



**MONTANA-DAKOTA**

*UTILITIES CO.*

*A Division of MDU Resources Group, Inc.*

**MONTANA-DAKOTA UTILITIES CO.**

**CASE NO. PU-13-\_\_\_\_\_**

**STATEMENTS A-P**

**Volume No. II**

**In the Matter of the Application of Montana-Dakota  
Utilities Co. for Authority to Establish Increased Rates  
for Natural Gas Service in the State of North Dakota**

**MONTANA-DAKOTA UTILITIES CO.**

**CASE NO. PU-13-\_\_\_\_**

**INDEX OF STATEMENTS**

<u>Statement</u>	<u>Description</u>
A	Balance Sheet
B	Income Statement
C	Gas Utility Plant in Service
C	Detailed Cost of Gas Plant
D	Accumulated Provision for Depreciation and Amortization
E	Working Capital
F	Utility Cost of Capital
F-1	Long Term Debt Capital
F-2	Preferred Stock Capital
F-3	Common Stock Capital
G	Revenues
H	Operation and Maintenance Expenses
I	Depreciation and Amortization Expenses
J	Taxes Other Than Income
K	Income Taxes
L	Overall Cost of Service
M	Projected Income Statement
N	Projected Rate Base
O	Embedded Class Cost of Service Study
P	Rate Design

INDEX

	<u>Page Nos.</u>
<u>Balance Sheet</u>	
Twelve months ending December 31, 2011 and 2012	1-2
Twelve months ending June 30, 2012 and 2013	3-4
Notes to Financial Statements	122-123.29

**MDU RESOURCES GROUP, INC.**  
**NONCONSOLIDATED BALANCE SHEET**  
**DECEMBER 31, 2011 AND**  
**DECEMBER 31, 2012**

	2011	2012
<u>Assets and Other Debits</u>		
Utility Plant	\$1,393,817,730	\$1,481,687,123
Construction Work in Progress	54,926,027	95,503,974
Less Acc. Provision for Depreciation and Amortization	699,092,675	719,531,360
Net Utility Plant	749,651,082	857,659,737
Gas Stored Underground - Noncurrent	3,551,913	2,968,462
 <u>Other Property and Investments</u>		
Nonutility Property	4,345,368	4,584,951
(Less) Accum. Prov. for Depr. And Amort.	1,460,122	1,636,553
Investment in Subsidiary Companies	2,402,890,906	2,253,293,721
Other investments	47,834,766	52,122,735
Net Other Property and Investments	2,453,610,918	2,308,364,854
 <u>Current and Accrued Assets</u>		
Cash	6,845,910	3,444,688
Special Deposits	1,200	255,310
Working Fund	54,764	150,850
Temporary Cash Investments	0	0
Customer Accounts Receivable	26,202,128	24,120,553
Other Accounts Receivable	2,785,945	20,937,588
(Less) Accum. Prov. For Uncollectible Acct. - Credit	237,599	275,241
Notes Receivable from Assoc. Companies	0	0
Accounts Receivable from Assoc. Companies	28,733,840	2,957,114
Fuel Stock	5,921,977	5,129,837
Plant Materials and Operating Supplies	14,611,115	18,983,774
Merchandise	915,028	451,882
Stores Expense Undistributed	0	0
Gas Stored Underground - Current	21,147,886	16,903,055
Prepayments	4,929,924	4,829,235
Accrued Utility Revenues	31,824,896	39,447,024
Miscellaneous Current and Accrued Assets	0	0
Total Current and Accrued Assets	143,737,014	137,335,669
 <u>Deferred Debits</u>		
Unamortized Debt Expenses	1,046,963	1,407,362
Unrecovered Plant and Regulatory Study Costs	8,953,457	4,959,490
Other Regulatory Assets	123,145,685	115,340,807
Prelim. Survey and Investigation Charges (Electric)	1,311,495	431,776
Prelim. Survey and Investigation Charges (Natural Gas)	0	0
Clearing Accounts	141,904	(18,477)
Miscellaneous Deferred Debits	28,845,868	27,076,963
Unamortized Loss on Required Debt	8,846,102	8,126,591
Accumulated Deferred Income Taxes	65,712,445	68,164,363
Unrecovered Purchased Gas Costs	2,622,263	2,915,460
Total Deferred Debits	240,626,182	228,404,335
 Total Assets and Other Debits	 \$3,591,177,109	 \$3,534,733,057

**MDU RESOURCES GROUP, INC.**  
**NONCONSOLIDATED BALANCE SHEET**  
**DECEMBER 31, 2011 AND**  
**DECEMBER 31, 2012**

	2011	2012
<u>Liabilities and Other Credits</u>		
<u>Proprietary Capital</u>		
Common Stock Issued	\$189,332,485	\$189,369,450
Preferred Stock Issued	15,000,000	15,000,000
Premium on Capital Stock	1,039,849,252	1,043,190,134
(Less) Capital Stock Expense	4,110,305	4,110,305
Retained Earnings	505,281,931	520,210,825
Unappropriated Undistributed Sub Earnings	1,080,840,155	936,934,577
(Less) Reacquired Capital Stock	3,625,813	3,625,813
Accumulated Other Comprehensive Income	(47,000,996)	(48,720,612)
Total Proprietary Capital	2,775,566,709	2,648,248,256
 <u>Long-Term Debt</u>		
Bonds	280,000,000	280,000,000
Other Long-Term Debt	888,853	76,867,452
(Less) Unamortized Discount on Long-Term Debt-Debit	0	0
Total Long-Term Debt	280,888,853	356,867,452
 <u>Other Noncurrent Liabilities</u>		
Accumulated Provision for Injuries and Damages	568,573	1,064,262
Accumulated Provision for Pensions and Benefits	73,404,001	59,754,547
Accumulated Provision for Rate Refunds	640,000	4,364,636
Asset Retirement Obligations	6,645,275	6,789,483
Total Other Noncurrent Liabilities	81,257,849	71,972,928
 <u>Current and Accrued Liabilities</u>		
Notes Payable	0	0
Accounts Payable	36,325,957	41,180,110
Accounts Payable to Associated Companies	4,867,683	6,422,842
Customer Deposits	1,926,012	1,593,246
Taxes Accrued	18,303,603	12,398,861
Interest Accrued	4,928,205	4,926,930
Dividends Declared	31,794,172	170,817
Tax Collections Payable	1,660,047	968,815
Miscellaneous Current and Accrued Liabilities	21,988,799	22,283,490
Total Current and Accrued Assets	121,794,478	89,945,111
 <u>Deferred Credits</u>		
Customer Advances for Construction	8,440,494	13,769,060
Accumulated Deferred Investment Tax Credit	871,217	813,836
Other Deferred Credits	108,892,007	106,324,544
Other Regulatory Liabilities	10,003,775	9,543,392
Accumulated Deferred Income Taxes	203,461,727	237,248,478
Total Deferred Credits	331,669,220	367,699,310
Total Liabilities and Equity	\$3,591,177,109	\$3,534,733,057

**MDU RESOURCES GROUP, INC.**  
**NONCONSOLIDATED BALANCE SHEET**  
**JUNE 30, 2012 AND**  
**JUNE 30, 2013**

	2012	2013
<u>Assets and Other Debits</u>		
Utility Plant	\$1,412,357,266	\$1,544,376,390
Construction Work in Progress	100,110,499	109,641,592
Less Acc. Provision for Depreciation and Amortization	713,894,307	740,930,275
Net Utility Plant	798,573,458	913,087,707
Gas Stored Underground - Noncurrent	3,551,913	1,856,830
 <u>Other Property and Investments</u>		
Nonutility Property	4,468,867	4,671,389
(Less) Accum. Prov. for Depr. And Amort.	1,548,142	1,726,737
Investment in Subsidiary Companies	2,442,402,802	2,273,154,306
Other investments	49,775,303	55,438,638
Net Other Property and Investments	2,495,098,830	2,331,537,596
 <u>Current and Accrued Assets</u>		
Cash	3,243,811	4,518,963
Special Deposits	251,415	257,395
Working Fund	50,975	150,850
Temporary Cash Investments	0	0
Customer Accounts Receivable	17,000,792	21,669,391
Other Accounts Receivable	1,832,911	3,368,381
(Less) Accum.Prov. For Uncollectible Acct. - Credit	221,530	531,240
Notes Receivable from Assoc. Companies	0	0
Accounts Receivable from Assoc.Companies	27,846,311	29,449,895
Fuel Stock	5,109,064	4,248,173
Plant Materials and Operating Supplies	19,871,046	19,846,813
Merchandise	905,451	179,771
Stores Expense Undistributed	58,175	26,211
Gas Stored Underground - Current	13,102,007	2,778,956
Prepayments	3,105,790	1,841,430
Accrued Utility Revenues	12,641,005	16,736,270
Miscellaneous Current and Accrued Assets	2,495,484	0
Total Current and Accrued Assets	107,292,707	104,541,259
 <u>Deferred Debits</u>		
Unamortized Debt Expenses	1,000,051	1,313,995
Unrecovered Plant and Regulatory Study Costs	7,393,069	3,873,160
Other Regulatory Assets	119,405,158	119,457,288
Prelim. Survey and Investigation Charges (Electric)	472,602	586,900
Prelim. Survey and Investigation Charges (Natural Gas)	0	0
Clearing Accounts	883,754	686,563
Miscellaneous Deferred Debits	28,571,397	27,112,734
Unamortized Loss on Reaquired Debt	8,486,346	7,766,836
Accumulated Deferred Income Taxes	65,093,706	68,017,974
Unrecovered Purchased Gas Costs	(2,732,787)	5,169,492
Total Deferred Debits	228,573,296	233,984,942
 Total Assets and Other Debits	 \$3,633,090,204	 \$3,585,008,334

**MDU RESOURCES GROUP, INC.**  
**NONCONSOLIDATED BALANCE SHEET**  
**JUNE 30, 2012 AND**  
**JUNE 30, 2013**

	2012	2013
<u>Liabilities and Other Credits</u>		
<u>Proprietary Capital</u>		
Common Stock Issued	\$189,369,450	\$189,369,450
Preferred Stock Issued	15,000,000	15,000,000
Premium on Capital Stock	1,041,044,905	1,044,488,922
(Less) Capital Stock Expense	4,110,305	4,110,305
Retained Earnings	510,047,453	530,130,458
Unappropriated Undistributed Sub Earnings	1,102,120,464	964,288,802
(Less) Reacquired Capital Stock	3,625,813	3,625,813
Accumulated Other Comprehensive Income	(29,574,553)	(56,821,067)
Total Proprietary Capital	2,820,271,601	2,678,720,447
 <u>Long-Term Debt</u>		
Bonds	280,000,000	280,000,000
Other Long-Term Debt	7,885,162	56,363,479
(Less) Unamortized Discount on Long-Term Debt-Debit	0	0
Total Long-Term Debt	287,885,162	336,363,479
 <u>Other Noncurrent Liabilities</u>		
Accumulated Provision for Injuries and Damages	526,179	2,299,238
Accumulated Provision for Pensions and Benefits	74,591,673	60,028,038
Accumulated Provision for Rate Refunds	1,280,682	4,028,846
Asset Retirement Obligations	6,626,786	6,967,040
Total Other Noncurrent Liabilities	83,025,320	73,323,162
 <u>Current and Accrued Liabilities</u>		
Notes Payable	0	0
Accounts Payable	26,285,558	26,176,685
Accounts Payable to Associated Companies	6,508,399	6,206,923
Customer Deposits	1,920,511	1,431,099
Taxes Accrued	14,502,978	17,328,986
Interest Accrued	4,951,588	4,897,351
Dividends Declared	31,800,364	32,744,516
Tax Collections Payable	1,108,838	1,290,035
Miscellaneous Current and Accrued Liabilities	20,853,771	22,532,643
Total Current and Accrued Assets	107,932,007	112,608,238
 <u>Deferred Credits</u>		
Customer Advances for Construction	10,163,593	15,356,962
Accumulated Deferred Investment Tax Credit	843,563	790,586
Other Deferred Credits	101,008,872	105,713,684
Other Regulatory Liabilities	10,173,075	7,541,522
Accumulated Deferred Income Taxes	211,787,011	254,590,254
Total Deferred Credits	333,976,114	383,993,008
Total Liabilities and Equity	\$3,633,090,204	\$3,585,008,334

## Notes to Financial Statements

Name of Respondent MDU Resources Group, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report 12/31/2012	Year/Period of Report End of <u>2012/Q4</u>
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NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK  
SEE PAGE 123 FOR REQUIRED INFORMATION.

