

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF ADJUSTMENTS TO PER BOOKS TAXABLE INCOME**  
**ELECTRIC UTILITY - SOUTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2014**

<u>Operating Income</u>	<u>Adjustment</u>	<u>Pro Forma</u>	<u>Reference</u>
	<u>No.</u>	<u>Adjustment</u>	
<u>Current Income Taxes</u>			
Interest Expense Annualization 1/	25	(\$94,269)	Statement K, Page 8
Net Tax Depreciation on Plant Additions 1/	26	633,468	Statement K, Page 9
Total Adjustment to Taxable Income		\$539,199	
Income Taxes on Pro Forma Adjustments	27	(502,111)	Statement K, Page 10
Elimination of Closing/Filing and prior-period	28	(413,244)	Statement K, Page 11
Total Adjustment to Current Income Taxes		(\$915,355)	
<u>Deferred Income Taxes</u>			
Elimination of Closing/Filing and prior-period	28	409,938	Statement K, Page 11
Deferred Income Taxes on Plant Additions	26	221,714	Statement K, Page 9
Total Adjustment to Deferred Income Taxes		\$631,652	
<u>Rate Base</u>			
Accumulated Deferred Income Taxes -			
Plant Additions and Normalization	I&J	411,250	Statement K, Page 16
Unamortized Loss on debt	E	(39,084)	Statement K, Page 16
Unamortized Rate Case Expense	F	53,517	Statement K, Page 16
Total Adjustment to Current Income Taxes		\$425,683	

1/ Amount is shown before income tax effect.

**MONTANA-DAKOTA UTILITIES CO.**  
**CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES**  
**TAX DEDUCTIONS**  
**TWELVE MONTHS ENDING DECEMBER 31, 2014**

	Utility			Non-Utility	Total Company
	Electric	Gas	Total		
Operating Revenue	\$275,693,389	\$304,186,098	\$579,879,487		\$579,879,487
Non-Utility Income (before income taxes)				\$4,747,486	4,747,486
Total Revenue	<u>\$275,693,389</u>	<u>\$304,186,098</u>	<u>\$579,879,487</u>	<u>\$4,747,486</u>	<u>\$584,626,973</u>
Operating Expense:					
O&M Expense	\$170,792,819	264,706,830	435,499,649	3,136,103	438,635,752
Depreciation Expense	34,787,814	14,595,798	49,383,612		49,383,612
Taxes Other than Income	10,908,231	7,210,376	18,118,607	270,849	18,389,456
Total Operating Expense	<u>216,488,864</u>	<u>286,513,004</u>	<u>503,001,868</u>	<u>3,406,952</u>	<u>506,408,820</u>
Operating Income	59,204,525	17,673,094	76,877,619	1,340,534	78,218,153
Interest Expense/Other Inc. & Deduct.	15,616,121	4,972,613	20,588,734	(6,195,060)	14,393,674
Accrued Tax Interest	(20,402)	(5,090)	(25,492)	25,492	
Book Taxable Income before Adjustments	<u>43,608,806</u>	<u>12,705,571</u>	<u>56,314,377</u>	<u>7,510,102</u>	<u>63,824,479</u>
Deductions and Adjustments to Book Income:					
Tax Deductions and Adjustments 1/	(70,174,482)	(27,226,707)	(97,401,189)	(9,779,625)	(107,180,814)
Preferred Dividend Paid Deduction	(129,979)	(45,507)	(175,486)		(175,486)
Total Deductions and Adjustments	<u>(70,304,461)</u>	<u>(27,272,214)</u>	<u>(97,576,675)</u>	<u>(9,779,625)</u>	<u>(107,356,300)</u>
Taxable Income - Before State Income Tax	(26,695,655)	(14,566,643)	(41,262,298)	(2,269,523)	(43,531,821)
Less: Deductible State Income Taxes	(1,228,870)	(672,402)	(1,901,272)	(1,904,762)	(3,806,034)
Federal Taxable Income	<u>(25,466,785)</u>	<u>(13,894,241)</u>	<u>(39,361,026)</u>	<u>(364,761)</u>	<u>(39,725,787)</u>
Federal Income Taxes @ 35%	(8,913,375)	(4,862,984)	(13,776,359)	(127,666)	(13,904,025)
Credits and Adjustments	(6,170,829)	(9,141)	(6,179,970)		(6,179,970)
State Income Taxes	(1,228,870)	(672,402)	(1,901,272)	(1,904,762)	(3,806,034)
Federal and State Income Taxes	<u>(16,313,074)</u>	<u>(5,544,527)</u>	<u>(21,857,601)</u>	<u>(2,032,428)</u>	<u>(23,890,029)</u>
Closing and Prior Year's Adjustment	(1,587,438)	(47,694)	(1,635,132)	(2,339,204)	(3,974,336)
Total Federal and State Income Taxes	<u>(\$17,900,512)</u>	<u>(\$5,592,221)</u>	<u>(\$23,492,733)</u>	<u>(\$4,371,632)</u>	<u>(\$27,864,365)</u>

