

**MONTANA-DAKOTA UTILITIES CO.
GAS UTILITY -
SOUTH DAKOTA
EMBEDDED CLASS COST OF SERVICE STUDY
ALLOCATION FACTOR REPORT
TWELVE MONTHS ENDED JUNE 30, 2012
PRO FORMA AVERAGE PLANT**

	Total South Dakota	Residential		
		Demand	Energy	Customer
1 Dk Throughput	7,917,339 100.000000%	0 0.000000%	3,532,536 44.617718%	0 0.000000%
2 1-Day Peak	66,642 100.000000%	36,135 54.222563%	0 0.000000%	0 0.000000%
3 Dk Sales	6,903,820 100.000000%	0 0.000000%	3,532,536 51.167847%	0 0.000000%
5 1-Day Peak @ Distribution	65,095 100.000000%	35,403 54.386666%	0 0.000000%	0 0.000000%
8 Average Customers	54,768 100.000000%	0 0.000000%	0 0.000000%	48,071 87.772057%
9 Average Customers @ Distribution	52,608 100.000000%	0 0.000000%	0 0.000000%	46,140 87.705291%
10 Total Weighted Customers	69,583 100.000000%	0 0.000000%	0 0.000000%	48,071 69.084402%
11 Average Res. & Firm General Cust.	54,725 100.000000%	0 0.000000%	0 0.000000%	48,071 87.841023%
12 Weighted Customers @ Distribution	66,675 100.000000%	0 0.000000%	0 0.000000%	46,140 69.201349%
13 Distribution Mains	37,303,542 100.000000%	20,288,152 54.386664%	0 0.000000%	0 0.000000%
15 Distribution Plant	67,371,749 100.000000%	21,474,325 31.874377%	0 0.000000%	21,450,464 31.838958%

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	Total South Dakota	Small Firm General			Large Firm General		
		Demand	Energy	Customer	Demand	Energy	Customer
1 Dk Throughput	7,917,339 100.000000%	0 0.000000%	631,110 7.971239%	0 0.000000%	0 0.000000%	2,263,266 28.586195%	0 0.000000%
2 1-Day Peak	66,642 100.000000%	7,182 10.776987%	0 0.000000%	0 0.000000%	19,243 28.875184%	0 0.000000%	0 0.000000%
3 Dk Sales	6,903,820 100.000000%	0 0.000000%	631,110 9.141461%	0 0.000000%	0 0.000000%	2,263,266 32.782807%	0 0.000000%
5 1-Day Peak @ Distribution	65,095 100.000000%	7,162 11.002381%	0 0.000000%	0 0.000000%	19,063 29.284891%	0 0.000000%	0 0.000000%
8 Average Customers	54,768 100.000000%	0 0.000000%	0 0.000000%	4,911 8.966915%	0 0.000000%	0 0.000000%	1,743 3.182515%
9 Average Customers @ Distribution	52,608 100.000000%	0 0.000000%	0 0.000000%	4,759 9.046153%	0 0.000000%	0 0.000000%	1,673 3.180125%
10 Total Weighted Customers	69,583 100.000000%	0 0.000000%	0 0.000000%	5,403 7.764828%	0 0.000000%	0 0.000000%	14,629 21.023813%
11 Average Res. & Firm General Cust.	54,725 100.000000%	0 0.000000%	0 0.000000%	4,911 8.973961%	0 0.000000%	0 0.000000%	1,743 3.185016%
12 Weighted Customers @ Distribution	66,675 100.000000%	0 0.000000%	0 0.000000%	5,235 7.851519%	0 0.000000%	0 0.000000%	14,069 21.100862%
13 Distribution Mains	37,303,542 100.000000%	4,104,278 11.002381%	0 0.000000%	0 0.000000%	10,924,302 29.284892%	0 0.000000%	0 0.000000%
15 Distribution Plant	67,371,749 100.000000%	4,344,240 6.448163%	0 0.000000%	2,410,951 3.578579%	11,563,003 17.162985%	0 0.000000%	3,692,679 5.481050%