Name of Respondent MDU Resources Group, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2012	Year/Period of Report 2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

## Definitions

The following abbreviations and acronyms used in the Notes are defined below:

### Abbreviation or Acronym

AFUDC	Allowance for funds used during construction
ASC	FASB Accounting Standards Codification
Big Stone Station	450-MW coal-fired electric generating facility near Big Stone City, South Dakota (22.7 percent ownership)
Centennial	Centennial Energy Holdings, Inc., a direct wholly owned subsidiary of the Company
Company	MDU Resources Group, Inc.
EBITDA	Earnings before interest, taxes, depreciation and amortization
EPA	U.S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Accounting principles generally accepted in the United States of America
Great Plains	Great Plains Natural Gas Co., a public utility division of the Company
IFRS	International Financial Reporting Standards
K-Plan	Company's 401(k) Retirement Plan
MDU Energy Capital	MDU Energy Capital, LLC, a direct wholly owned subsidiary of the Company
MNPUC	Minnesota Public Utilities Commission
Montana-Dakota	Montana-Dakota Utilities Co., a public utility division of the Company
MTPSC	Montana Public Service Commission
MW	Megawatt
NDPSC	North Dakota Public Service Commission
SDPUC	South Dakota Public Utilities Commission
Stock Purchase Plan	Company's Dividend Reinvestment and Direct Stock Purchase Plan
Wygen III	100-MW coal-fired electric generating facility near Gillette, Wyoming (25 percent ownership)
WYPSC	Wyoming Public Service Commission

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

**Notes to Financial Statements**

**Note 1 - Summary of Significant Accounting Policies**

**Basis of presentation**

The Company is a diversified natural resource company, which was incorporated under the laws of the state of Delaware in 1924. Montana-Dakota and Great Plains are public utility divisions of the Company.

Montana-Dakota generates, transmits, and distributes electricity and distributes natural gas in Montana, North Dakota, South Dakota, and Wyoming. Great Plains distributes natural gas in western Minnesota and southeastern North Dakota. These operations also supply related value-added services.

Montana-Dakota is subject to regulation by the FERC, NDPSC, MTPSC, SDPUC, and WYPSC. Great Plains is subject to regulation by the MNPUC and the NDPSC.

The Company owns two wholly owned subsidiaries, Centennial and MDU Energy Capital, as well as ownership interests in the assets, liabilities and expenses of jointly owned electric generating facilities.

The financial statements were prepared in accordance with the accounting requirements of the FERC set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than GAAP. These requirements differ from GAAP related to the presentation of certain items including, but not limited to, the current portion of long-term debt, deferred income taxes, cost of removal liabilities, and current unrecovered purchased gas costs. As required by the FERC for Form 1 report purposes, the Company reports its subsidiary investments using the equity method rather than consolidating the assets, liabilities, revenues and expenses of the subsidiaries, as required by GAAP. If GAAP were followed, utility plant, other property and investments would increase by \$1.4 billion; current and accrued assets would increase by \$990.7 million; deferred debits would increase by \$723.9 million; long-term debt would increase by \$1.3 billion; other noncurrent liabilities and current and accrued liabilities would increase by \$688.2 million; and deferred credits would increase by \$1.2 billion as of December 31, 2012. Furthermore, operating revenues would increase by \$3.6 billion and operating expenses, excluding income taxes, would increase by \$3.7 billion for the twelve months ended December 31, 2012. In addition, net cash provided by operating activities would increase by \$357.5 million; net cash used in investing activities would increase by \$741.1 million; net cash provided by financing activities would increase by \$273.3 million; the effect of exchange rate changes on cash would decrease by \$146,000; and the net change in cash and cash equivalents would be a decrease of \$110.4 million for the twelve months ended December 31, 2012. Reporting its subsidiary investments using the equity method rather than GAAP has no effect on net income or retained earnings.

The Notes to Financial Statements accompanying this FERC Form No. 1 relate to the nonconsolidated parent company and its two public utility divisions. For information on disclosures of the subsidiary companies, refer to the Company's Form 10-K.

Montana-Dakota and Great Plains are regulated businesses which account for certain income and expense items under the provisions of regulatory accounting, which requires these businesses to defer as regulatory assets or liabilities certain items that would have otherwise been reflected as expense or income, respectively, based on the expected regulatory treatment in future rates. The expected recovery or flowback of these deferred items generally is based on specific ratemaking decisions or precedent for each item. Regulatory assets and liabilities are being amortized consistently with the regulatory treatment established by the FERC and the applicable state public service commissions. See Note 3 for more information regarding the nature and amounts of these regulatory deferrals.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

Management has also evaluated the impact of events occurring after December 31, 2012, up to the date of issuance of these consolidated financial statements.

#### Cash and cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

#### Accounts receivable and allowance for doubtful accounts

Accounts receivable consists primarily of trade receivables from the sale of goods and services which are recorded at the invoiced amount. The total balance of receivables past due 90 days or more was \$92,000 and \$273,000 as of December 31, 2012 and 2011, respectively.

The allowance for doubtful accounts is determined through a review of past due balances and other specific account data. Account balances are written off when management determines the amounts to be uncollectible. The Company's allowance for doubtful accounts as of December 31, 2012 and 2011, was \$275,000 and \$238,000, respectively.

#### Inventories and natural gas in storage

Inventories, other than natural gas in storage, were stated at the lower of average cost or market value. Natural gas in storage is carried at cost using the last-in, first-out method. The portion of the cost of natural gas in storage expected to be used within one year was included in inventories. Inventories at December 31 consisted of:

	2012	2011
	(In thousands)	
Plant materials and operating supplies	\$ 18,984	\$ 14,611
Gas stored underground-current	16,903	21,148
Fuel stock	5,130	5,922
Merchandise	452	915
<b>Total</b>	<b>\$ 41,469</b>	<b>\$ 42,596</b>

The remainder of natural gas in storage, which largely represents the cost of gas required to maintain pressure levels for normal operating purposes, was \$3.0 million and \$3.6 million at December 31, 2012 and 2011, respectively.

#### Investments

The Company's investments include its investment in subsidiary companies, the cash surrender value of life insurance policies, an insurance investment contract, and other miscellaneous investments. The Company has elected to measure its investment in the insurance investment contract at fair value with any unrealized gains and losses recorded on the Statement of Income. The Company has not elected the fair value option for its other investments. For more information, see Notes 4 and 11.

#### Property, plant and equipment

Additions to property, plant and equipment are recorded at cost. When regulated assets are retired, or otherwise disposed of in the ordinary course of business, the original cost of the asset is charged to accumulated depreciation. With respect to the retirement or disposal of all other assets, the resulting gains or losses are recognized as a component of income. The Company is permitted to capitalize AFUDC on regulated construction projects and to include such amounts in rate base when the related facilities are placed in service. The amount of AFUDC capitalized was \$4.8 million and \$3.2 million in 2012 and 2011, respectively. Property, plant and equipment are depreciated on a straight-line basis over the average useful lives of the assets. The Company collects removal costs for plant

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2012	Year/Period of Report 2012/Q4
MDU Resources Group, Inc.			
NOTES TO FINANCIAL STATEMENTS (Continued)			

assets in regulated utility rates. These amounts are included in accumulated provision for depreciation, amortization and depletion.

Property, plant and equipment at December 31 was as follows:

	2012	2011	Weighted Average Depreciable Life in Years
(Dollars in thousands, where applicable)			
Electric:			
Generation	\$ 580,567	\$ 546,783	47
Distribution	282,424	255,232	36
Transmission	190,311	179,580	44
Other	93,374	83,261	14
Natural gas distribution:			
Distribution	321,824	284,465	40
Other	108,691	99,422	14
Less accumulated depreciation, depletion and amortization	719,531	699,092	
<b>Net utility plant</b>	<b>\$ 857,660</b>	<b>\$ 749,651</b>	
Nonutility property	\$ 4,585	\$ 4,345	
Less accumulated depreciation, depletion and amortization	1,637	1,460	
<b>Net nonutility property</b>	<b>\$ 2,948</b>	<b>\$ 2,885</b>	

#### Impairment of long-lived assets

The Company reviews the carrying values of its long-lived assets, excluding goodwill, whenever events or changes in circumstances indicate that such carrying values may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, compared to the carrying value of the assets. If impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a loss if the carrying value is greater than the fair value. No significant impairment losses were recorded in 2012 and 2011. Unforeseen events and changes in circumstances could require the recognition of impairment losses at some future date.

#### Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net tangible and intangible assets acquired in a business combination. Goodwill is required to be tested for impairment annually, which is completed in the fourth quarter, or more frequently if events or changes in circumstances indicate that goodwill may be impaired.

The goodwill impairment test is a two-step process performed at the reporting unit level. The Company has determined that the reporting units for its goodwill impairment test are its operating segments, or components of an operating segment, that constitute a business for which discrete financial information is available and for which the Company's chief executive officer and other management regularly review the operating results. The first step of the impairment test involves comparing the fair value of each reporting unit to its carrying value. If the fair value of a reporting unit exceeds its carrying value, the test is complete and no impairment is recorded. If the fair value of a reporting unit is less than its carrying value, step two of the test is performed to determine the amount of

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NOTES TO FINANCIAL STATEMENTS (Continued)			

the impairment loss, if any. The impairment is computed by comparing the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. If the carrying value is greater than the implied fair value, an impairment loss must be recorded. For the years ended December 31, 2012 and 2011, there were no impairment losses recorded. At December 31, 2012, the fair value of the natural gas distribution reporting unit substantially exceeded its carrying value. For more information on goodwill, see Note 2.

Determining the fair value of a reporting unit requires judgment and the use of significant estimates which include assumptions about the Company's future revenue, profitability and cash flows, amount and timing of estimated capital expenditures, inflation rates, weighted average cost of capital, operational plans, and current and future economic conditions, among others. The fair value of each reporting unit is determined using a weighted combination of income and market approaches. The Company uses a discounted cash flow methodology for its income approach. Under the income approach, the discounted cash flow model determines fair value based on the present value of projected cash flows over a specified period and a residual value related to future cash flows beyond the projection period. Both values are discounted using a rate which reflects the best estimate of the weighted average cost of capital at each reporting unit. The weighted average cost of capital of approximately 6 percent, and a long-term growth rate projection of approximately 3 percent were utilized in the goodwill impairment test performed in the fourth quarter of 2012. Under the market approach, the Company estimates fair value using multiples derived from comparable sales transactions and enterprise value to EBITDA for comparative peer companies for each respective reporting unit. These multiples are applied to operating data for each reporting unit to arrive at an indication of fair value. In addition, the Company adds a reasonable control premium when calculating the fair value utilizing the peer multiples, which is estimated as the premium that would be received in a sale in an orderly transaction between market participants. The Company believes that the estimates and assumptions used in its impairment assessments are reasonable and based on available market information, but variations in any of the assumptions could result in materially different calculations of fair value and determinations of whether or not an impairment is indicated.

#### Revenue recognition

Revenue is recognized when the earnings process is complete, as evidenced by an agreement between the customer and the Company, when delivery has occurred or services have been rendered, when the fee is fixed or determinable and when collection is reasonably assured. The Company recognizes utility revenue each month based on the services provided to all utility customers during the month. Accrued utility revenues represent revenues recognized in excess of amounts billed. Accrued utility revenues were \$39.4 million and \$31.8 million at December 31, 2012 and 2011, respectively. The Company recognizes all other revenues when services are rendered or goods are delivered. The Company presents revenues net of taxes collected from customers at the time of sale to be remitted to governmental authorities, including sales and use taxes.

#### Asset retirement obligations

The Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the Company capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the Company either settles the obligation for the recorded amount or incurs a regulatory asset or liability. For more information on asset retirement obligations, see Note 6.

#### Legal costs

The Company expenses external legal fees as they are incurred.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

**Natural gas costs recoverable or refundable through rate adjustments**

Under the terms of certain orders of the applicable state public service commissions, the Company is deferring natural gas commodity, transportation and storage costs that are greater or less than amounts presently being recovered through its existing rate schedules. Such orders generally provide that these amounts are recoverable or refundable through rate adjustments within a period ranging from 12 to 28 months from the time such costs are paid. Natural gas costs recoverable or refundable, as applicable, through rate adjustments were \$2.9 million and \$2.6 million at December 31, 2012 and 2011, respectively, which is included in unrecovered purchased gas costs.

**Insurance**

The Company is insured for workers' compensation losses in guaranteed cost programs. Automobile liability and general liability losses are insured, subject to self insured retentions of \$500,000 per accident or occurrence. The Company also has coverage above the self insured retentions on a claims first-made and reported basis beyond the retained levels. The Company is retaining losses up to its retentions accrued on the basis of estimates of liability for claims incurred but not reported.