1/ See pages 3 - 4.

**MONTANA-DAKOTA UTILITIES CO.**  
**CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES**  
**TAX DEDUCTIONS**  
**TWELVE MONTHS ENDING DECEMBER 31, 2014**

	Utility		Total	Non-Utility	Total Company
	Electric	Gas			
<b><u>Property Timing Differences</u></b>					
AFUDC CWIP	\$3,545,143	\$938,374	\$4,483,517	(\$3,902,250)	\$581,267
AFUDC Equity	(3,070,938)	(847,400)	(3,918,338)		(3,918,338)
MT - Net Negative Salvage Amortization	356,714		356,714		356,714
Liberalized Depreciation and Other					
Property Timing Differences	(44,248,240)	(27,059,871)	(71,308,111)	(164,269)	(71,472,380)
Property Timing Differences-Common	(404,485)	(367,411)	(771,896)		(771,896)
Property Timing Differences-Power Production	(23,575,022)		(23,575,022)		(23,575,022)
Property Timing Differences - CIAC's	470,083	495,779	965,862	283,706	1,249,568
Total Property Timing Differences	(66,926,745)	(26,840,529)	(93,767,274)	(3,782,813)	(97,550,087)
<b><u>Other Timing Differences</u></b>					
Bad Debt Expense	(16,359)	55,045	38,686	754	39,440
Bonus & 401k Profit Sharing	(1,913,693)	(1,294,625)	(3,208,318)		(3,208,318)
Charitable Contribution Carryover				(500,895)	(500,895)
Customer Advances	(391,928)	3,993,564	3,601,636		3,601,636
Prepaid Demand Charge		(422,289)	(422,289)		(422,289)
Fuel and Purchased Power Deferral	818,521		818,521		818,521
ND Environmental Cost Recovery Rider	(1,406,465)		(1,406,465)		(1,406,465)
Property Insurance	(766,396)	(280,512)	(1,046,908)		(1,046,908)
Purchased Gas Adjustment		(586,860)	(586,860)		(586,860)
Reserved Revenues	450,000	(191,186)	258,814		258,814
Sundry Reserves	9,956	3,486	13,442		13,442
Uniform Capitalization		88,143	88,143		88,143
Vacation Pay	80,341	99,507	179,848		179,848
Abandoned Power Plant Cost Recovery	348,093		348,093		348,093
Board of Directors Retirement Benefit	(22,390)	(15,147)	(37,537)		(37,537)
Contingency Reserve		(346,664)	(346,664)		(346,664)
Deferred Compensation- Directors	(686,721)	(464,571)	(1,151,292)		(1,151,292)
Deferred Pension Expense	(15,289,121)	(21,463,575)	(36,752,696)		(36,752,696)
Deferred Postretirement Benefit Costs	(3,296,923)	(4,083,445)	(7,380,368)		(7,380,368)

**MONTANA-DAKOTA UTILITIES CO.**  
**CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES**  
**TAX DEDUCTIONS**  
**TWELVE MONTHS ENDING DECEMBER 31, 2014**

