	Rule 20:10:13:81 Schedule H-1, page 17
Vehicles & Work Equipment Expense	17	14,952	Rule 20:10:13:81 Schedule H-1, page 18
Communications	18	(4,982)	Rule 20:10:13:81 Schedule H-1, page 19
Company Consumption	19	1,276	Rule 20:10:13:81 Schedule H-1, page 20
Postage Expense	20	303	Rule 20:10:13:81 Schedule H-1, page 21
Uncollectible Accounts	21	(5,313)	Rule 20:10:13:81 Schedule H-1, page 22
Advertising Expense	22	(3,015)	Rule 20:10:13:81 Schedule H-1, page 23
Insurance Expense	23	13,258	Rule 20:10:13:81 Schedule H-1, page 24
Software Maintenance	24	2,924	Rule 20:10:13:81 Schedule H-1, page 25
Industry Dues	25	(25,102)	Rule 20:10:13:81 Schedule H-1, page 26
Rent Expense	26	1,941	Rule 20:10:13:81 Schedule H-1, page 27
Annual Easements	27	(6,348)	Rule 20:10:13:81 Schedule H-1, page 28
Regulatory Commission Expense	28	90,552	Rule 20:10:13:81 Schedule H-1, page 29
Regional Market Expense	29	8,503	Rule 20:10:13:81 Schedule H-1, page 30
Total Adjustments to Other O&M		<u>805,216</u>	
<b>DEPRECIATION EXPENSE</b>			
Average Annual Depreciation	30	394,992	Rule 20:10:13:86 Statement J, page 2
Annual Depreciation - Large Generation Projects	31	839,032	Rule 20:10:13:86 Statement J, page 8
Total Adjustments to Depreciation Expense		<u>1,234,024</u>	
<b>TAXES OTHER THAN INCOME</b>			
Ad Valorem Taxes	32	75,900	Rule 20:10:13:94 Schedule L-1, page 1
Payroll Taxes	33	7,087	Rule 20:10:13:94 Schedule L-1, page 3
South Dakota Gross Receipts Tax	34	728	Rule 20:10:13:94 Schedule L-1, page 4
Production Taxes	35	21,488	Rule 20:10:13:94 Schedule L-1, page 5
Total Adjustments to Taxes Other than Income		<u>105,203</u>	

**MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - SOUTH DAKOTA  
SUMMARY OF PRO FORMA INCOME STATEMENT ADJUSTMENTS**

	Adjustment No.	Amount	Reference
<b>CURRENT INCOME TAXES</b>			
Interest Annualization	36	437,112	Rule 20:10:13:88 Statement K, page 8
Book/Tax Depr. on Plant Additions	37	139,452	Rule 20:10:13:88 Statement K, page 9
Book/Tax Depr. on Large Generation Projects	37	3,814,404	Rule 20:10:13:88 Statement K, page 9
AFUDC - Equity	38	(50,735)	Rule 20:10:13:88 Statement K, page 10
Income Taxes on Pro Forma Adjustments	38	(2,108,952)	Rule 20:10:13:88 Statement K, page 10
Electric Production Tax Credit	39	(489,867)	Rule 20:10:13:88 Statement K, page 11
Elimination of Closing/Filing	40	(191,404)	Rule 20:10:13:88 Statement K, page 12
Total Adjustments to Current Income Taxes		(2,790,223)	
<b>DEFERRED INCOME TAXES</b>			
Elimination of Closing/Filing	40	183,831	Rule 20:10:13:88 Statement K, page 12
Deferred Income Taxes on Plant Additions	37	48,809	Rule 20:10:13:88 Statement K, page 9
Deferred Income Taxes on Large Generation Projects	37	1,335,041	Rule 20:10:13:88 Statement K, page 9
Total Adjustments to Deferred Taxes		1,567,681	
Net Adjustments to Operating Income		<u>(\$462,802)</u>	

**MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - SOUTH DAKOTA  
SUMMARY OF PRO FORMA RATE BASE ADJUSTMENTS**

<u>Plant</u>	<u>Adjustment</u>	<u>Amount</u>	<u>Reference</u>
Plant Additions	A	\$2,342,468	Rule 20:10:13:54 Statement D, page 2
Large Generation Projects	B	19,644,271	Rule 20:10:13:54 Statement D, page 10
		<u>21,986,739</u>	
<u>Accumulated Reserve for Depreciation</u>			
Plant Additions	C	1,102,389	Rule 20:10:13:64 Statement E, page 2
Large Generation Projects	D	839,032	Rule 20:10:13:86 Statement J, page 8
		<u>1,941,421</u>	
Net Adjustments to Plant		\$20,045,318	
<u>Additions:</u>			
Materials and Supplies	E	(58,080)	Rule 20:10:13:69 Schedule F-1, page 2
Fuel Stores	F	(3,604)	Rule 20:10:13:69 Schedule F-1, page 3
Prepayments	G	37,894	Rule 20:10:13:69 Schedule F-1, page 4
Unamortized Loss on Debt	H	(28,691)	Rule 20:10:13:69 Schedule F-1, page 5
Deferred Generation Costs	I	773,641	Rule 20:10:13:69 Schedule F-1, page 6
Accum. Amort of Decomm Costs	J	(68,042)	Rule 20:10:13:69 Schedule F-1, page 7
Unamort. Decomm. Retired Power Plant	K	(37,798)	Rule 20:10:13:69 Schedule F-1, page 8
Unamort. Regulatory Commission Exp.	L	448,263	Rule 20:10:13:69 Schedule F-1, page 9
Total		<u>1,063,583</u>	
<u>Deductions:</u>			
Accumulated Deferred Inc. Tax			
Plant Additions	M	554,633	Rule 20:10:13:88 Statement K, page 17
Normalization	M	(25,826)	Rule 20:10:13:88 Statement K, page 17
Unamortized Loss on Debt	M	(8,057)	Rule 20:10:13:88 Statement K, page 17
Large Generation Projects	O	1,335,041	Rule 20:10:13:88 Statement K, page 9
Deferred Generation	M	270,775	Rule 20:10:13:88 Statement K, page 17
Decommissioning of Retired Plants	M	(23,815)	Rule 20:10:13:88 Statement K, page 17
Retired Power Plant	M	(13,229)	Rule 20:10:13:88 Statement K, page 17
Customer Advances for Construction	M	(400)	Rule 20:10:13:88 Statement K, page 17
Unamort. Regulatory Commission Exp.	M	156,893	Rule 20:10:13:88 Statement K, page 17
Customer Advances for Construction	N	1,143	Rule 20:10:13:69 Schedule F-1, page 10
Total		<u>2,247,158</u>	
Total Pro Forma Adjustments		<u>\$18,861,743</u>	

**MONTANA-DAKOTA UTILITIES CO.  
INCOME STATEMENT  
ELECTRIC UTILITY - SOUTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2014  
PRO FORMA**

	<u>Per Books</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
Operating Revenues			
Sales	\$13,501,927	\$334,215	\$13,836,142
Sales for Resale	35,069	(35,069)	0
Other	701,822	(145,839)	555,983
Total Revenues	<u>14,238,818</u>	<u>153,307</u>	<u>14,392,125</u>
Operating Expenses			
Operation and Maintenance			
Cost of Fuel and Purchased Power	4,199,643	(304,305)	3,895,338
Other O&M	5,341,910	803,729	6,145,639
Total O&M	<u>9,541,553</u>	<u>499,424</u>	<u>10,040,977</u>
Depreciation	1,844,338	1,234,024	3,078,362
Taxes Other Than Income	630,066	105,203	735,269
Current Income Taxes	(1,076,875)	(2,790,223)	(3,867,098)
Deferred Income Taxes	1,437,447	1,567,681	3,005,128
Total Expenses	<u>12,376,529</u>	<u>616,109</u>	<u>12,992,638</u>
Operating Income	<u>\$1,862,289</u>	<u>(\$462,802)</u>	<u>\$1,399,487</u>
Average Rate Base	<u>\$22,298,483</u>	<u>\$18,861,743</u>	<u>\$41,160,226</u>
Rate of Return	<u>8.352%</u>		<u>3.400%</u>