**Income taxes**

The Company and its subsidiaries file consolidated method federal income tax returns and combined and separate state income tax returns. Federal income taxes paid by the Company, as parent of the consolidated group, are allocated to the individual subsidiaries based on the ratio of the separate company computations of tax. The Company makes a similar allocation for state income taxes paid in connection with combined state filings. The Company provides deferred federal and state income taxes on all temporary differences between the book and tax basis of the Company's assets and liabilities. Taxes recoverable from customers have been recorded as regulatory assets. Excess deferred income tax balances associated with the Company's rate-regulated activities have been recorded as regulatory liabilities. These regulatory assets and liabilities are expected to be recovered from or refunded to customers in future rates in accordance with applicable regulatory procedures.

The Company uses the deferral method of accounting for investment tax credits and amortizes the credits on regulated electric and natural gas distribution plant over various periods that conform to the ratemaking treatment prescribed by the applicable state public service commissions.

Tax positions taken or expected to be taken in an income tax return are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in interest and penalties, respectively.

**Use of estimates**

The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Estimates are used for items such as impairment testing of long-lived assets and goodwill; fair value of acquired assets and liabilities under the acquisition method of accounting; property depreciable lives; tax provisions; uncollectible accounts; environmental and other loss contingencies; accumulated provision for revenues subject to refund; unbilled revenues; actuarially determined benefit costs; asset retirement obligations; and the valuation of stock-based compensation. As additional information becomes available, or actual amounts are determinable, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

**Cash flow information**

Cash expenditures for interest and income taxes for the years ended December 31 were as follows:

	2012	2011
	(In thousands)	
Interest, net of amount capitalized	\$ 15,802	\$ 16,927
Income taxes refunded, net	\$ (10,137)	\$ (35,599)

Noncash investing transactions at December 31 were as follows:

	2012	2011
	(In thousands)	
Property, plant and equipment additions in accounts payable	\$ 14,323	\$ 6,346

**Comprehensive income (loss)**

Comprehensive income (loss) is the sum of net income (loss) as reported and other comprehensive income (loss). The Company's other comprehensive loss resulted from postretirement liability adjustments and other comprehensive loss recorded by its subsidiaries.

The postretirement liability adjustment in other comprehensive income (loss) was \$396,000 and \$(1.5 million), respectively, net of tax of \$(245,000) and \$838,000 for the years ended December 31, 2012 and 2011, respectively.

The after-tax components of accumulated other comprehensive loss as of December 31, 2012 and 2011, were as follows:

	Postretirement Liability Adjustment	Subsidiary Other Comprehensive Loss	Total Accumulated Other Comprehensive Loss
	(In thousands)		
Balance at December 31, 2011	\$ (5,309)	\$ (41,692)	\$ (47,001)
Current-period other comprehensive (income) loss	396	(2,116)	(1,720)
<b>Balance at December 31, 2012</b>	<b>\$ (4,913)</b>	<b>\$ (43,808)</b>	<b>\$ (48,721)</b>

**Note 2 - Goodwill and Other Intangible Assets**

The carrying amount of goodwill, which is related to the natural gas distribution business, remained unchanged at \$4,812 for the years ended December 31, 2012 and 2011. This amount is included in miscellaneous deferred debits. No impairments have been recorded in any periods.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

**Note 3 - Regulatory Assets and Liabilities**

The following table summarizes the individual components of unamortized regulatory assets and liabilities as of December 31:

	Estimated Recovery Period*	2012	2011
(In thousands)			
Regulatory assets:			
Pension and postretirement benefits (a)	(f) \$	103,937 \$	107,262
Deferred income taxes	**	2,990	(2,585)
Plant costs (a)	Up to 4 years	9,194	9,496
Unamortized loss on reaquired debt	Up to 14 years	8,127	8,846
Costs related to identifying generation development (a) (e)	Up to 14 years	5,773	9,817
Unrecovered purchased gas costs	Up to 12 months	2,915	2,622
Other (a) (b) (g)	Largely within 1 year	5,912	9,938
<b>Total regulatory assets</b>		<b>138,848</b>	<b>145,396</b>
Regulatory liabilities:			
Plant removal and decommissioning costs (c)		106,858	101,688
Deferred income taxes**		9,219	10,820
Taxes refundable to customers (d)		9,020	10,004
Accumulated provision for rate refunds		4,365	640
Other (h)		1,058	301
<b>Total regulatory liabilities</b>		<b>130,520</b>	<b>123,453</b>
<b>Net regulatory position</b>	<b>\$</b>	<b>8,328 \$</b>	<b>21,943</b>

\* Estimated recovery period for regulatory assets currently being recovered in rates charged to customers.

\*\* Represents deferred income taxes related to regulatory assets and liabilities. The deferred income tax assets are not earning a rate of return.

- (a) Included in other regulatory assets on the Comparative Balance Sheet.
- (b) Included in prepayments on the Comparative Balance Sheet.
- (c) Included in accumulated provision for depreciation, amortization and depletion and asset retirement obligations on the Comparative Balance Sheet.
- (d) Included in other regulatory liabilities on the Comparative Balance Sheet.
- (e) Included in unrecovered plant and regulatory study costs on the Comparative Balance Sheet.
- (f) Recovered as expense is incurred.
- (g) Included in miscellaneous deferred debits on the Comparative Balance Sheet.
- (h) Included in miscellaneous deferred debits, other regulatory assets, and unrecovered purchased gas costs on the Comparative Balance Sheet.

The regulatory assets are expected to be recovered in rates charged to customers. A portion of the Company's regulatory assets are not earning a return; however, these regulatory assets are expected to be recovered from customers in future rates. Excluding deferred income taxes, as of December 31, 2012 and 2011, approximately \$122.6 million and \$129.4 million respectively, of regulatory assets were not earning a rate of return.

If, for any reason, the Company's regulated business ceases to meet the criteria for application of regulatory accounting for all or part of their operations, the regulatory assets and liabilities relating to those portions ceasing to meet such criteria would be removed from the balance sheet and included in the statement of income as an extraordinary item in the period in which the discontinuance of regulatory accounting occurs.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

**Note 4 - Fair Value Measurements**

The Company measures its investments in certain fixed-income and equity securities at fair value with changes in fair value recognized in income. The Company anticipates using these investments, which consist of an insurance investment contract, to satisfy its obligations under its unfunded, nonqualified benefit plan for executive officers and certain key management employees, and invests in these fixed-income and equity securities for the purpose of earning investment returns and capital appreciation. These investments, which totaled \$32.6 million and \$29.1 million as of December 31, 2012 and 2011, respectively, are classified as Other Investments on the Comparative Balance Sheet. The net unrealized gain on these investments for the year ended December 31, 2012 was \$3.5 million. The net unrealized loss on these investments for the year ended December 31, 2011 was \$1.2 million. The change in fair value, which is considered part of the cost of the plan, is classified in Other Income and Deductions as Life Insurance on the Statement of Income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The ASC establishes a hierarchy for grouping assets and liabilities, based on the significance of inputs.

The estimated fair values of the Company's assets and liabilities measured on a recurring basis are determined using the market approach.

The Company's Level 2 money market funds consist of investments in short-term unsecured promissory notes and the value is based on comparable market transactions taking into consideration the credit quality of the issuer.

The estimated fair value of the Company's Level 2 insurance investment contract is based on contractual cash surrender values that are determined primarily by investments in managed separate accounts of the insurer. These amounts approximate fair value. The managed separate accounts are valued based on other observable inputs or corroborated market data.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. For the years ended December 31, 2012 and 2011, there were no transfers between Levels 1 and 2.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2012	Year/Period of Report 2012/Q4
MDU Resources Group, Inc.			
NOTES TO FINANCIAL STATEMENTS (Continued)			

The Company's assets and liabilities measured at fair value on a recurring basis are as follows:

Fair Value Measurements at December 31, 2012, Using			
Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2012
(In thousands)			

Assets:

Money market funds	\$	—	\$	620	\$	—	\$	620
Available-for-sale securities:								
Insurance investment contract*		—		32,586		—		32,586
<b>Total assets measured at fair value</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>33,206</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>33,206</b>

\* The insurance investment contract invests approximately 28 percent in common stock of mid-cap companies, 28 percent in common stock of small-cap companies, 29 percent in common stock of large-cap companies and 15 percent in fixed-income and other investments.

Fair Value Measurements at December 31, 2011, Using			
Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2011
(In thousands)			

Assets:

Available-for-sale securities:								
Insurance investment contract*	\$	—	\$	29,133	\$	—	\$	29,133
<b>Total assets measured at fair value</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>29,133</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>29,133</b>

\* The insurance investment contract invests approximately 33 percent in common stock of mid-cap companies, 34 percent in common stock of small-cap companies, 32 percent in common stock of large-cap companies and 1 percent in cash and cash equivalents.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 12/31/2012	Year/Period of Report 2012/Q4
MDU Resources Group, Inc.			
NOTES TO FINANCIAL STATEMENTS (Continued)			

The Company's long-term debt is not measured at fair value on the Comparative Balance Sheet and the fair value is being provided for disclosure purposes only. The fair value was based on discounted future cash flows using current market interest rates. The estimated fair value of the Company's Level 2 long-term debt at December 31 was as follows:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In thousands)				
Long-term debt	\$ 356,867	\$ 411,210	\$ 280,889	\$ 340,646

The carrying amounts of the Company's remaining financial instruments included in current assets and current liabilities approximate their fair values.

#### Note 5 - Debt

Certain debt instruments of the Company, including those discussed later, contain restrictive covenants and provisions. In order to borrow under the respective credit agreements, the Company must be in compliance with the applicable covenants and certain other conditions, all of which the Company, as applicable, was in compliance with at December 31, 2012. In the event the Company does not comply with the applicable covenants and other conditions, alternative sources of funding may need to be pursued.

The following table summarizes the outstanding credit facilities of the Company:

Company	Facility	Facility Limit	Amount	Amount	Letters of	Expiration Date
			Outstanding at December 31, 2012	Outstanding at December 31, 2011	Credit at December 31, 2012	
(Dollars in millions)						
MDU Resources Group, Inc.	Commercial paper/Revolving credit agreement (a)	\$ 125.0	\$ 76.0	(b) \$ -	(b) \$ -	10/4/17

- (a) The \$125 million commercial paper program is supported by a revolving credit agreement with various banks totaling \$125 million (provisions allow for increased borrowings, at the option of the Company on stated conditions, up to a maximum of \$150 million). There were no amounts outstanding under the credit agreement.
- (b) Amount outstanding under commercial paper program.

The Company's commercial paper program is supported by a revolving credit agreement. While the amount of commercial paper outstanding does not reduce available capacity under the revolving credit agreement, the Company does not issue commercial paper in an aggregate amount exceeding the available capacity under its credit agreement.

The following includes information related to the preceding table.

#### Long-term debt

**MDU Resources Group, Inc.** On October 4, 2012, the Company amended the revolving credit agreement to increase the borrowing limit to \$125.0 million and extend the termination date to October 4, 2017. The Company's revolving credit agreement supports its commercial paper program. Commercial paper borrowings under this agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued commercial paper borrowings.

The credit agreement contains customary covenants and provisions, including covenants of the Company not to permit, as of the end of any fiscal quarter, (A) the ratio of funded

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

debt to total capitalization (determined on a consolidated basis) to be greater than 65 percent or (B) the ratio of funded debt to capitalization (determined with respect to the Company alone, excluding its subsidiaries) to be greater than 65 percent. Other covenants include limitations on the sale of certain assets and on the making of certain loans and investments.

There are no credit facilities that contain cross-default provisions between the Company and any of its subsidiaries.

**Long-term Debt Outstanding** Long-term debt outstanding at December 31 was as follows:

	2012	2011
	(In thousands)	
Senior Notes at a weighted average rate of 6.24%, due on dates ranging from September 30, 2016 to December 15, 2033	\$ 280,000	\$ 280,000
Credit agreement and other at a weighted average rate of .51%, due on dates ranging from January 1, 2015 to November 30, 2038	76,867	889
<b>Total long-term debt</b>	<b>\$ 356,867</b>	<b>\$ 280,889</b>

The amounts of scheduled long-term debt maturities for the five years and thereafter following December 31, 2012, aggregate \$108,000 in 2013 and 2014; \$109,000 in 2015; \$50.1 million in 2016; \$76.0 million in 2017 and \$230.5 million thereafter.