	Utility			Non-Utility	Total Company
	Electric	Gas	Total		
Deferred Postretirement Transition Obligation		32,222	32,222		32,222
Gain on Building Sale	872,362	346,139	1,218,501		1,218,501
Management Incentive	98,097	33,307	131,404		131,404
MT PSC/MCC Tax Deferral	(143,271)	(298,917)	(442,188)		(442,188)
PCB Related Income		(27,929)	(27,929)		(27,929)
Pension Expense	14,080,470	19,766,813	33,847,283		33,847,283
Performance Share Program	150,730	101,970	252,700		252,700
Postretirement Benefits Cost	3,217,373	3,984,916	7,202,289	137,035	7,339,324
Regulatory Assets Awaiting Recovery	(1,014)	90,780	89,766		89,766
Regulatory Commission Expense	1,345	262,222	263,567		263,567
Retired Power Plant	(56,210)		(56,210)		(56,210)
Unamortized Loss on Reacquired Debt	550,754	157,997	708,751		708,751
WAPA Fiber Demand Revenue	(49,315)		(49,315)		(49,315)
Total Other Timing Differences	(3,361,764)	(459,609)	(3,821,373)	(363,106)	(4,184,479)
<b><u>Permanent Differences</u></b>					
50% Meals and Entertainment	89,247	60,376	149,623	3,771	153,394
401(k) Dividend Deduction				(2,903,242)	(2,903,242)
Accrued Tax Interest				(36,640)	(36,640)
Dividend Received Deduction	(97)	(65)	(162)		(162)
Fuel Tax Credit	13,512	9,141	22,653		22,653
Lobbying Expenses				42,169	42,169
Penalties				6,549	6,549
SISP				(630,558)	(630,558)
SISP - Unrealized Gain/Loss				(2,115,755)	(2,115,755)
Preferred Stock Expense Amortization	11,365	3,979	15,344		15,344
Total Permanent M-1's	114,027	73,431	187,458	(5,633,706)	(5,446,248)
<b>Total Tax Deductions and Adjustments</b>	<b><u>(\$70,174,482)</u></b>	<b><u>(\$27,226,707)</u></b>	<b><u>(\$97,401,189)</u></b>	<b><u>(\$9,779,625)</u></b>	<b><u>(\$107,180,814)</u></b>

**MONTANA DAKOTA UTILITIES CO.  
 COMPUTATION OF INCOME TAX LIABILITY AND TAX SAVINGS  
 BASED ON MDU RESOURCES GROUP, INC. 2013  
 CONSOLIDATED FEDERAL INCOME TAX RETURN**

	<u>Montana-Dakota Utilities Co.</u>	<u>MDU Resources Group, Inc. 1/</u>
Net Taxable Income (Loss)	<u>(\$41,931,003)</u>	<u>\$35,452,336</u>
Federal Income Tax:		
Statutory Taxes @ 35%	\$0	\$12,408,318
Alternative Minimum Tax	\$0	\$7,303,702
Less Credits:		
Foreign Tax Credit		94,716
General Business Credit	<u>0</u>	<u>2,097,015</u>
Total Tax	<u>\$0</u>	<u>\$17,520,289</u>
Tax Savings Arising From Consolidation	<u>\$0</u>	

Montana Dakota Utilities Co. is a member of a group that files a consolidated Federal Income Tax Return. There are no tax savings available to Montana-Dakota Utilities Co. as a result of being included in a consolidated tax return during the test period.

1/ Reflects MDU Resources Group, Inc. and includible subsidiaries.

**MONTANA-DAKOTA UTILITIES CO.**  
**CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES**  
**GAS UTILITY - SOUTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2014**

	<u>Gas Utility</u>	<u>South Dakota</u>
Operating Revenue	\$304,186,099	\$61,092,159
Operating Expense:		
O&M Expense	264,706,830	53,116,511
Depreciation Expense	14,595,798	3,445,175
Taxes Other than Income	7,210,377	1,128,186
Total Operating Expense	<u>286,513,005</u>	<u>57,689,872</u>
Operating Income	17,673,094	3,402,287
Interest Expense	4,972,613	1,114,456
Accrued Tax Interest	<u>(5,090)</u>	<u>(1,204)</u>
Book Taxable Income before Adjustments	12,705,571	2,289,035
Deductions and Adjustments to Book Income:		
Tax Deductions 1/	27,272,213	7,546,591
Taxable Income - Before State Income Tax	(14,566,642)	(5,257,556)
Less: State Income Taxes	<u>(672,402)</u>	<u>(672,402)</u>
Federal Taxable Income	(13,894,240)	(5,257,556)
Federal Income Taxes @ 35%	(4,862,984)	(1,840,145)
Credits and Adjustments	(9,141)	(2,092)
State Income Taxes	<u>(672,402)</u>	<u>(672,402)</u>
Federal and State Income Taxes	(5,544,527)	(1,842,237)
Closing/Filing and Prior Period Adjustment	<u>(47,694)</u>	<u>413,244</u>
Total Federal and State Income Taxes	<u><u>(\$5,592,221)</u></u>	<u><u>(\$1,428,993)</u></u>