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	Total South Dakota	Air Force		
		Demand	Energy	Customer
1 Dk Throughput	7,917,339 100.000000%	0 0.000000%	319,714 4.038150%	0 0.000000%
2 1-Day Peak	66,642 100.000000%	876 1.314486%	0 0.000000%	0 0.000000%
3 Dk Sales	6,903,820 100.000000%	0 0.000000%	319,714 4.630972%	0 0.000000%
5 1-Day Peak @ Distribution	65,095 100.000000%	876 1.345725%	0 0.000000%	0 0.000000%
8 Average Customers	54,768 100.000000%	0 0.000000%	0 0.000000%	1 0.001826%
9 Average Customers @ Distribution	52,608 100.000000%	0 0.000000%	0 0.000000%	1 0.001901%
10 Total Weighted Customers	69,583 100.000000%	0 0.000000%	0 0.000000%	88 0.126468%
11 Average Res. & Firm General Cust.	54,725 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
12 Weighted Customers @ Distribution	66,675 100.000000%	0 0.000000%	0 0.000000%	88 0.131984%
13 Distribution Mains	37,303,542 100.000000%	502,003 1.345725%	0 0.000000%	0 0.000000%
15 Distribution Plant	67,371,749 100.000000%	531,353 0.788688%	0 0.000000%	19,325 0.028684%

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	Total South Dakota	Small Interruptible			Large Interruptible		
		Demand	Energy	Customer	Demand	Energy	Customer
1 Dk Throughput	7,917,339 100.000000%	0 0.000000%	356,550 4.503407%	0 0.000000%	0 0.000000%	814,163 10.283291%	0 0.000000%
2 1-Day Peak	66,642 100.000000%	976 1.464542%	0 0.000000%	0 0.000000%	2,230 3.346238%	0 0.000000%	0 0.000000%
3 Dk Sales	6,903,820 100.000000%	0 0.000000%	85,915 1.244456%	0 0.000000%	0 0.000000%	71,279 1.032457%	0 0.000000%
5 1-Day Peak @ Distribution	65,095 100.000000%	771 1.184423%	0 0.000000%	0 0.000000%	1,820 2.795914%	0 0.000000%	0 0.000000%
8 Average Customers	54,768 100.000000%	0 0.000000%	0 0.000000%	31 0.056602%	0 0.000000%	0 0.000000%	11 0.020085%
9 Average Customers @ Distribution	52,608 100.000000%	0 0.000000%	0 0.000000%	27 0.051323%	0 0.000000%	0 0.000000%	8 0.015207%
10 Total Weighted Customers	69,583 100.000000%	0 0.000000%	0 0.000000%	912 1.310665%	0 0.000000%	0 0.000000%	480 0.689824%
11 Average Res. & Firm General Cust.	54,725 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%	0 0.000000%	0 0.000000%	0 0.000000%
12 Weighted Customers @ Distribution	66,675 100.000000%	0 0.000000%	0 0.000000%	794 1.190851%	0 0.000000%	0 0.000000%	349 0.523435%
13 Distribution Mains	37,303,542 100.000000%	441,832 1.184424%	0 0.000000%	0 0.000000%	1,042,975 2.795914%	0 0.000000%	0 0.000000%
15 Distribution Plant	67,371,749 100.000000%	467,663 0.694153%	0 0.000000%	205,419 0.304904%	1,103,953 1.638599%	0 0.000000%	108,374 0.160860%