**Note 6 - Asset Retirement Obligations**

The Company records obligations related to the decommissioning of certain electric generating facilities, special handling and disposal of hazardous materials at certain electric generating facilities, natural gas distribution facilities and buildings, and certain other obligations.

A reconciliation of the Company's liability for the years ended December 31 was as follows:

	2012	2011
	(In thousands)	
Balance at beginning of year	\$ 6,645	\$ 6,314
Liabilities settled	(10)	—
Revisions in estimates	(195)	—
Accretion expense	349	331
<b>Balance at end of year</b>	<b>\$ 6,789</b>	<b>\$ 6,645</b>

The Company believes that any expenses related to asset retirement obligations at the Company's regulated operations will be recovered in rates over time and, accordingly, defers such expenses as regulatory assets.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

**Note 7 - Preferred Stocks**

Preferred stocks at December 31 were as follows:

	2012	2011
(In thousands, except shares and per share amounts)		
Authorized:		
Preferred -		
500,000 shares, cumulative, par value \$100, issuable in series		
Preferred stock A -		
1,000,000 shares, cumulative, without par value, issuable in series (none outstanding)		
Preference -		
500,000 shares, cumulative, without par value, issuable in series (none outstanding)		
Outstanding:		
4.50% Series - 100,000 shares	\$ 10,000	\$ 10,000
4.70% Series - 50,000 shares	5,000	5,000
<b>Total preferred stocks</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>

For the years 2012 and 2011, dividends declared on the 4.50% Series and 4.70% Series preferred stocks were \$4.50 and \$4.70 per share, respectively. The 4.50% Series and 4.70% Series preferred stocks outstanding are subject to redemption, in whole or in part, at the option of the Company with certain limitations on 30 days notice on any quarterly dividend date at a redemption price, plus accrued dividends, of \$105 per share and \$102 per share, respectively.

In the event of a voluntary or involuntary liquidation, all preferred stock series holders are entitled to \$100 per share, plus accrued dividends.

The affirmative vote of two-thirds of a series of the Company's outstanding preferred stock is necessary for amendments to the Company's charter or bylaws that adversely affect that series; creation of or increase in the amount of authorized stock ranking senior to that series (or an affirmative majority vote where the authorization relates to a new class of stock that ranks on parity with such series); a voluntary liquidation or sale of substantially all of the Company's assets; a merger or consolidation, with certain exceptions; or the partial retirement of that series of preferred stock when all dividends on that series of preferred stock have not been paid. The consent of the holders of a particular series is not required for such corporate actions if the equivalent vote of all outstanding series of preferred stock voting together has consented to the given action and no particular series is affected differently than any other series.

Subject to the foregoing, the holders of common stock exclusively possess all voting power. However, if cumulative dividends on preferred stock are in arrears, in whole or in part, for one year, the holders of preferred stock would obtain the right to one vote per share until all dividends in arrears have been paid and current dividends have been declared and set aside.

**Note 8 - Common Stock**

The Company's Stock Purchase Plan provides interested investors the opportunity to make optional cash investments and to reinvest all or a percentage of their cash dividends in shares of the Company's common stock. The K-Plan is partially funded with the Company's common stock. From January 2011 through December 2012, purchases of shares of common stock on the open market were used to fund the Stock Purchase Plan and K-Plan. At December 31,

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

2012, there were 23.2 million shares of common stock reserved for original issuance under the Stock Purchase Plan and K-Plan.

The Company depends on earnings from its divisions and dividends from its subsidiaries to pay dividends on common stock. The declaration and payment of dividends is at the sole discretion of the board of directors, subject to limitations imposed by the Company's credit agreements, federal and state laws, and applicable regulatory limitations. In addition, the Company and Centennial are generally restricted to paying dividends out of capital accounts or net assets. The most restrictive limitations are discussed below.

Pursuant to a covenant under a credit agreement, Centennial may only make distributions to the Company in an amount up to 100 percent of Centennial's consolidated net income after taxes, excluding noncash write-downs, for the immediately preceding fiscal year. Intermountain and Cascade have regulatory limitations on the amount of dividends each can pay. Based on these limitations, approximately \$2.0 billion of the net assets of the Company's subsidiaries were restricted from being used to transfer funds to the Company at December 31, 2012. In addition, the Company's credit agreement also contains restrictions on dividend payments. The most restrictive limitation requires the Company not to permit the ratio of funded debt to capitalization (determined with respect to the Company alone, excluding its subsidiaries) to be greater than 65 percent. Based on this limitation, approximately \$177 million of the Company's (excluding its subsidiaries) net assets, which represents common stockholders' equity including retained earnings, would be restricted from use for dividend payments at December 31, 2012. In addition, state regulatory commissions may require the Company to maintain certain capitalization ratios. These requirements are not expected to affect the Company's ability to pay dividends in the near term.

**Note 9 - Stock-Based Compensation**

The Company has several stock-based compensation plans under which it is currently authorized to grant restricted stock and stock. As of December 31, 2012, there are 6.2 million remaining shares available to grant under these plans. The Company generally issues new shares of common stock to satisfy restricted stock, stock and performance share awards.

Total stock-based compensation expense, excluding the amount recognized by the Company's subsidiaries, was \$548,000, net of income taxes of \$351,000 in 2012 and \$514,000, net of income taxes of \$329,000 in 2011.

As of December 31, 2012, total remaining unrecognized compensation expense, excluding the amount to be recognized by the Company's subsidiaries, related to stock-based compensation was approximately \$745,000 (before income taxes) which will be amortized over a weighted average period of 1.5 years.

**Stock options**

The Company had granted stock options to directors, key employees and employees. The Company has not granted stock options since 2003. Options granted to key employees automatically vested after nine years, but the plan provided for accelerated vesting based on the attainment of certain performance goals or upon a change in control of the Company, and expired ten years after the date of grant. Options granted to employees vested three years after the date of grant and expired ten years after the date of grant. Options granted to directors vested at the date of grant and expired ten years after the date of grant.

The fair value of each option outstanding was estimated on the date of grant using the Black-Scholes option-pricing model.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

A summary of the status of the stock option plans at December 31, 2012, and changes during the year then ended was as follows:

	Number of Shares	Weighted Average Exercise Price
Balance at beginning of year	6,750	13.03
Exercised	(6,750)	13.03
Balance at end of year	—	—

The Company received cash of \$88,000 and \$5.7 million from the exercise of stock options for the years ended December 31, 2012 and 2011, respectively. The aggregate intrinsic value of options exercised during the years ended December 31, 2012 and 2011, was \$60,000 and \$3.3 million, respectively.

#### Stock awards

Nonemployee directors may receive shares of common stock instead of cash in payment for directors' fees under the nonemployee director stock compensation plan. There were 53,888 shares with a fair value of \$1.1 million and 55,141 shares with a fair value of \$1.1 million issued under this plan during the years ended December 31, 2012 and 2011, respectively.

A key employee of a subsidiary of the Company received an award of 43,103 shares of common stock under a long-term incentive plan with a fair value of \$930,000 during the year ended December 31, 2012.

#### Performance share awards

Since 2003, key employees of the Company and its subsidiaries have been awarded performance share awards each year. Entitlement to performance shares is based on the Company's total shareholder return over designated performance periods as measured against a selected peer group.

Target grants of performance shares outstanding at December 31, 2012, were as follows:

Grant Date	Performance Period	Target Grant of Shares
March 2010	2010-2012	213,432
February 2011	2011-2013	261,029
February 2012	2012-2014	311,675

Participants may earn from zero to 200 percent of the target grant of shares based on the Company's total shareholder return relative to that of the selected peer group. Compensation expense is based on the grant-date fair value as determined by Monte Carlo simulation. The blended volatility term structure ranges are comprised of 50 percent historical volatility and 50 percent implied volatility. Risk-free interest rates were based on U.S. Treasury security rates in effect as of the grant date. Assumptions used for grants of performance shares issued in 2012 and 2011 were:

	2012	2011
Grant-date fair value	\$ 17.18	\$ 19.99
Blended volatility range	24.29% - 25.81%	23.20% - 32.18%
Risk-free interest rate range	.10% - .35%	.09% - 1.34%
Discounted dividends per share	\$ 1.19	\$ 1.23

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

There were no performance shares that vested in 2012 or 2011. A summary of the status of the performance share awards for the year ended December 31, 2012, was as follows:

	Number of Shares	Weighted Average Grant- Date Fair Value
Nonvested at beginning of period	762,154	\$ 19.35
Granted	320,692	17.18
Vested	—	—
Forfeited	(296,710)	20.13
Nonvested at end of period	786,136	\$ 18.17

**Note 10 - Income Taxes**

Income before income taxes for the years ended December 31, 2012 and 2011, respectively was \$53,891 and \$51,958.

Income tax expense (benefit) for the years ended December 31 was as follows:

	2012	2011
	(In thousands)	
Current:		
Federal*	\$ (15,719)	\$ (22,311)
State	(2,476)	(2,394)
Deferred:		
Income taxes:		
Federal	27,118	32,346
State	2,988	2,981
Investment tax credit - net	(57)	73
<b>Total income tax expense</b>	<b>\$ 11,854</b>	<b>\$ 10,695</b>

\* Includes \$252 related to the change in uncertain tax benefits for the year ended December 31, 2011. There was no change in uncertain tax benefits for the year ended December 31, 2012.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

Components of deferred tax assets and deferred tax liabilities at December 31 were as follows:

	2012	2011
	(In thousands)	
Deferred tax assets:		
Regulatory matters	\$ 2,990	\$ (2,585)
Accrued pension costs	41,955	48,137
Compensation-related	9,009	8,260
Legal and environmental contingencies	407	—
Other	13,803	11,900
<b>Total deferred tax assets</b>	<b>68,164</b>	<b>65,712</b>
Deferred tax liabilities:		
Depreciation and basis differences on property, plant and equipment	226,833	191,610
Regulatory matters	9,219	10,820
Other	1,196	1,031
<b>Total deferred tax liabilities</b>	<b>237,248</b>	<b>203,461</b>
<b>Net deferred income tax liability</b>	<b>\$ (169,084)</b>	<b>\$ (137,749)</b>

As of December 31, 2012 and 2011, no valuation allowance has been recorded associated with the previously identified deferred tax assets.

The following table reconciles the change in the net deferred income tax liability from December 31, 2011, to December 31, 2012, to deferred income tax expense:

	2012
	(In thousands)
Change in net deferred income tax liability from the preceding table	\$ 31,335
Deferred taxes associated with other comprehensive loss	(245)
Other	(1,041)
<b>Deferred income tax expense for the period</b>	<b>\$ 30,049</b>

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

Total income tax expense (benefit) differs from the amount computed by applying the statutory federal income tax rate to income (loss) before taxes. The reasons for this difference were as follows:

Years ended December 31,	2012		2011	
	Amount	%	Amount	%
(Dollars in thousands)				
Computed tax at federal statutory rate	\$ 18,862	35.0	\$ 18,185	35.0
Increases (reductions) resulting from:				
Federal renewable energy credit	(3,401)	(6.3)	(3,485)	(6.7)
Deductible K-Plan dividends	(1,529)	(2.8)	(1,216)	(2.4)
AFUDC equity	(1,084)	(2.0)	(720)	(1.4)
Amortization and deferral of investment tax credit	(57)	(0.1)	73	0.1
State income taxes, net of federal income tax benefit (expense)	1,449	2.7	1,477	2.9
Resolution of tax matters and uncertain tax positions	—	—	(356)	(0.7)
Other	(2,386)	(4.5)	(3,263)	(6.2)
Total income tax expense (benefit)	\$ 11,854	22.0	\$ 10,695	20.6

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. The Company is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years ending prior to 2007. The 2007 through 2009 tax years are currently under audit.

A reconciliation of the unrecognized tax benefits (excluding interest) for the years ended December 31 was as follows:

	2012	2011
	(In thousands)	
Balance at beginning of year	\$ 95	\$ 347
Settlements	—	(252)
Balance at end of year	\$ 95	\$ 95

The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$95,000 at December 31, 2012 and December 31, 2011, respectively.

It is likely that substantially all of the unrecognized tax benefits, as well as interest, at December 31, 2012, will be settled in the next twelve months due to the anticipated settlement of federal and state audits.

For the years ended December 31, 2012 and 2011, the Company recognized approximately \$4,000 and \$43,000, respectively, in interest expense. Penalties were not material in 2012 and 2011. The Company recognized interest income of approximately \$60,000 and \$219,000 for the years ended December 31, 2012 and 2011, respectively. The Company had accrued assets of approximately \$267,000 and \$210,000 at December 31, 2012 and 2011, respectively, for the receipt of interest.