1/ See page 7.

**MONTANA-DAKOTA UTILITIES CO.**  
**CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES**  
**INCOME TAX DEDUCTIONS**  
**GAS UTILITY - SOUTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2014**

	<u>Gas Utility</u>	<u>South Dakota</u>
<b><u>Property M-1's</u></b>		
AFUDC CWIP	(\$938,374)	(\$226,276)
AFUDC Equity	847,400	209,024
Liberalized Depreciation and Other Property		
Timing Differences	27,059,871	6,783,130
Property Timing Differences-Common	367,411	64,359
Contributions In Aid of Construction	(495,779)	(84,022)
<b><u>Other M-1's</u></b>		
Bad Debt Expense	(55,045)	2,868
Board of Directors Retirement Benefit	15,147	3,466
Bonus & 401k Profit Sharing	1,294,625	296,248
Contngency Reserve	346,664	
Customer Advances	(3,993,563)	(171,359)
Deferred Compensation- Directors	464,571	106,307
Deferred Pension Expense	21,463,575	4,911,487
Deferred Postretirement Benefit Costs (FAS 106)	4,083,444	934,410
Deferred Postretirement Transition Obligation	(32,222)	
Gain on Sale of Building	(346,139)	
Management Incentive	(33,307)	(7,622)
Montana PSC/MCC Tax Deferral	298,917	
PCB Related Income	27,929	5,508
Pension Expense	(19,766,813)	(4,523,219)
Performance Share Program	(101,970)	(23,333)
Postretirement Benefits Cost (FAS 158)	(3,984,916)	(911,864)
Prepaid Demand Charge	422,289	44,145
Property Insurance	280,512	62,941
Purchased Gas Adjustment	586,860	(15,342)
Regulatory Assets Awaiting Recovery	(90,780)	
Regulatory Commission Expense	(262,222)	(18,663)
Reserved Revenues	191,185	191,185
Sundry Reserves	(3,486)	(839)
Unamortized Loss on Reacquired Debt	(157,997)	(37,109)
Uniform Capitalization	(88,143)	(20,170)
Vacation Pay	(99,507)	(22,770)
<b><u>Permanent M-1's</u></b>		
50% Meals and Entertainment	(60,376)	(13,816)
Dividend Received Deduction	65	15
Fuel Tax Credit	(9,141)	(2,092)
Preferred Stock Dividends Paid	45,507	10,951
Preferred Stock Expense Amortization	(3,979)	(957)
 Total M-1 Deductions	 <u>\$27,272,213</u>	 <u>\$7,546,591</u>

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - SOUTH DAKOTA  
 ADJUSTMENT FOR INTEREST EXPENSE ANNUALIZATION  
 ADJUSTMENT NO. 25**

	Per Books	Pro Forma Adjustment	Pro Forma
Rate Base 1/	\$38,825,803	\$1,067,164	\$39,892,967
Weighted Cost of Debt 2/			2.579%
Interest Expense - Pro Forma			\$1,028,840
Interest Charges as Recorded 3/			1,123,109
Interest Expense Annualization Adjustment			(\$94,269)

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

2/ Rule 20:10:13:72, Statement G, page 1, Long and Short Term Debt.

3/ Reflects long and short term interest and amortization of loss on debt.