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	Total South Dakota	Residential		
		Demand	Energy	Customer
16 Meters & Regulators	14,724,129 100.000000%	0 0.000000%	0 0.000000%	10,172,078 69.084412%
17 Weighted Customer Services	56,104 100.000000%	0 0.000000%	0 0.000000%	48,071 85.681949%
18 Meas. & Reg. Sta. Eqpt.- General	507,607 100.000000%	276,071 54.386760%	0 0.000000%	0 0.000000%
22 Mains & Services	50,466,625 100.000000%	20,288,152 40.201128%	0 0.000000%	11,278,386 22.348207%
23 Pro Forma Distribution Plant	70,903,202 100.000000%	22,722,603 32.047358%	0 0.000000%	22,393,345 31.582981%
24 Net Gas Plant in Service	43,952,327 100.000000%	13,302,142 30.264934%	1,058,299 2.407834%	12,733,179 28.970432%
25 Total Gas Plant in Service	88,109,403 100.000000%	27,402,774 31.100851%	1,094,091 1.241741%	27,372,324 31.066292%
26 Pro Forma Operating Revenue	47,317,731 100.000000%	4,634,128 9.793640%	17,834,697 37.691362%	4,161,218 8.794204%
27 All Other Dist. Operation Exp.	1,115,752 100.000000%	323,535 28.997035%	24,750 2.218235%	352,770 31.617241%
28 All Other Dist. Maintenance Exp.	533,280 100.000000%	130,772 24.522202%	0 0.000000%	216,265 40.553743%
29 Distribution O&M	3,393,082 100.000000%	952,846 28.082023%	59,876 1.764649%	1,134,802 33.444579%

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	Total South Dakota	Small Firm General			Large Firm General		
		Demand	Energy	Customer	Demand	Energy	Customer
16 Meters & Regulators	14,724,129 100.000000%	0 0.000000%	0 0.000000%	1,143,303 7.764826%	0 0.000000%	0 0.000000%	3,095,573 21.023811%
17 Weighted Customer Services	56,104 100.000000%	0 0.000000%	0 0.000000%	5,403 9.630329%	0 0.000000%	0 0.000000%	2,545 4.536218%
18 Meas. & Reg. Sta. Eqpt.- General	507,607 100.000000%	55,849 11.002409%	0 0.000000%	0 0.000000%	148,652 29.284860%	0 0.000000%	0 0.000000%
22 Mains & Services	50,466,625 100.000000%	4,104,278 8.132658%	0 0.000000%	1,267,648 2.511854%	10,924,302 21.646587%	0 0.000000%	597,106 1.183170%
23 Pro Forma Distribution Plant	70,903,202 100.000000%	4,596,766 6.483157%	0 0.000000%	2,516,928 3.549809%	12,235,147 17.256128%	0 0.000000%	3,864,357 5.450187%
24 Net Gas Plant in Service	43,952,327 100.000000%	2,691,012 6.122570%	189,071 0.430173%	1,431,162 3.256169%	7,162,632 16.296366%	678,042 1.542676%	2,973,310 6.764852%
25 Total Gas Plant in Service	88,109,403 100.000000%	5,543,560 6.291678%	195,466 0.221845%	3,076,546 3.491734%	14,755,219 16.746475%	700,974 0.795572%	4,712,123 5.348036%
26 Pro Forma Operating Revenue	47,317,731 100.000000%	917,208 1.938402%	2,919,694 6.170402%	595,601 1.258727%	2,466,966 5.213619%	11,252,266 23.780232%	429,178 0.907013%
27 All Other Dist. Operation Exp.	1,115,752 100.000000%	65,452 5.866178%	4,422 0.396325%	39,650 3.553657%	174,211 15.613774%	15,857 1.421194%	66,799 5.986904%
28 All Other Dist. Maintenance Exp.	533,280 100.000000%	26,455 4.960809%	0 0.000000%	24,307 4.558018%	70,416 13.204320%	0 0.000000%	47,692 8.943144%
29 Distribution O&M	3,393,082 100.000000%	192,763 5.681059%	10,697 0.315259%	127,548 3.759060%	513,071 15.121091%	38,361 1.130565%	223,651 6.591382%