#### Note 11 - Employee Benefit Plans

##### Pension and other postretirement benefit plans

The Company has noncontributory defined benefit pension plans and other postretirement

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

benefit plans for certain eligible employees. The Company uses a measurement date of December 31 for all of its pension and postretirement benefit plans. Other postretirement plans presented here include certain of the Company's subsidiaries.

Defined pension plan benefits to all nonunion and certain union employees hired after December 31, 2005, were discontinued. Employees that would have been eligible for defined pension plan benefits are eligible to receive additional defined contribution plan benefits. Effective January 1, 2010, all benefit and service accruals for nonunion and certain union plans were frozen. Effective June 30, 2011, all benefit and service accruals for an additional union plan were frozen. These employees will be eligible to receive additional defined contribution plan benefits.

Effective January 1, 2010, eligibility to receive retiree medical benefits was modified at certain of the Company's businesses. Employees who attain age 55 with 10 years of continuous service by December 31, 2010, will be provided the current retiree medical insurance benefits or can elect the new benefit, if desired, regardless of when they retire. All other current employees must meet the new eligibility criteria of age 60 and 10 years of continuous service at the time they retire. These employees will be eligible for a specified company funded Retiree Reimbursement Account. Employees hired after December 31, 2009, will not be eligible for retiree medical benefits.

In 2012, the Company modified health care coverage for certain retirees. Effective January 1, 2013, post-65 coverage is replaced by a fixed-dollar subsidy for retirees and spouses to be used to purchase individual insurance through an exchange.

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NOTES TO FINANCIAL STATEMENTS (Continued)			

Changes in benefit obligation and plan assets for the years ended December 31, 2012 and 2011, and amounts recognized in the Balance Sheets at December 31, 2012 and 2011, were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
(In thousands)				
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 249,823	\$ 230,271	\$ 57,161	\$ 45,546
Service cost	—	1,056	881	746
Interest cost	10,127	11,446	2,080	2,406
Plan participants' contributions	—	—	1,767	1,711
Amendments	—	—	(9,227)	—
Actuarial loss	18,532	35,719	1,276	10,734
Curtailment gain	—	(13,939)	—	—
Benefits paid	(15,572)	(14,730)	(4,345)	(3,982)
<b>Benefit obligation at end of year</b>	<b>262,910</b>	<b>249,823</b>	<b>49,593</b>	<b>57,161</b>
Change in net plan assets:				
Fair value of plan assets at beginning of year	161,284	164,852	38,975	40,182
Actual gain (loss) on plan assets	20,050	(2,595)	3,696	(506)
Employer contribution	12,039	13,757	3,318	1,570
Plan participants' contributions	—	—	1,767	1,711
Benefits paid	(15,572)	(14,730)	(4,345)	(3,982)
Fair value of net plan assets at end of year	177,801	161,284	43,411	38,975
<b>Funded status – under</b>	<b>\$ (85,109)</b>	<b>\$ (88,539)</b>	<b>\$ (6,182)</b>	<b>\$ (18,186)</b>
Amounts recognized in the Comparative Balance Sheets at December 31:				
Accumulated provision for pensions and benefits	\$ —	\$ —	\$ (6,182)	\$ (18,186)
Other deferred credits	(85,109)	(88,539)	—	—
<b>Net amount recognized</b>	<b>\$ (85,109)</b>	<b>\$ (88,539)</b>	<b>\$ (6,182)</b>	<b>\$ (18,186)</b>
Amounts recognized in accumulated other comprehensive (income) loss/regulatory assets (liabilities) consist of:				
Actuarial loss	\$ 111,617	\$ 102,269	\$ 19,133	\$ 19,271
Prior service cost (credit)	—	—	(13,108)	(4,461)
Transition obligation	—	—	—	3,284
<b>Total</b>	<b>\$ 111,617</b>	<b>\$ 102,269</b>	<b>\$ 6,025</b>	<b>\$ 18,094</b>

Employer contributions and benefits paid in the preceding table include only those amounts contributed directly to, or paid directly from, plan assets. The above table includes amounts related to regulated operations, which are recorded as regulatory assets (liabilities) and are expected to be reflected in rates charged to customers over time. For more information on regulatory assets (liabilities) see Note 3.

Unrecognized pension actuarial losses in excess of 10 percent of the greater of the projected benefit obligation or the market-related value of assets are amortized on a straight-line basis over the expected average remaining service lives of active participants for non-frozen plans and over the average life expectancy of plan participants for frozen plans. The market-related value of assets is determined using a five-year average of assets. Unrecognized postretirement net transition obligation was amortized over a 20-year period ending 2012.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans of which all have accumulated benefit obligations in excess of plan assets at December 31 were as follows:

	2012	2011
	(In thousands)	
Projected benefit obligation	\$ 262,910	\$ 249,823
Accumulated benefit obligation	\$ 262,910	\$ 249,823
Fair value of plan assets	\$ 177,801	\$ 161,284

Components of net periodic benefit cost for the Company's pension and other postretirement benefit plans for the years ended December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
	(In thousands)			
Components of net periodic benefit cost (credit):				
Service cost	\$ —	\$ 1,056	\$ 881	\$ 746
Interest cost	10,126	11,446	2,079	2,406
Expected return on assets	(13,667)	(13,712)	(2,895)	(2,974)
Amortization of prior service cost (credit)	—	129	(580)	(294)
Recognized net actuarial loss	2,801	1,473	613	—
Curtailment loss	—	1,218	—	—
Amortization of net transition obligation	—	—	3,284	1,671
Net periodic benefit cost (credit)	(740)	1,610	3,382	1,555
Other changes in plan assets and benefit obligations recognized in accumulated other comprehensive (income) loss:				
Net loss	12,149	38,087	475	14,214
Prior service credit	—	—	(9,227)	—
Amortization of actuarial loss	(2,801)	(1,473)	(613)	—
Amortization of prior service (cost) credit	—	(1,347)	580	294
Amortization of net transition obligation	—	—	(3,284)	(1,671)
Total recognized in accumulated other comprehensive (income) loss/regulatory assets (liabilities)	9,348	35,267	(12,069)	12,837
Total recognized in net periodic benefit cost and accumulated other comprehensive (income) loss/regulatory assets (liabilities)	\$ 8,608	\$ 36,877	\$ (8,687)	\$ 14,392

The estimated net loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss or regulatory asset (liability), as applicable, into net periodic benefit cost in 2013 is \$4.0 million. The estimated net loss and prior service credit for the other postretirement benefit plans that will be amortized from accumulated other comprehensive loss or regulatory asset (liability), as applicable, into net periodic benefit cost in 2013 are \$952,000 and \$976,000, respectively.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

Weighted average assumptions used to determine benefit obligations at December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
Discount rate	3.63 %	4.18 %	3.65 %	4.12 %
Expected return on plan assets	7.00 %	7.75 %	6.00 %	6.75 %

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
Discount rate	4.18 %	5.25 %	4.12 %	5.20 %
Expected return on plan assets	7.75 %	7.75 %	6.75 %	6.75 %

The expected rate of return on pension plan assets is based on the targeted asset allocation range of 60 percent to 70 percent equity securities and 30 percent to 40 percent fixed-income securities and the expected rate of return from these asset categories. The expected rate of return on other postretirement plan assets is based on the targeted asset allocation range of 65 percent to 75 percent equity securities and 25 percent to 35 percent fixed-income securities and the expected rate of return from these asset categories. The expected return on plan assets for other postretirement benefits reflects insurance-related investment costs.

Health care rate assumptions for the Company's other postretirement benefit plans as of December 31 were as follows:

	2012	2011
Health care trend rate assumed for next year	6.0 %	6.0 %
Health care cost trend rate - ultimate	6.0 %	6.0 %
Year in which ultimate trend rate achieved	1999	1999

The Company's other postretirement benefit plans include health care and life insurance benefits for certain retirees. The plans underlying these benefits may require contributions by the retiree depending on such retiree's age and years of service at retirement or the date of retirement. The accounting for the health care plans anticipates future cost-sharing changes that are consistent with the Company's expressed intent to generally increase retiree contributions each year by the excess of the expected health care cost trend rate over six percent.

Assumed health care cost trend rates may have a significant effect on the amounts reported for the health care plans. A one percentage point change in the assumed health care cost trend rates would have had the following effects at December 31, 2012:

	1 Percentage Point Increase	1 Percentage Point Decrease
	(In thousands)	
Effect on total of service and interest cost components	\$ 47	\$ (42)
Effect on postretirement benefit obligation	\$ 1,188	\$ (1,064)

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
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NOTES TO FINANCIAL STATEMENTS (Continued)			

The Company's pension assets are managed by 14 outside investment managers. The Company's other postretirement assets are managed by one outside investment manager. The Company's investment policy with respect to pension and other postretirement assets is to make investments solely in the interest of the participants and beneficiaries of the plans and for the exclusive purpose of providing benefits accrued and defraying the reasonable expenses of administration. The Company strives to maintain investment diversification to assist in minimizing the risk of large losses. The Company's policy guidelines allow for investment of funds in cash equivalents, fixed-income securities and equity securities. The guidelines prohibit investment in commodities and futures contracts, equity private placement, employer securities, leveraged or derivative securities, options, direct real estate investments, precious metals, venture capital and limited partnerships. The guidelines also prohibit short selling and margin transactions. The Company's practice is to periodically review and rebalance asset categories based on its targeted asset allocation percentage policy.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The ASC establishes a hierarchy for grouping assets and liabilities, based on the significance of inputs.

The estimated fair values of the Company's pension plan assets are determined using the market approach.

The carrying value of the pension plans' Level 1 and Level 2 cash equivalents approximates fair value and is determined using observable inputs in active markets or the net asset value of shares held at year end, which is determined using other observable inputs including pricing from outside sources. Units of this fund can be redeemed on a daily basis at their net asset value and have no redemption restrictions. The assets are invested in high quality, short-term instruments of domestic and foreign issuers.

The estimated fair value of the pension plans' Level 1 equity securities is based on the closing price reported on the active market on which the individual securities are traded.

The estimated fair value of the pension plans' Level 1 and Level 2 collective and mutual funds are based on the net asset value of shares held at year end, based on either published market quotations on active markets or other known sources including pricing from outside sources.

The estimated fair value of the pension plans' Level 2 corporate and municipal bonds is determined using other observable inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers, future cash flows and other reference data.

The estimated fair value of the pension plans' Level 1 U.S. Treasury securities are valued based on quoted prices on an active market.

The estimated fair value of the pension plans' Level 2 U.S. Treasury and mortgage-backed securities are valued mainly using other observable inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers, to be announced prices, future cash flows and other reference data. Some of these securities are valued using pricing from outside sources.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. For the years ended December 31,

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

2012 and 2011, there were no transfers between Levels 1 and 2.  
The fair value of the Company's pension net plan assets by class is as follows:

	Fair Value Measurements at December 31, 2012, Using				Balance at December 31, 2012
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
(In thousands)					
Assets:					
Cash equivalents	\$ 1,234	\$ 6,015	\$ —		\$ 7,249
Equity securities:					
U.S. companies	50,019	—	—		50,019
International companies	22,898	—	—		22,898
Collective and mutual funds *	47,608	11,539	—		59,147
Corporate bonds	—	25,942	—		25,942
Municipal bonds	—	5,349	—		5,349
U.S. Treasury securities	4,589	2,608	—		7,197
<b>Total assets measured at fair value</b>	<b>\$ 126,348</b>	<b>\$ 51,453</b>	<b>\$ —</b>		<b>\$ 177,801</b>

\*Collective and mutual funds invest approximately 12 percent in common stock of mid-cap U.S. companies, 26 percent in common stock of large-cap U.S. companies, 13 percent in U.S. Treasuries, 41 percent in corporate bonds and 8 percent in other investments.

	Fair Value Measurements at December 31, 2011, Using				Balance at December 31, 2011
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
(In thousands)					
Assets:					
Cash equivalents	\$ 1,308	\$ 10,173	\$ —		\$ 11,481
Equity securities:					
U.S. companies	57,619	—	—		57,619
International companies	20,510	—	—		20,510
Collective and mutual funds *	25,071	9,016	—		34,087
Corporate bonds	—	13,679	168		13,847
Mortgage-backed securities	—	13,336	—		13,336
Municipal bonds	—	5,390	—		5,390
U.S. Treasury securities	—	5,014	—		5,014
<b>Total assets measured at fair value</b>	<b>\$ 104,508</b>	<b>\$ 56,608</b>	<b>\$ 168</b>		<b>\$ 161,284</b>

\*Collective and mutual funds invest approximately 26 percent in common stock of mid-cap U.S. companies, 26 percent in common stock of large-cap U.S. companies, 13 percent in U.S. Treasuries, 6 percent in corporate bonds and 29 percent in other investments.