MONTANA-DAKOTA UTILITIES CO.  
DEFERRED INCOME TAX ON PLANT ADDITIONS  
GAS UTILITY - SOUTH DAKOTA  
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2014  
ADJUSTMENT NO. 26

	<u>South Dakota</u>
<u>Tax Depreciation Deduction</u>	
Tax Depreciation 1/	\$751,391
Book Depreciation 2/	<u>117,923</u>
Net Tax Depreciation on Plant Additions	<u><u>\$633,468</u></u>
<u>Deferred Income Taxes on Plant Additions</u>	
- Current	<u><u>\$221,714</u></u>

1/ See Rule 20:10:13:88, Statement K, page 17.

2/ Includes depreciation on accounts charged to clearing accounts.

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - SOUTH DAKOTA  
 CALCULATION OF ADJUSTMENT TO  
 CURRENT INCOME TAXES  
 ADJUSTMENT NO. 27**

	Pro Forma Adjustments
<b>Operating Revenues</b>	
Sales Revenues	(\$10,741,849)
Transportation Revenues	(77,492)
Other Revenues	(24,333)
Total Operating Revenues	(10,843,674)
<b>Operating Expenses</b>	
Operation and Maintenance	
Cost of Gas	(\$10,701,894)
Other O&M	489,437
Total O&M	(10,212,457)
Depreciation Expense	223,250
Taxes other Than Income	40,938
Total Operating Expenses	(\$9,948,269)
<b>Gross Adjustments to Operating Income</b>	(895,405)
Deductions and Adjustments to Book Income:	
Interest Annualization 1/	(94,269)
Net Tax Depreciation on Plant Additions 2/	633,468
Total Adjustments to Taxable Income	539,199
Taxable Income	(1,434,604)
Federal Income Taxes @ 35%	(\$502,111)

1/ Rule 20:10:13:88, Statement K, page 8.

2/ Rule 20:10:13:88, Statement K, page 9.

MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - SOUTH DAKOTA  
ADJUSTMENT TO CURRENT AND DEFERRED INCOME TAXES  
FOR ROUNDING AND PRIOR YEAR'S AND CLOSING/FILING  
TWELVE MONTHS ENDED DECEMBER 31, 2014  
ADJUSTMENT NO. 28

	<u>South Dakota</u>
Adjustment to Current Federal Income Taxes to Eliminate Closing/Filing and Prior Period Adjustments	<u><u>(\$413,244)</u></u>
Adjustment to Deferred Income Taxes to Eliminate Closing/Filing and Prior Period Adjustments	<u><u>\$409,938</u></u>

**MONTANA-DAKOTA UTILITIES CO./GREAT PLAINS NATURAL GAS CO.**  
**ACCUMULATED DEFERRED INCOME TAXES**  
**FOR THE 12 MONTHS ENDED DECEMBER 31, 2014**

