

Montana-Dakota Utilities Co.
Electric Utility - South Dakota
Infrastructure Rider
Revenue Requirement - Bowdle Substation & Lines
Projected 2019

| | Projected | | | | | | | | | | | | Average |
|---------------------------------------|----------------|--------------|--------------|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| | Jan 2019 | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | June 2019 | July 2019 | Aug 2019 | Sept 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Balance |
| Rate Base | | | | | | | | | | | | | |
| Plant Balance 1/ | | | | | \$2,955,680 | \$2,955,680 | \$2,955,680 | \$2,955,680 | \$2,955,680 | \$2,955,680 | \$2,955,680 | \$2,955,680 | |
| Accumulated Depreciation | | | | | | 3,977 | 7,954 | 11,931 | 15,908 | 19,885 | 23,862 | 27,839 | |
| Net Plant in Service | \$0 | \$0 | \$0 | \$0 | \$2,955,680 | \$2,951,703 | \$2,947,726 | \$2,943,749 | \$2,939,772 | \$2,935,795 | \$2,931,818 | \$2,927,841 | \$1,961,174 |
| Accum Def Income Taxes 3/ | \$1,334 | \$2,556 | \$3,655 | \$4,634 | \$5,490 | \$6,226 | \$6,839 | \$7,329 | \$7,699 | \$7,946 | \$8,073 | \$8,077 | |
| Total Rate Base | (\$1,334) | (\$2,556) | (\$3,655) | (\$4,634) | \$2,950,190 | \$2,945,477 | \$2,940,887 | \$2,936,420 | \$2,932,073 | \$2,927,849 | \$2,923,745 | \$2,919,764 | \$1,955,352 |
| Return on Rate Base 5/ | (\$8) | (\$15) | (\$22) | (\$28) | \$17,740 | \$17,712 | \$17,685 | \$17,658 | \$17,632 | \$17,606 | \$17,581 | \$17,558 | \$141,099 |
| Expenses | | | | | | | | | | | | | Year End |
| Depreciation 2/ | | | | | | \$3,977 | \$3,977 | \$3,977 | \$3,977 | \$3,977 | \$3,977 | \$3,977 | \$27,839 |
| Taxes Other Than Income 4/ | 1,010 | 1,010 | 1,010 | 1,010 | 1,010 | 1,010 | 1,010 | 1,010 | 1,010 | 1,010 | 1,010 | 1,008 | 12,118 |
| Total Expenses | \$1,010 | \$1,010 | \$1,010 | \$1,010 | \$1,010 | \$4,987 | \$4,987 | \$4,987 | \$4,987 | \$4,987 | \$4,987 | \$4,985 | \$39,957 |
| Income before Taxes | (\$1,010) | (\$1,010) | (\$1,010) | (\$1,010) | (\$1,010) | (\$4,987) | (\$4,987) | (\$4,987) | (\$4,987) | (\$4,987) | (\$4,987) | (\$4,985) | (\$39,957) |
| Interest Expense | (3) | (5) | (8) | (10) | 6,340 | 6,330 | 6,320 | 6,311 | 6,302 | 6,292 | 6,284 | 6,275 | 50,428 |
| Taxable income | (\$1,007) | (\$1,005) | (\$1,002) | (\$1,000) | (\$7,350) | (\$11,317) | (\$11,307) | (\$11,298) | (\$11,289) | (\$11,279) | (\$11,271) | (\$11,260) | (\$90,385) |
| Income Taxes 6/ | (\$211) | (\$211) | (\$210) | (\$210) | (\$1,544) | (\$2,377) | (\$2,374) | (\$2,373) | (\$2,371) | (\$2,369) | (\$2,367) | (\$2,365) | (\$18,982) |
| Operating Income | (\$799) | (\$799) | (\$800) | (\$800) | \$534 | (\$2,610) | (\$2,613) | (\$2,614) | (\$2,616) | (\$2,618) | (\$2,620) | (\$2,620) | (\$20,975) |
| Increase in Operating Income Required | \$791 | \$784 | \$778 | \$772 | \$17,206 | \$20,322 | \$20,298 | \$20,272 | \$20,248 | \$20,224 | \$20,201 | \$20,178 | \$162,074 |
| Gross Revenue Conversion Factor 6/ | 1.26582 | 1.26582 | 1.26582 | 1.26582 | 1.26582 | 1.26582 | 1.26582 | 1.26582 | 1.26582 | 1.26582 | 1.26582 | 1.26582 | 1.26582 |
| Revenue Increase | \$1,001 | \$992 | \$985 | \$977 | \$21,780 | \$25,724 | \$25,694 | \$25,661 | \$25,630 | \$25,600 | \$25,571 | \$25,542 | \$205,157 |
| Gross Receipts Tax 7/ | 2 | 1 | 1 | 1 | 33 | 39 | 39 | 38 | 38 | 38 | 38 | 38 | 306 |
| Required Revenue Increase | \$1,003 | \$993 | \$986 | \$978 | \$21,813 | \$25,763 | \$25,733 | \$25,699 | \$25,668 | \$25,638 | \$25,609 | \$25,580 | \$205,463 |