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MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

The following table sets forth a summary of changes in the fair value of the pension plans' Level 3 assets for the year ended December 31, 2012:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Corporate Bonds	Collateral Held on Loaned Securities	Total
(In thousands)			
Balance at beginning of year	\$ 168	\$ —	\$ 168
Total realized/unrealized losses	(29)	—	(29)
Purchases, issuances and settlements (net)	(139)	—	(139)
Balance at end of year	\$ —	\$ —	\$ —

The following table sets forth a summary of changes in the fair value of the pension plans' Level 3 assets for the year ended December 31, 2011:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Corporate Bonds	Collateral Held on Loaned Securities	Total
(In thousands)			
Balance at beginning of year	\$ —	\$ 402	\$ 402
Total realized/unrealized losses	(1)	(150)	(151)
Purchases, issuances and settlements (net)	169	(252)	(83)
Balance at end of year	\$ 168	\$ —	\$ 168

The estimated fair values of the Company's other postretirement benefit plan assets are determined using the market approach.

The estimated fair value of the other postretirement benefit plan's Level 1 and Level 2 cash equivalents is valued at the net asset value of shares held at year end, based on published market quotations on active markets, or using other known sources including pricing from outside sources. Units of this fund can be redeemed on a daily basis at their net asset value and have no redemption restrictions. The assets are invested in high-quality, short-term money market instruments that consist of municipal obligations.

The estimated fair value of the other postretirement benefit plan's Level 1 equity securities is based on the closing price reported on the active market on which the individual securities are traded.

The estimated fair value of the other postretirement benefit plan's Level 2 insurance investment contract is based on contractual cash surrender values that are determined primarily by investments in managed separate accounts of the insurer. These amounts approximate fair value. The managed separate accounts are valued based on other observable inputs or corroborated market data.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. For the years ended December 31, 2012 and 2011, there were no transfers between Levels 1 and 2.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

The fair value of the Company's other postretirement benefit plan assets by asset class is as follows:

	Fair Value Measurements at December 31, 2012, Using			Balance at December 31, 2012
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(In thousands)				
Assets:				
Cash equivalents	\$ 600	\$ 1,163	\$ —	\$ 1,763
Equity securities:				
U.S. companies	660	—	—	660
International companies	—	—	—	—
Insurance investment contract*	—	40,988	—	40,988
Total assets measured at fair value	\$ 1,260	\$ 42,151	\$ —	\$ 43,411

\* The insurance investment contract invests approximately 51 percent in common stock of large-cap U.S. companies, 15 percent in U.S. Treasuries, 10 percent in mortgage-backed securities, 11 percent in corporate bonds, and 13 percent in other investments.

	Fair Value Measurements at December 31, 2011, Using			Balance at December 31, 2011
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(In thousands)				
Assets:				
Cash equivalents	\$ —	\$ 1,013	\$ —	\$ 1,013
Equity securities:				
U.S. companies	615	—	—	615
International companies	—	—	—	—
Insurance investment contract*	—	37,347	—	37,347
Total assets measured at fair value	\$ 615	\$ 38,360	\$ —	\$ 38,975

\* The insurance investment contract invests approximately 49 percent in common stock of large-cap U.S. companies, 15 percent in U.S. Treasuries, 12 percent in mortgage-backed securities, 11 percent in corporate bonds, and 13 percent in other investments.

The Company expects to contribute approximately \$9.9 million to its defined benefit pension plans and approximately \$333,000 to its postretirement benefit plans in 2013.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

The following benefit payments, which reflect future service, as appropriate, and expected Medicare Part D subsidies are as follows:

Years	Pension Benefits	Other Postretirement Benefits	Expected Medicare Part D Subsidy
(In thousands)			
2013	\$ 13,760	\$ 3,059	\$ 202
2014	13,821	3,046	196
2015	14,020	2,999	189
2016	14,182	2,960	181
2017	14,405	2,956	172
2018 - 2022	75,106	14,094	714

#### Nonqualified benefit plans

In addition to the qualified plan defined pension benefits reflected in the table at the beginning of this note, the Company also has unfunded, nonqualified benefit plans for executive officers and certain key management employees that generally provide for defined benefit payments at age 65 following the employee's retirement or to their beneficiaries upon death for a 15-year period. The Company had investments of \$51.9 million and \$47.6 million at December 31, 2012 and 2011, respectively, consisting of equity securities of \$28.0 million and \$25.6 million, respectively, life insurance carried on plan participants (payable upon the employee's death) of \$18.7 million and \$17.9 million, respectively, and other investments of \$5.2 million and \$4.1 million, respectively. The Company anticipates using these investments to satisfy obligations under these plans. The Company's net periodic benefit cost for these plans was \$4.6 million in both 2012 and 2011. The total projected benefit obligation for these plans was \$64.7 million and \$65.7 million at December 31, 2012 and 2011, respectively. The accumulated benefit obligation for these plans was \$61.1 million and \$60.3 million at December 31, 2012 and 2011, respectively. A weighted average discount rate of 3.45 percent and 4.00 percent at December 31, 2012 and 2011, respectively, and a rate of compensation increase of 3.00 percent and 4.00 percent at December 31, 2012 and 2011, respectively, were used to determine benefit obligations. A discount rate of 4.00 percent and 5.12 percent at December 31, 2012 and 2011, respectively, and a rate of compensation increase of 4.00 percent and 4.00 percent at December 31, 2012 and 2011, respectively, were used to determine net periodic benefit cost.

The amount of benefit payments for the unfunded, nonqualified benefit plans are expected to aggregate \$3.1 million in both 2013 and 2014; \$3.8 million in 2015; \$3.7 million in 2016; \$3.8 million in 2017 and \$21.3 million for the years 2018 through 2022.

In 2012, the Company established a nonqualified defined contribution plan for certain key management employees. Costs incurred under this plan for 2012 were \$17,000.

#### Defined contribution plans

The Company sponsors various defined contribution plans for eligible employees, and costs incurred under these plans were \$10.0 million in 2012 and \$9.4 million in 2011.

#### Note 12 - Jointly Owned Facilities

The financial statements include the Company's 22.7 percent, 25.0 percent and 25.0 percent ownership interests in the assets, liabilities and expenses of the Big Stone Station, Coyote Station and Wygen III, respectively. Each owner of the stations is responsible for financing its investment in the jointly owned facilities.

The Company's share of the station's operating expenses was reflected in the appropriate categories of operating expenses (fuel, operation and maintenance, and taxes, other than

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

income) in the Statement of Income.

At December 31, the Company's share of the cost of utility plant in service and related accumulated depreciation for the stations was as follows:

	2012	2011
	(In thousands)	
Big Stone Station:		
Utility plant in service	\$ 63,146	\$ 63,715
Less accumulated depreciation	40,859	42,475
	\$ 22,287	\$ 21,240
Coyote Station:		
Utility plant in service	\$ 135,073	\$ 131,719
Less accumulated depreciation	87,524	86,788
	\$ 47,549	\$ 44,931
Wygen III:		
Utility plant in service	\$ 63,462	\$ 63,300
Less accumulated depreciation	3,368	2,106
	\$ 60,094	\$ 61,194

**Note 13 - Regulatory Matters and Revenues Subject to Refund**

On September 26, 2012, Montana-Dakota filed an application with the MTPSC for a natural gas rate increase. Montana-Dakota requested a total increase of \$3.5 million annually or approximately 5.9 percent above current rates. The requested increase includes the costs associated with the increased investment in facilities, including ongoing investment in new and replacement distribution facilities, the landfill gas production facility, a region operations building, automated meter reading and a new customer billing system. Montana-Dakota requested an interim increase, subject to refund, of \$1.7 million or approximately 2.9 percent. On April 12, 2013, the MTPSC issued an Interim Order authorizing an interim increase of approximately \$850,000 annually to be effective with service rendered April 15, 2013, subject to refund.

On December 21, 2012, Montana-Dakota filed an application with the SDPUC for a natural gas rate increase. Montana-Dakota requested a total increase of \$1.5 million annually or approximately 3.3 percent above current rates. The requested increase includes the costs associated with the increased investment in facilities, including ongoing investment in new and replacement distribution facilities, the landfill gas production facility, an operations building, automated meter reading and a new customer billing system.

**Note 14 - Commitments and Contingencies  
Claims and Litigation**

The Company is party to claims and lawsuits arising out of its business. The Company accrues a liability for those contingencies when the incurrence of a loss is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is probable or reasonably possible and which are material, the Company discloses the nature of the contingency and, where feasible, an estimate of the possible loss. The Company had accrued liabilities of \$1.1 million and \$569,000 for contingencies related to litigation as of December 31, 2012 and 2011, respectively.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 12/31/2012	2012/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

**Operating leases**

The Company leases certain equipment, facilities and land under operating lease agreements. The amounts of annual minimum lease payments due under these leases as of December 31, 2012, were \$3.9 million in 2013, \$3.9 million in 2014, \$2.7 million in 2015, \$2.6 million in 2016, \$1.1 million in 2017 and \$20.7 million thereafter. Rent expense was \$2.8 million and \$2.7 million for the years ended December 31, 2012 and 2011, respectively.

**Purchase commitments**

The Company has entered into various commitments, largely natural gas and coal supply, purchased power, and natural gas transportation and storage contracts. These commitments range from one to 12 years. The commitments under these contracts as of December 31, 2012, were \$151.4 million in 2013, \$54.8 million in 2014, \$46.9 million in 2015, \$35.4 million in 2016, \$13.6 million in 2017 and \$12.5 million thereafter. These commitments were not reflected in the Company's financial statements. Amounts purchased under various commitments for the years ended December 31, 2012 and 2011, were \$241.5 million and \$237.7 million.

INDEX

Page Nos.

Income Statement

Twelve months ending December 31, 2012

1-2

Six months ending June 30, 2013

3-4

**MDU RESOURCES GROUP, INC.**  
**NONCONSOLIDATED INCOME STATEMENT**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**

Operating Income

Electric Utility

Operating Revenues	\$235,516,533
Operating Expenses:	
Operation Expenses	124,959,511
Maintenance Expenses	18,573,149
Depreciation Expenses	32,325,740
Taxes Other Than Income Taxes	10,360,754
Income Taxes:	
Federal Taxes on Income	(6,494,719)
State Taxes on Income	(979,384)
Deferred Income Taxes	17,729,419
Total Electric Expenses	<u>196,474,470</u>
Net Electric Operation	\$39,042,063

Gas Utility

Operating Revenues	\$224,268,217
Operating Expenses:	
Operation Expenses	188,112,952
Maintenance Expenses	3,904,925
Depreciation Expenses	11,760,215
Taxes Other Than Income Taxes	7,594,251
Income Taxes:	
Federal Taxes on Income	(8,847,198)
State Taxes on Income	(1,297,614)
Deferred Income Taxes	12,849,751
Total Gas Expenses	<u>214,077,282</u>
Net Gas Operation	\$10,190,935

Net Utility Operating Income \$49,232,998

Revenues from Merchandising, Jobbing and Contract Work	\$5,449,364
(Less) Costs and Exp. Of Merch., Jobbing and Contract Work	4,396,820
Revenues from Nonutility Operations	4,787,658
(Less) Expense from Nonutility Operations	2,833,454
Equity in Earnings of Subsidiary Companies	(42,791,235)
Interest and Dividend Income	2,844,361
Allowance for Other Funds Used During Construction	3,097,868
Miscellaneous Nonoperating Income	33,208
Gain on Disposition of Property	210,236
Total Other Income	<u>(33,598,814)</u>

Loss on Disposition of Property	0
Miscellaneous Income Deductions	193,921
Total Other Income Deductions	<u>193,921</u>

**MDU RESOURCES GROUP, INC.**  
**NONCONSOLIDATED INCOME STATEMENT**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**

Taxes other than Income Taxes	3,653
Income Taxes - Federal	(376,409)
Income Taxes - State	(198,872)
Provision for Deferred Income Taxes	(473,105)
Investment Tax Credits	(57,381)
Total Taxes on Other Income and Deductions	<u>(1,102,114)</u>
Net Other Income and Deductions	(\$32,690,621)
Interest On Long-Term Debt	17,867,333
Amortization of Debt Discount and Expense	123,332
Amortization of Loss on Reacquired Debt	719,510
Other Interest Expense	302,073
(Less) Allow for Borrowed Funds Used during Const.	1,715,437
Net Interest Charges	<u>17,296,811</u>
Net Income	<u><u>(\$754,434)</u></u>