	Total Company	Electric	Gas	Non-Utility
<u>Account 190:</u>				
January	50,479,087.0	15,080,382	17,563,951	17,834,754
February	50,482,752.0	14,659,816	17,996,108	17,826,828
March	51,280,084.0	14,744,292	18,718,445	17,817,347
April	51,336,992.0	14,891,453	18,635,629	17,809,910
May	50,775,500.0	14,805,072	18,128,730	17,841,698
June	49,149,813.0	14,450,503	16,849,764	17,849,546
July	48,488,470.0	14,357,785	16,267,062	17,863,623
August	47,778,111.0	14,336,959	15,579,731	17,861,421
September	46,291,087.0	14,010,276	14,421,595	17,859,216
October	45,622,508.0	13,838,049	13,927,444	17,857,015
November	46,525,746.0	13,872,458	14,797,574	17,855,714
December 2014	63,779,943.0	19,802,120	25,209,695	18,768,128
<u>Account 282: (Other Property)</u>				
January	(215,051,155.0)	(167,264,053)	(46,871,925)	(915,177)
February	(216,027,388.0)	(168,271,681)	(46,845,309)	(910,398)
March	(216,980,585.0)	(169,286,612)	(46,788,354)	(905,619)
April	(217,933,525.0)	(170,300,654)	(46,732,031)	(900,840)
May	(218,892,247.0)	(171,320,015)	(46,676,171)	(896,061)
June	(220,031,289.0)	(172,498,697)	(46,641,310)	(891,282)
July	(221,057,263.0)	(173,578,803)	(46,591,957)	(886,503)
August	(222,039,661.0)	(174,622,350)	(46,535,587)	(881,724)
September	(222,826,627.0)	(175,472,962)	(46,476,720)	(876,945)
October	(223,729,792.0)	(176,429,945)	(46,427,681)	(872,166)
November	(224,633,605.0)	(177,388,162)	(46,378,056)	(867,387)
December 2014	(259,629,865.0)	(196,920,618)	(58,496,804)	(4,212,443)
<u>Account 283: (Other)</u>				
January	(35,875,930.0)	(18,104,252)	(17,760,551)	(11,127)
February	(40,009,296.0)	(18,282,027)	(21,716,141)	(11,128)
March	(40,790,278.0)	(18,284,572)	(22,494,578)	(11,128)
April	(39,176,125.0)	(18,133,720)	(21,031,277)	(11,128)
May	(39,312,833.0)	(18,158,019)	(21,143,686)	(11,128)
June	(40,478,807.0)	(19,056,076)	(21,411,603)	(11,128)
July	(41,206,482.0)	(19,204,557)	(21,990,797)	(11,128)
August	(41,000,229.0)	(19,129,963)	(21,859,138)	(11,128)
September	(40,666,145.0)	(18,976,721)	(21,678,296)	(11,128)
October	(40,354,134.0)	(18,841,327)	(21,501,679)	(11,128)
November	(38,820,060.0)	(18,820,633)	(19,988,299)	(11,128)
December 2014	(54,669,700.0)	(24,680,193)	(29,982,262)	(7,245)
<u>Total Company</u>				
January	(200,447,998)	(170,287,923)	(47,068,525)	16,908,450
February	(205,553,932)	(171,893,892)	(50,565,342)	16,905,302
March	(206,490,779)	(172,826,892)	(50,564,487)	16,900,600
April	(205,772,658)	(173,542,921)	(49,127,679)	16,897,942
May	(207,429,580)	(174,672,962)	(49,691,127)	16,934,509
June	(211,360,283)	(177,104,270)	(51,203,149)	16,947,136
July	(213,775,275)	(178,425,575)	(52,315,692)	16,965,992
August	(215,261,779)	(179,415,354)	(52,814,994)	16,968,569
September	(217,201,685)	(180,439,407)	(53,733,421)	16,971,143
October	(218,461,418)	(181,433,223)	(54,001,916)	16,973,721
November	(216,927,919)	(182,336,337)	(51,568,781)	16,977,199
December 2014	(250,519,622)	(201,798,691)	(63,269,371)	14,548,440

**MONTANA-DAKOTA UTILITIES CO.  
DEFERRED INCOME TAXES  
GAS UTILITY - SOUTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2014**

	<u>Gas Utility</u>	<u>South Dakota</u>
<b><u>Gas Utility - Rate Base Deductions:</u></b>		
Liberalized Depreciation and Other		
Property Timing Differences	\$10,419,733	\$2,396,852
Normalized Timing Differences	(233,761)	(57,030)
Contributions In Aid of Construction	(185,140)	(29,408)
Customer Advances	(1,508,709)	(59,976)
Unamortized Loss on Reacquired Debt	(60,039)	(12,988)
Total Rate Base Deductions	<u>8,432,084</u>	<u>2,237,450</u>
<b><u>Gas Utility - Timing Differences:</u></b>		
Bad Debt Expense	(21,278)	1,004
Board of Directors Retirement Benefits	5,756	1,213
Bonus & 401k Profit Sharing	491,963	103,687
Contngency Reserve	121,332	
Deferred Compensation - Directors	176,538	37,208
Deferred Pension Expense	8,156,253	1,719,020
Deferred Postretirement Benefit Costs (FAS 106)	1,551,727	327,044
Deferred Postretirement Transition Obligation	(12,691)	
Gain on Sale of Building	(131,340)	
Management Incentive	(12,657)	(2,668)
Montana PSC/MCC Tax Deferral	117,736	
PCB Related Income	10,613	1,928
Pension Expense	(7,511,476)	(1,583,127)
Performance Share Program	(15,582)	(3,284)
Postretirement Benefit Costs (FAS 158)	(1,514,285)	(319,152)
Prepaid Demand Charge	154,422	15,451
Property Insurance	106,596	22,029
Purchased Gas Adjustment	239,070	(5,370)
Regulatory Assets Awaiting Recovery	(34,446)	
Regulatory Commission Expense	(100,781)	(6,532)
Reserved Revenues	66,915	66,915
Sundry Reserves	(1,324)	(294)
Uniform Capitalization	(33,495)	(7,060)
Vacation Pay	(37,813)	(7,970)
Closing/Filing and Out of Period	109,141	(409,938)
Total Timing Differences	<u>1,880,894</u>	<u>(49,896)</u>
 Total Deferred Income Taxes	 <u><u>\$10,312,978</u></u>	 <u><u>\$2,187,554</u></u>