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South Dakota Factor #15: 5.292291%

- 1/ Plant in Service, estimated in service date May 2019. 45% of the project is direct to South Dakota, 55% is for the integrated system :

| <u>Direct SD</u> | <u>Integrated</u> |
|-------------------------|---------------------------------------|
| Substation: \$2,562,182 | Substation: \$3,131,555 |
| Lines: 213,929 | Lines: 261,468 |
| <u>2,776,111</u> | <u>Total: \$3,393,023</u> |
| | SD Factor #15: 5.292291% |
| | Total Integrated: \$179,569 |
| | Total Direct SD: 2,776,111 |
| | Total Plant to SD: \$2,955,680 |

- 2/ Depreciation: (Depreciation booked on prior month plant balance, starts booking in June)

| <u>Substation</u> | <u>Lines</u> |
|---|---------------------------------------|
| Plant (SD Direct & Alloc.): \$2,727,913 | Plant (SD Direct & Alloc.): \$227,767 |
| Depreciation Rate: 1.58% | Depreciation Rate: 2.03% |
| <u>Annual Depreciation: \$43,101</u> | <u>Annual Depreciation: \$4,624</u> |
| Monthly: \$3,592 | Monthly: \$385 |

- 3/ Deferred income tax, based on Half Year Convention, 20-year asset.

| | |
|------------------------------|-----------|
| 2019 year end plant balance: | 2,955,680 |
| Tax Depreciation Rate: | 3.75% |
| Tax Depreciation: | 110,838 |
| Book Depreciation: | 27,839 |
| Remainder: | 82,999 |
| Income Tax Rate: | 21.00% |
| Deferred Income Tax: | 17,430 |
| Monthly: | 1,453 |

Proration of Monthly DIT:

| January | February | March | April | May | June | |
|---------|----------|-----------|---------|----------|----------|-------|
| 91.78% | 84.11% | 75.62% | 67.40% | 58.90% | 50.68% | |
| 1,334 | 1,222 | 1,099 | 979 | 856 | 736 | |
| July | August | September | October | November | December | Total |
| 42.19% | 33.70% | 25.48% | 16.99% | 8.77% | 0.27% | |
| 613 | 490 | 370 | 247 | 127 | 4 | 8,077 |

- 4/ Property Tax:

| | |
|-----------------------------|-----------------------------------|
| Year End Plant Balance: | 2,955,680 |
| South Dakota Effective Rate | 0.41% (Ad Valorem - Transmission) |
| <u>Annual Property Tax:</u> | <u>12,118</u> |
| Monthly: | 1,010 |

- 5/ Authorized ROR per Docket No. EL15-024. 7.216%

- 6/ Tax Rate 21.0000% (Federal Tax Rate = 21%, SD State Tax Rate = 0%)
 1- tax rate 79.0000%
 Gross Revenue Conversion Factor 1.26582

- 7/ Gross Receipts tax - 2019 0.0015