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	Total South Dakota	Air Force		
		Demand	Energy	Customer
16 Meters & Regulators	14,724,129 100.000000%	0 0.000000%	0 0.000000%	18,621 0.126466%
17 Weighted Customer Services	56,104 100.000000%	0 0.000000%	0 0.000000%	3 0.005347%
18 Meas. & Reg. Sta. Eqpt.- General	507,607 100.000000%	6,831 1.345726%	0 0.000000%	0 0.000000%
22 Mains & Services	50,466,625 100.000000%	502,003 0.994723%	0 0.000000%	704 0.001395%
23 Pro Forma Distribution Plant	70,903,202 100.000000%	562,240 0.792968%	0 0.000000%	20,241 0.028547%
24 Net Gas Plant in Service	43,952,327 100.000000%	329,142 0.748861%	95,782 0.217922%	16,967 0.038603%
25 Total Gas Plant in Service	88,109,403 100.000000%	678,044 0.769548%	99,021 0.112384%	24,660 0.027988%
26 Pro Forma Operating Revenue	47,317,731 100.000000%	135,380 0.286108%	1,036,372 2.190240%	1,140 0.002409%
27 All Other Dist. Operation Exp.	1,115,752 100.000000%	8,006 0.717543%	2,240 0.200761%	361 0.032355%
28 All Other Dist. Maintenance Exp.	533,280 100.000000%	3,236 0.606811%	0 0.000000%	268 0.050255%
29 Distribution O&M	3,393,082 100.000000%	23,579 0.694914%	5,419 0.159707%	1,222 0.036014%

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	Total South Dakota	Small Interruptible			Large Interruptible		
		Demand	Energy	Customer	Demand	Energy	Customer
16 Meters & Regulators	14,724,129 100.000000%	0 0.000000%	0 0.000000%	192,984 1.310665%	0 0.000000%	0 0.000000%	101,570 0.689820%
17 Weighted Customer Services	56,104 100.000000%	0 0.000000%	0 0.000000%	53 0.094467%	0 0.000000%	0 0.000000%	29 0.051690%
18 Meas. & Reg. Sta. Eqpt.- General	507,607 100.000000%	6,012 1.184381%	0 0.000000%	0 0.000000%	14,192 2.795864%	0 0.000000%	0 0.000000%
22 Mains & Services	50,466,625 100.000000%	441,832 0.875493%	0 0.000000%	12,435 0.024640%	1,042,975 2.066663%	0 0.000000%	6,804 0.013482%
23 Pro Forma Distribution Plant	70,903,202 100.000000%	494,848 0.697921%	0 0.000000%	215,114 0.303391%	1,168,125 1.647493%	0 0.000000%	113,488 0.160060%
24 Net Gas Plant in Service	43,952,327 100.000000%	289,690 0.659100%	25,738 0.058559%	177,478 0.403797%	683,836 1.555858%	21,354 0.048584%	93,491 0.212710%
25 Total Gas Plant in Service	88,109,403 100.000000%	596,771 0.677307%	26,609 0.030200%	262,129 0.297504%	1,408,723 1.598834%	22,076 0.025055%	138,293 0.156956%
26 Pro Forma Operating Revenue	47,317,731 100.000000%	28,085 0.059354%	433,732 0.916637%	33,900 0.071643%	25,238 0.053337%	383,828 0.811172%	29,100 0.061499%
27 All Other Dist. Operation Exp.	1,115,752 100.000000%	7,046 0.631502%	2,498 0.223885%	3,810 0.341474%	16,632 1.490654%	5,704 0.511225%	2,009 0.180058%
28 All Other Dist. Maintenance Exp.	533,280 100.000000%	2,849 0.534241%	0 0.000000%	2,814 0.527678%	6,723 1.260689%	0 0.000000%	1,483 0.278090%
29 Distribution O&M	3,393,082 100.000000%	20,752 0.611597%	6,043 0.178098%	12,879 0.379566%	48,984 1.443643%	13,800 0.406710%	6,789 0.200084%

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	Total South Dakota	Residential		
		Demand	Energy	Customer
30 O&M Excl. Cost of Gas and A&G	5,101,288 100.000000%	952,846 18.678538%	157,463 3.086730%	2,442,187 47.873928%
31 O&M Excl. Cost of Gas	8,291,827 100.000000%	1,548,795 18.678573%	255,946 3.086726%	3,969,623 47.873925%
33 Cost of Gas	31,574,240 100.000000%	4,634,128 14.676927%	11,776,107 37.296565%	0 0.000000%
35 Taxable Income	(6,266,070) 100.000000%	(5,304,582) 84.655645%	4,794,351 -76.512884%	(3,905,752) 62.331765%
40 Total Tax Deductions & Adjustments	8,612,983 100.000000%	2,560,732 29.731071%	310,303 3.602736%	2,409,760 27.978228%
41 Total Pro Forma Plant	94,339,113 100.000000%	28,861,327 30.593172%	1,078,913 1.143654%	30,340,567 32.161175%