**MONTANA-DAKOTA UTILITIES CO.**  
**ANALYSIS OF ACCUMULATED DEFERRED INCOME TAXES**  
**GAS UTILITY - SOUTH DAKOTA**  
**DECEMBER 31, 2013 AND DECEMBER 31, 2014**

	Total Company		South Dakota	
	Balance @		Balance @	
	12/31/2013	12/31/2014	12/31/2013	12/31/2014
<u>Gas Utility - Rate Base Deductions:</u>				
Depreciation, Retirements and Other Timing Differences Required to be Normalized	\$45,503,877	\$56,387,953	11,265,583	\$12,072,010
Unamortized Gain on Building Sale		(131,341)		
Contributions In Aid of Construction	(1,085,226)	(1,335,022)	(134,148)	(165,754)
Customer Advances	(4,581,150)	(6,089,859)	(293,348)	(353,323)
Unamortized Loss on Debt	676,503	558,044	170,721	120,719
Unamortized Rate Case Expense	53,377	55,949	53,377	55,949
Deferred FAS 106	12,710	18		
Prepaid Demand Charges	314,390	333,790		
Full Normalization	1,850,468	1,616,707	456,239	399,209
Acquisition Adjustment	56	56		
<b>Total Rate Base Deductions</b>	<b>\$42,745,005</b>	<b>\$51,396,295</b>	<b>\$11,518,424</b>	<b>\$12,128,810</b>

	Total Company	
	Balance @	
	12/31/2013	12/31/2014
<u>Gas Utility - Current Timing Differences:</u>		
Bad Debts Expense	(\$75,081)	(\$96,359)
Board of Directors Retirement Benefits	(248,977)	(244,074)
Bonus & 401K Profit Sharing	(1,509,758)	(1,047,798)
Contingency Reserve	41,620	0
Deferred Compensation - Directors	(474,723)	(299,809)
Deferred Medicare Part D	(312,145)	(314,118)
Deferred Postretirement Benefit Costs - Reg Asset	(1,559,740)	(17,876)
Management Incentive	(338,601)	(365,905)
PCB Related Income	(86,562)	(75,949)
Pension Expense	(6,058,273)	(12,119,986)
Performance Share Program	(962,567)	(981,443)
Postretirement Benefit Costs	951,717	(556,550)
Prepaid Demand Charge (Excluding MT)	737,793	872,679
Property Insurance Recovery	(125,273)	0
Reserved Revenues	(66,915)	0
Sundry Reserves	(41,550)	(44,514)
Uniform Capitalization	(326,687)	(360,168)
Vacation Pay	(1,434,561)	(1,497,386)
AFUDC - Equity	133,502	150,607
Contingency Reserve	0	162,953
Deferred Pension Expense - Reg Asset	14,916,085	23,046,841
MT PSC/MCC Tax Deferral - Noncurrent	22,468	140,204
Property Insurance Recovery	0	63,821
Purchased Gas Adjustment	2,686,097	2,925,167
Regulatory Assets Awaiting Recovery	139,615	105,169
Regulatory Commission Expense	181,177	77,824
	<b>6,188,661</b>	<b>9,523,330</b>
<b>Total Gas Utility</b>	<b>\$48,933,666</b>	<b>\$60,919,625</b>

**MONTANA-DAKOTA UTILITIES CO.  
ADJUSTMENT TO ACCUMULATED DEFERRED INCOME TAXES  
TO REFLECT FULL NORMALIZATION  
GAS UTILITY - SOUTH DAKOTA  
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2014  
ADJUSTMENT I**