**MDU RESOURCES GROUP, INC.**  
**NONCONSOLIDATED INCOME STATEMENT**  
**SIX MONTHS ENDING JUNE 30, 2013**

Operating Income

Electric Utility

Operating Revenues	\$120,824,014
Operating Expenses:	
Operation Expenses	66,871,398
Maintenance Expenses	9,860,227
Depreciation Expenses	16,396,244
Taxes Other Than Income Taxes	5,720,161
Income Taxes:	
Federal Taxes on Income	(3,503,736)
State Taxes on Income	(244,946)
Deferred Income Taxes	7,735,290
Total Electric Expenses	<u>102,834,638</u>
Net Electric Operation	\$17,989,376

Gas Utility

Operating Revenues	\$154,211,273
Operating Expenses:	
Operation Expenses	131,716,408
Maintenance Expenses	2,145,964
Depreciation Expenses	6,780,963
Taxes Other Than Income Taxes	4,170,878
Income Taxes:	
Federal Taxes on Income	(563,341)
State Taxes on Income	(76,012)
Deferred Income Taxes	3,126,740
Total Gas Expenses	<u>147,301,600</u>
Net Gas Operation	\$6,909,673

Net Utility Operating Income \$24,899,049

Revenues from Merchandising, Jobbing and Contract Work	\$6,096,216
(Less) Costs and Exp. Of Merch., Jobbing and Contract Work	1,504,552
Revenues from Nonutility Operations	1,205,949
(Less) Expense from Nonutility Operations	682,013
Equity in Earnings of Subsidiary Companies	79,189,826
Interest and Dividend Income	1,065,447
Allowance for Other Funds Used During Construction	1,330,732
Miscellaneous Nonoperating Income	65,328
Gain on Disposition of Property	0
Total Other Income	<u>86,766,933</u>

Loss on Disposition of Property	0
Miscellaneous Income Deductions	(666,935)
Total Other Income Deductions	<u>(666,935)</u>

**MDU RESOURCES GROUP, INC.**  
**NONCONSOLIDATED INCOME STATEMENT**  
**SIX MONTHS ENDING JUNE 30, 2013**

Taxes other than Income Taxes	3,007
Income Taxes - Federal	639,931
Income Taxes - State	94,673
Provision for Deferred Income Taxes	(127,370)
Investment Tax Credits	<u>(23,250)</u>
Total Taxes on Other Income and Deductions	586,991
Net Other Income and Deductions	\$86,846,877
Interest On Long-Term Debt	8,939,797
Amortization of Debt Discount and Expense	94,969
Amortization of Loss on Recquired Debt	359,755
Other Interest Expense	115,186
(Less) Allow for Borrowed Funds Used during Const.	<u>791,382</u>
Net Interest Charges	8,718,325
Net Income	<u><u>\$103,027,601</u></u>

**MONTANA-DAKOTA UTILITIES CO.**  
**PLANT IN SERVICE**  
**GAS UTILITY - NORTH DAKOTA**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

<u>Function</u>	<u>Per Books Plant</u>		
	<u>2011</u>	<u>2012</u>	<u>Average</u>
Production	\$4,708,374	\$4,833,307	\$4,770,840
Distribution	91,393,701	104,874,949	98,134,325
General	9,877,802	9,843,079	9,860,441
Intangible Plant - General	2,364,795	3,508,663	2,936,729
Common	6,319,321	8,046,434	7,182,878
Intangible Plant - Common	3,442,801	3,760,139	3,601,470
Acquisition Adjustment	<u>97,266</u>	<u>97,266</u>	<u>97,266</u>
Total Plant in Service	<u>\$118,204,060</u>	<u>\$134,963,837</u>	<u>\$126,583,949</u>

**MONTANA-DAKOTA UTILITIES CO.**  
**PLANT IN SERVICE**  
**GAS UTILITY - NORTH DAKOTA**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

Acct. No.	Account	Per Books Plant		
		2011	2012	Average
	<u>Production Plant</u>			
333	Field Compressor Station Equip.	\$4,708,374	\$4,833,307	\$4,770,840
	<u>Distribution Plant</u>			
374.1	Land	\$49,431	\$49,431	\$49,431
374.2	Rights of Way	208,132	239,146	223,639
375	Structures & Improvements	257,251	257,252	257,252
376	Mains	41,262,921	48,613,112	44,938,016
378	Meas. & Reg. Equip. -General	993,700	1,029,271	1,011,485
379	Meas. & Reg. Equip. - City Gate	245,682	867,761	556,722
380	Services	21,950,085	26,166,595	24,058,340
381	Positive Meters	22,297,713	23,300,185	22,798,949
383	Service Regulators	2,574,530	2,795,262	2,684,896
385	Ind. Meas. & Reg. Station Equip.	467,021	467,021	467,021
386.1	Misc. Property on Cust. Premise	1,680	1,680	1,680
386.2	Other Property on Cust. Premise	113,207	113,207	113,207
387.1	Cathodic Protection Equip.	610,335	613,013	611,674
387.2	Other Distribution Equip.	362,013	362,013	362,013
	Total Distribution Plant	\$91,393,701	\$104,874,949	\$98,134,325
	<u>General Plant</u>			
389	Land	\$326,200	\$274,522	\$300,361
390	Structures and Improvements	2,221,683	2,190,429	2,206,056
391.1	Office Furniture & Equipment	47,976	45,727	46,851
391.3	Personal Computers	213,527	97,973	155,750
391.5	Other Computer Equipment	13,008		6,504
392.1	Trans. Equip., Non-Unitized	173,852	194,219	184,035
392.2	Trans. Equip., Unitized	2,980,473	3,077,885	3,029,179
393	Stores Equipment	6,023	6,023	6,023
394.1	Miscellaneous Tolls - Nonunitized	741,926	715,698	728,812
394.3	Vehicle Maintenance Equip.	6,615		3,308
394.4	Vehicle Refueling Equip.	12,444	12,444	12,444
395	Laboratory Equipment	137,236	137,109	137,173
396.1	Power Operated Equip.	192,869	216,136	204,503
396.2	Work Equipment Trailers	2,403,225	2,545,872	2,474,548
397.1	Fixed Radio Comm. Equip.	175,594	158,596	167,095
397.2	Mobile Radio Comm. Equip.	122,952	120,452	121,702
397.3	General Tele. Comm. Equip.	8,554	8,554	8,554
397.8	Network Equipment	66,316	14,112	40,214
398	Miscellaneous Equipment	27,329	27,328	27,329
	Total General Plant	\$9,877,802	\$9,843,079	\$9,860,441
303	Intangible Plant - General	\$2,364,795	\$3,508,663	\$2,936,729

**MONTANA-DAKOTA UTILITIES CO.  
PLANT IN SERVICE  
GAS UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

Acct. No.	Account	Per Books Plant		
		2011	2012	Average
	<u>Common Plant</u>			
389	Land	\$318,693	\$373,933	\$346,313
390	Structures and Improvements	3,628,807	4,732,699	4,180,753
391.1	Office Furniture & Equipment	344,038	374,987	359,512
391.3	Personal Computers	254,913	282,818	268,865
391.5	Other Computer Equipment	19,461	294,376	156,919
392.1	Trans. Equip., Non-Unitized	10,061	231	5,146
392.2	Trans. Equip., Unitized	673,557	799,844	736,700
392.3	Aircraft Equipment	590,053	610,491	600,272
393	Stores Equipment	4,708	8,895	6,802
394.1	Miscellaneous Tools	69,898	78,242	74,070
394.3	Vehicle Maint. Equip.	23,150	13,387	18,269
394.4	Vehicle Refueling Equip.	1,616	1,671	1,644
397.1	Fixed Radio Comm. Equip.	132,032	150,509	141,270
397.2	Mobile Radio Comm. Equip.	59,447	80,171	69,809
397.3	General Tele. Comm. Equip.	7,280	12,989	10,135
397.5	Supervisory & Telemetry	273	282	278
397.8	Network Equipment	55,879	55,005	55,442
398	Miscellaneous Equipment	125,455	175,904	150,679
	Total Common Plant	<u>\$6,319,321</u>	<u>\$8,046,434</u>	<u>\$7,182,878</u>
303	Intangible Plant - Common	3,442,801	3,760,139	3,601,470
114.2	Acquisition Adjustment	<u>97,266</u>	<u>97,266</u>	<u>97,266</u>
	Total Gas Plant in Service	<u>\$118,204,060</u>	<u>\$134,963,837</u>	<u>\$126,583,949</u>

**MONTANA-DAKOTA UTILITIES CO.**  
**DETAILED COST OF PLANT**  
**GAS UTILITY**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

Acct. No.	Account	Balance @ 12/31/11	Additions	Retirements	Transfers	Balance @ 12/31/12
	<u>Production Plant</u>					
333	Field Compressor Station Equip.	\$10,778,167	\$108,645			\$10,886,812
	<u>Distribution Plant</u>					
374.1	Land	\$276,934	\$8,530	\$0	(\$86,874)	\$198,590
374.2	Rights of Way	367,926	35,674	0	8,025	411,625
375	Structures & Improvements	655,600	18,247	0	38,568	712,415
376	Mains	119,706,390	11,094,151	(219,226)	342,854	130,924,169
378	Measuring & Regulating Equip. - Gen.	2,408,361	191,384	(20,368)	46,897	2,626,274
379	Measuring & Regulating Equip. - City Gate	1,701,124	627,161	(2,466)	0	2,325,819
380	Services	61,760,842	8,369,068	(173,017)	382	69,957,275
381	Meters	58,285,744	3,528,941	(482,546)	(152,818)	61,179,321
383	Service Regulators	6,665,639	645,734	(18,197)	(24,787)	7,268,389
385	Industrial Measuring & Regulating Equip.	786,435	0	0	0	786,435
386.1	Misc. Property on Customer Premise	1,680	0	0	0	1,680
386.2	Other Property on Customer Premise	261,880	0	0	0	261,880
387.1	Cathodic Protection Equipment	2,406,620	82,229	(1,082)	6,021	2,493,788
387.2	Other Distribution Equipment	587,151	0	0	0	587,151
	Total Distribution Plant	\$255,872,326	\$24,601,119	(\$916,902)	\$178,268	\$279,734,811
	<u>General Plant</u>					
389	Land	\$1,484,244	\$0	(\$51,679)	\$86,874	\$1,519,439
390	Structures & Improvements	8,599,226	159,358	(185,228)	2,349	8,575,705
391.1	Office Furniture & Equipment	355,713	0	(4,853)	0	350,860
391.3	Computer Equip.-PC	463,673	56,629	(355,353)	0	164,949
391.5	Other Computer Equipment	54,036	0	(26,016)	0	28,020
392.1	Transportation Equipment - Non-Unitized	447,873	22,009	0	10,242	480,124
392.2	Transportation Equipment - Unitized	7,955,254	534,839	(484,401)	(47,613)	7,958,079
393	Stores Equipment	63,605	0	0	0	63,605
394.1	Tools, Shop & Gar. Equip.-Non-Unitized	2,091,733	130,669	(93,573)	0	2,128,829
394.3	Vehicle Maintenance Equipment	37,100	0	(31,177)	0	5,923

**MONTANA-DAKOTA UTILITIES CO.**  
**DETAILED COST OF PLANT**  
**GAS UTILITY**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

Acct. No.	Account	Balance @ 12/31/11	Additions	Retirements	Transfers	Balance @ 12/31/12
394.4	Vehicle Refueling Equipment	12,444	0	0	0	12,444
395	Laboratory Equipment	217,351	0	0	0	217,351
396.1	Work Equipment Trailers	569,975	35,910	(5,017)	(1,124)	599,744
396.2	Power Operated Equipment	6,998,028	3,137,187	(2,862,270)	(22,634)	7,250,311
397.1	Radio Communication Equip. - Fixed	530,131	0	(63,349)	0	466,782
397.2	Radio Communication Equip. - Mobile	389,337	21,603	(29,327)	0	381,613
397.3	General Tele. Comm. Equip.	60,470	0	(11,527)	0	48,943
397.8	Network Equipment	137,334	0	(114,736)	0	22,598
398	Miscellaneous Equipment	59,132	1,969	0	0	61,101
	Total General Plant	<u>\$30,526,659</u>	<u>\$4,100,173</u>	<u>(\$4,318,506)</u>	<u>\$28,094</u>	<u>\$30,336,420</u>
303	General Intangible	2,660,120	1,144,087	0	0	3,804,207
	Common Plant - Gas 1/	21,351,029				24,061,756
	Intangible Common Plant - Gas 1/	9,609,576				10,537,852
	Acquisition Adjustments	<u>97,266</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>97,266</u>
	Total Gas Plant in Service	<u><u>\$330,895,143</u></u>	<u><u>\$29,954,024</u></u>	<u><u>(\$5,235,408)</u></u>	<u><u>\$206,362</u></u>	<u><u>\$359,459,124</u></u>