**MONTANA-DAKOTA UTILITIES CO.  
AVERAGE RATE BASE  
ELECTRIC UTILITY - SOUTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2014  
PRO FORMA**

	2014	Pro Forma Adjustments	Pro Forma
Electric Plant in Service	\$64,833,736	\$21,986,739	\$86,820,475
Accumulated Reserve for Depreciation	34,239,047	1,941,421	36,180,468
Net Electric Plant in Service	<u>30,594,689</u>	<u>20,045,318</u>	<u>50,640,007</u>
Additions			
Materials and Supplies	876,827	(58,080)	818,747
Fuel Stocks	242,605	(3,604)	239,001
Prepayments	9,483	37,894	47,377
Unamortized Loss on Debt	251,553	(28,691)	222,862
Deferred Generation Costs	0	773,641	773,641
Decommissioning of Retired Plants	0	(68,042)	(68,042)
Retired Power Plants Amortization	0	(37,798)	(37,798)
Unamort. Regulatory Commission Exp.	0	448,263	448,263
Total Additions	<u>1,380,468</u>	<u>1,063,583</u>	<u>2,444,051</u>
Total Before Deductions	\$31,975,157	\$21,108,901	\$53,084,058
Deductions			
Accumulated Deferred Income Taxes	9,603,359	2,246,015	11,849,374
Customer Advances	73,315	1,143	74,458
Total Deductions	<u>9,676,674</u>	<u>2,247,158</u>	<u>11,923,832</u>
Total Rate Base	<u>\$22,298,483</u>	<u>\$18,861,743</u>	<u>\$41,160,226</u>

**MONTANA-DAKOTA UTILITIES CO.  
PRO FORMA OPERATING INCOME AND RATE OF RETURN  
REFLECTING ADDITIONAL REVENUE REQUIREMENTS  
ELECTRIC UTILITY - SOUTH DAKOTA**

	Before Additional Revenue Requirements 1/	<b>Additional Revenue Requirements</b>	Reflecting Additional Revenue Requirements
<b>Operating Revenues</b>			
Sales	\$13,836,142	<b>\$2,655,643</b>	\$16,491,785
Sales for Resale	0		0
Other	555,983		555,983
Total Revenues	<u>14,392,125</u>	<u>2,655,643</u>	<u>17,047,768</u>
<b>Operating Expenses</b>			
Operation and Maintenance			
Cost of Fuel and Purchased Power	3,895,338		3,895,338
Other O&M	6,145,639		6,145,639
Total O&M	<u>10,040,977</u>		<u>10,040,977</u>
Depreciation	3,078,362		3,078,362
Taxes Other Than Income	735,269	3,718 2/	738,987
Current Income Taxes	(3,867,098)	928,174 2/	(2,938,924)
Deferred Income Taxes	3,005,128		3,005,128
Total Expenses	<u>12,992,638</u>	<u>931,892</u>	<u>13,924,530</u>
Operating Income	<u>\$1,399,487</u>	<u>\$1,723,751</u>	<u>\$3,123,238</u>
 Rate Base	 <u>\$41,160,226</u>		 <u>\$41,160,226</u>
 <i>Rate of Return</i>	 <u><b>3.400%</b></u>		 <u><b>7.588%</b></u>

1/ See Rule 20:10:13:96, page 6.

2/ Reflects taxes at 35 percent after deducting South Dakota Gross Receipts tax of 0.14 percent.