Amortization of deferred taxes to reflect full normalization	<u><u>(\$57,030)</u></u>
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**MONTANA-DAKOTA UTILITIES CO.  
ACCUMULATED DEFERRED INCOME TAXES  
GAS UTILITY - SOUTH DAKOTA  
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2014**

	Balance @		Average	Adjustments	Pro Forma	Average	Pro Forma	Adjustment
	12/31/13	12/31/14	Balance @ 12/31/14		Balance @ 12/31/14	Balance @ 12/31/14		
Liberalized Depreciation	\$11,265,583	\$12,072,010	\$11,668,797	\$221,714 1/	\$12,293,724	\$12,182,867	\$514,070	H
Full Normalization	456,239	399,209	427,724	(57,030) 2/	342,179	370,694	(57,030)	I
Contribution in Aid of Construction	(134,148)	(165,754)	(149,951)		(165,754)	(165,754)	(15,803)	H
Customer Advances	(293,348)	(353,323)	(323,336)		(353,323)	(353,323)	(29,987)	H
Unamortized Loss on Debt	170,721	120,719	145,720	(28,166) 3/	92,553	106,636	(39,084)	E
Unamortized Rate Case Expense	53,377	55,949	54,663	104,462 4/	160,411	108,180	53,517	F
Balance	<u>\$11,518,424</u>	<u>\$12,128,810</u>	<u>\$11,823,617</u>	<u>\$240,980</u>	<u>\$12,369,790</u>	<u>\$12,249,300</u>	<u>\$425,683</u>	

1/ Deferred taxes on plant additions. See page 17.

2/ See page 15.

3/ See Rule 20:10:13:69, Statement F, Schedule F-1, page 4.

4/ See Rule 20:10:13:69, Statement F, Schedule F-1, page 5.

**MONTANA-DAKOTA UTILITIES CO.  
TAX DEPRECIATION ON 2015 PLANT ADDITIONS  
GAS UTILITY - SOUTH DAKOTA  
PRO FORMA**

<u>Plant Additions</u>	<u>Plant Additions</u>	<u>Annual Depreciation</u>	<u>Book Depr. 1/ for Taxes</u>	<u>Bonus Tax 2/ Depreciation</u>	<u>Tax 2/ Depreciation</u>	<u>Total Tax Depreciation</u>	<u>Book/Tax Difference</u>	<u>Deferred Income Taxes</u>
Distribution	\$2,666,633	\$106,928	\$53,464	\$0	\$99,999	\$99,999	\$46,535	\$16,287
General								
Other	1,550,514	20,440	10,220	0	\$221,506	221,506	211,286	73,950
Structures & Improvement	44,611	1,544	772	0	621	621	(151)	(53)
Transportation	629,188	1,636	818	0	125,838	125,838	125,020	43,757
Total General	\$2,224,313	23,620	11,810	0	347,965	347,965	336,155	117,654
General Intangible	\$300,847	30,085	15,042	0	100,272	100,272	85,230	29,831
Common								
Other	145,781	11,218	5,609	0	20,826	20,826	15,217	5,326
Structures & Improvement	36,694	536	268	0	510	510	242	85
Computer Equip.	130,584	25,306	12,653	0	26,117	26,117	13,464	4,712
Transportation	114,144	4,691	2,346	0	22,829	22,829	20,483	7,169
Total Common	\$427,203	41,751	20,876	0	70,282	70,282	49,406	17,292
General Intangible	\$398,660	33,462	16,731	0	132,873	132,873	116,142	40,650
Total Additions	<u>\$6,017,656</u>	<u>\$235,846</u>	<u>\$117,923</u>	<u>\$0</u>	<u>\$751,391</u>	<u>\$751,391</u>	<u>\$633,468</u>	<u>\$221,714</u>

1/ Annual depreciation divided by 2 to reflect half year convention.

2/ Tax depreciation rates are:

Distribution	3.750%
General & Common	14.286%
Structures & Improvements	1.391%
Transportation & Computer	20.000%
Intangible	33.330%
Bonus Depreciation	0.000%