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	Total South Dakota	Small Firm General			Large Firm General		
		Demand	Energy	Customer	Demand	Energy	Customer
30 O&M Excl. Cost of Gas and A&G	5,101,288 100.000000%	192,763 3.778712%	28,132 0.551469%	262,044 5.136820%	513,071 10.057676%	100,885 1.977638%	295,480 5.792263%
31 O&M Excl. Cost of Gas	8,291,827 100.000000%	313,324 3.778709%	45,727 0.551471%	425,936 5.136817%	833,965 10.057675%	163,982 1.977634%	480,284 5.792258%
33 Cost of Gas	31,574,240 100.000000%	917,208 2.904925%	2,014,585 6.380470%	0 0.000000%	2,466,966 7.813224%	8,046,933 25.485754%	0 0.000000%
35 Taxable Income	(6,266,070) 100.000000%	(1,072,773) 17.120348%	(562,909) 8.983446%	(291,726) 4.655645%	(2,855,818) 45.575903%	4,036,495 -64.418288%	(874,272) 13.952477%
40 Total Tax Deductions & Adjustments	8,612,983 100.000000%	517,844 6.012365%	54,603 0.633962%	270,848 3.144648%	1,378,579 16.005825%	203,499 2.362701%	562,700 6.533160%
41 Total Pro Forma Plant	94,339,113 100.000000%	5,838,625 6.188976%	192,754 0.204320%	3,391,586 3.595101%	15,540,588 16.473112%	691,249 0.732728%	4,985,780 5.284955%

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	Total South Dakota	Air Force		
		Demand	Energy	Customer
30 O&M Excl. Cost of Gas and A&G	5,101,288 100.000000%	23,579 0.462217%	14,251 0.279361%	1,412 0.027679%
31 O&M Excl. Cost of Gas	8,291,827 100.000000%	38,326 0.462214%	23,164 0.279359%	2,295 0.027678%
33 Cost of Gas	31,574,240 100.000000%	135,380 0.428767%	1,016,558 3.219580%	0 0.000000%
35 Taxable Income	(6,266,070) 100.000000%	(116,634) 1.861358%	(43,759) 0.698348%	(5,668) 0.090455%
40 Total Tax Deductions & Adjustments	8,612,983 100.000000%	63,555 0.737898%	27,624 0.320725%	3,211 0.037281%
41 Total Pro Forma Plant	94,339,113 100.000000%	714,134 0.756986%	97,647 0.103506%	25,803 0.027351%

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	Total South Dakota	Small Interruptible			Large Interruptible		
		Demand	Energy	Customer	Demand	Energy	Customer
30 O&M Excl. Cost of Gas and A&G	5,101,288 100.000000%	20,752 0.406799%	8,417 0.164998%	15,306 0.300042%	48,984 0.960228%	15,769 0.309118%	7,947 0.155784%
31 O&M Excl. Cost of Gas	8,291,827 100.000000%	33,731 0.406798%	13,681 0.164994%	24,879 0.300042%	79,620 0.960223%	25,632 0.309124%	12,917 0.155780%
33 Cost of Gas	31,574,240 100.000000%	28,085 0.088949%	281,470 0.891455%	0 0.000000%	25,238 0.079932%	231,582 0.733452%	0 0.000000%
35 Taxable Income	(6,266,070) 100.000000%	(114,296) 1.824046%	204,893 -3.269880%	(38,671) 0.617149%	(269,112) 4.294749%	163,197 -2.604455%	(9,034) 0.144173%
40 Total Tax Deductions & Adjustments	8,612,983 100.000000%	55,086 0.639569%	7,501 0.087089%	33,588 0.389969%	129,652 1.505309%	6,205 0.072042%	17,693 0.205422%
41 Total Pro Forma Plant	94,339,113 100.000000%	628,536 0.666252%	26,240 0.027815%	275,006 0.291508%	1,483,705 1.572736%	21,770 0.023076%	144,883 0.153577%