1/ Common Plant is assigned by state on an actual site and use basis when applicable, and the remainder is allocated by state to gas and electric on a plant in service basis. Total common changes for the twelve months ended December 31, 2012 are:

Common Utility	Balance @ 12/31/11	Additions	Retirements	Transfers	Balance @ 12/31/12
Account 1010	\$50,833,740	\$8,918,830	(\$1,148,251)	(\$71,248)	\$58,533,071
Account 1111	24,665,974	1,411,407			26,077,381
Total	<u><u>\$75,499,714</u></u>	<u><u>\$10,330,237</u></u>	<u><u>(\$1,148,251)</u></u>	<u><u>(\$71,248)</u></u>	<u><u>\$84,610,452</u></u>

**MONTANA-DAKOTA UTILITIES CO.  
GAS CWIP IN SERVICE  
GAS UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

Work Order Number	Description	State	Total	Distribution	General	General Intangible	Common	Common Intangible
J142889	SE Minot Project- Phase I	ND	(\$80,872)	(\$80,872)				
J177116	NW Minot Development Project	ND	543,861	543,861				
J188086	Install main to North Williston	ND	(21,061)	(21,061)				
J189248	Install Gas ERT	ND	(3,970)	(3,970)				
J190228	Install 5 miles of the 12" Williston Loop	ND	(37,710)	(37,710)				
J190233	Install North Border Station - Williston	ND	(8,973)	(8,973)				
J190244	Install 12" West Dickinson Loop	ND	5,124,726	5,124,726				
J190248	Install West Border Station - Dickinson	ND	(12,856)	(12,856)				
J194883	Install SW Industrial Loop - Williston	ND	2,993	2,993				
J196495	Install main to Bakken Industrial Park - Williston	ND	(4,207)	(4,207)				
J189243	MDU Employee Mobile Home Park - Williston	ND	(34,401)				(\$34,401)	
J191463	Homes for MDU Housing Park - Williston	ND	(42,017)				(42,017)	
J177042	Purchase Color Copier - General Office	ND	313				313	
J177043	Purchase Black White Copier - General Office	ND	718				718	
J177063	Purchase Bill Printer - General Office	ND	27,487				27,487	
J176834	Purchase-Deploy ARCGIS Mobile	ND	(1,440)					(\$1,440)
Small items grouped 1/:								
	Distribution (162)		\$2,437,674	\$2,437,674				
	General (9)		143,710		\$143,710			
	General Intangible (2)		47,091			\$47,091		
	Common (18)		80,680				\$80,680	
	Common Intangible (2)		1,995					\$1,995
	<b>Total</b>		<u>\$8,163,741</u>	<u>\$7,939,605</u>	<u>\$143,710</u>	<u>\$47,091</u>	<u>\$32,780</u>	<u>\$555</u>

1/ Numbers in brackets indicate the number of work orders involved in each item of construction.

**MONTANA-DAKOTA UTILITIES CO.  
ACCUMULATED RESERVE FOR DEPRECIATION  
GAS UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

<u>Function</u>	<u>Balance @ 12/31/11</u>	<u>Balance @ 12/31/12</u>	<u>Average Balance</u>
Production	\$154,465	\$316,792	\$235,629
Distribution	57,303,639	59,735,441	58,519,540
General	4,512,525	3,920,958	4,216,741
Intangible Plant - General	382,509	437,538	410,023
Common	3,329,453	3,619,437	3,474,445
Intangible Plant - Common	2,682,598	2,877,918	2,780,258
Acquisition Adjustment	<u>52,392</u>	<u>55,211</u>	<u>53,802</u>
Total Accumulated Reserve	<u>\$68,417,581</u>	<u>\$70,963,295</u>	<u>\$69,690,438</u>

**MONTANA-DAKOTA UTILITIES CO.  
BOOK CHANGES IN ACCUMULATED PROVISION FOR  
DEPRECIATION AND AMORTIZATION - GAS UTILITY  
TWELVE MONTHS ENDING DECEMBER 31, 2012**

<u>Gas Utility</u>	Beginning Balance 12/31/11	Annual Provision	Retirements (Original Cost)	Salvage	Removal Costs	Reclass/ Adjustments	Ending Balance 12/31/12
Account 111 - Intangible	\$677,834	\$55,248					\$733,082
Account 108							
Production	353,594	359,967					713,561
Distribution	148,472,945	8,313,208	(916,902)	30,055	(765,755)	424,022	155,557,573
General	12,218,752	685,579	(4,266,827)	3,068,268	(47,656)	(435,602)	11,222,514
Total Account 108	161,045,291	9,358,754	(5,183,729)	3,098,323	(813,411)	(11,580)	167,493,648
Total	<u>\$161,723,125</u>	<u>\$9,414,002</u>	<u>(\$5,183,729)</u>	<u>\$3,098,323</u>	<u>(\$813,411)</u>	<u>(\$11,580)</u>	<u>\$168,226,730</u>
Common 1/	\$15,695,845						\$16,894,215

1/ Common Plant is assigned by state on an actual site and use basis when applicable, and the remainder is allocated by state to gas and electric on a plant in service basis. Total common changes for the twelve months ended December 31, 2012 are:

<u>Common Utility</u>	Beginning Balance 12/31/11	Annual Provision	Retirements (Original Cost)	Salvage	Removal Costs	Adjustments	Ending Balance 12/31/12
Account 111	\$19,084,199	\$730,367					\$19,814,566
Account 108	23,016,278	1,943,143	(1,148,251)	228,196	(4,430)	248,823	24,283,759
Total Accounts 111 and 108	<u>\$42,100,477</u>	<u>\$2,673,510</u>	<u>(\$1,148,251)</u>	<u>\$228,196</u>	<u>(\$4,430)</u>	<u>\$248,823</u>	<u>\$44,098,325</u>

**MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF WORKING CAPITAL AND  
OTHER DEDUCTIONS  
GAS UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

<u>Working Capital</u>	<u>Balance @ 12/31/11</u>	<u>Balance @ 12/31/12</u>	<u>Average</u>
Materials and Supplies	\$1,027,459	\$2,100,462	\$1,563,961
Fuel Stocks	29,621	62,516	46,069
Prepayments	35,062	31,224	33,143
Unamortized Loss on Debt	<u>597,360</u>	<u>598,147</u>	<u>597,754</u>
Total Working Capital	<u>\$1,689,502</u>	<u>\$2,792,349</u>	<u>\$2,240,927</u>
Customer Advances for Construction	<u>\$3,347,940</u>	<u>\$6,342,264</u>	<u>\$4,845,102</u>

**MONTANA-DAKOTA UTILITIES CO.  
WORKING CAPITAL AND OTHER DEDUCTIONS  
GAS UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

	<u>Materials</u>	<u>Fuel Stock</u>	<u>Prepayments</u>	<u>Unamortized Loss on Debt</u>	<u>Customer Advances</u>
December 2011	\$1,027,459	\$29,621	\$35,062	\$597,360	\$3,347,940
January 2012	1,019,132	29,245	301,852	646,693	3,316,202
February	1,031,230	26,036	277,912	642,279	3,310,259
March	1,116,930	43,866	250,244	637,866	3,310,309
April	1,398,275	21,278	221,049	633,453	3,370,669
May	2,181,476	36,444	195,318	629,040	4,488,625
June	2,347,710	26,030	167,638	624,627	4,506,319
July	2,457,502	28,734	139,958	620,213	4,505,709
August	2,498,551	43,264	112,278	615,800	4,642,596
September	2,479,770	24,031	84,598	611,387	5,538,294
October	2,457,728	30,225	64,129	606,974	5,761,360
November	2,461,416	53,034	58,950	602,561	6,027,082
December	2,100,462	62,516	31,224	598,147	6,342,264
Beginning and end of year average	<u>\$1,563,961</u>	<u>\$46,069</u>	<u>\$33,143</u>	<u>\$597,754</u>	<u>\$4,845,102</u>

**MONTANA-DAKOTA UTILITIES CO.  
AVERAGE UTILITY CAPITAL STRUCTURE  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014**

	Balance	Ratio	Cost	Required Return
<b><u>2012</u></b>				
Long Term Debt	\$280,485,103	40.597%	6.846%	2.779%
Short Term Debt 1/	26,206,284	3.793%	1.406%	0.053%
Preferred Stock	15,393,050	2.228%	4.585%	0.102%
Common Equity	368,815,169	53.382%	10.000%	5.338%
Total	<u>\$690,899,606</u>	<u>100.000%</u>		<u>8.272%</u>

<b><u>Projected 2013</u></b>				
Long Term Debt	\$330,477,362	41.754%	6.474%	2.703%
Short Term Debt 1/	42,618,963	5.385%	1.554%	0.084%
Preferred Stock	15,336,100	1.938%	4.582%	0.089%
Common Equity	403,048,520	50.923%	10.000%	5.092%
Total	<u>\$791,480,945</u>	<u>100.000%</u>		<u>7.968%</u>

<b><u>Projected 2014</u></b>				
Long Term Debt	\$405,469,139	44.257%	6.136%	2.716%
Short Term Debt 1/	34,867,366	3.806%	1.616%	0.062%
Preferred Stock	15,236,100	1.663%	4.578%	0.076%
Common Equity	460,591,083	50.274%	10.000%	5.027%
Total	<u>\$916,163,688</u>	<u>100.000%</u>		<u>7.881%</u>

1/ Reflects average monthly balance.

**MONTANA-DAKOTA UTILITIES CO.**  
**AVERAGE LONG-TERM DEBT**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**

	Balance Outstanding	Annual Cost	Adjusted Embedded Cost
<u>First Mortgage Bonds</u>			
Balance at 12/31/2011	\$280,488,853	\$19,202,300	6.846%
Balance at 12/31/2012	\$280,000,000	\$19,129,500	6.832%
Minot Air Force Base Payable	481,352	28,881	6.000%
Amortization of Gain/Loss		43,469	1/
Total @ 12/31/2012	<u>\$280,481,352</u>	<u>\$19,201,850</u>	<u>6.846%</u>
Average @ 12/31/2012	<u>\$280,485,103</u>	<u>\$19,202,075</u>	<u>6.846%</u>
Balance at 12/31/2013	\$380,000,000	\$23,514,500	6.188%
Minot Air Force Base Payable	473,372	28,402	6.000%
Amortization of Gain/Loss		43,469	1/
Total @ 12/31/2013	<u>\$380,473,372</u>	<u>\$23,586,371</u>	<u>6.199%</u>
Average @ 12/31/2013	<u>\$330,477,362</u>	<u>\$21,394,111</u>	<u>6.474%</u>
Balance at 12/31/2014	430,000,000	26,099,000	6.070%
Minot Air Force Base Payable	464,906	27,894	6.000%
Amortization of Gain/Loss		43,469	1/
Total @ 12/31/14	<u>\$430,464,906</u>	<u>\$26,170,363</u>	<u>6.080%</u>
Average @ 12/31/2014	<u>\$405,469,139</u>	<u>\$24,878,367</u>	<u>6.136%</u>

**MONTANA-DAKOTA UTILITIES CO.**  
**LONG-TERM DEBT CAPITAL**  
**DECEMBER 31, 2012**

Description	Date of Issuance	Date of Maturity	Interest Rate	Principal Amount of Issue	Gross Proceeds	Underwriters' Commission		Loss on Reacquirement Redemption and Issuance Expense	
						Amount	% Gross Proceeds	Amount	% Gross Proceeds
<b>First Mortgage Bonds:</b>									
Secured Medium-term Notes, Series A:									
5.98% - Senior Note	12/15/2003	12/15/2033	5.980%	\$30,000,000	\$30,000,000	\$262,500	0.875%	\$280,668	0.936%
6.33% - Senior Note	8/24/2006	8/24/2026	6.330%	100,000,000	100,000,000	344,061	0.344%	10,532,009	10.532%
6.04% - Senior Note	9/16/2008	9/16/2018	6.040%	100,000,000	100,000,000	362,432	0.362%	0	0.000%
6.61% - Senior Note	9/1/2009	9/30/2016	6.610%	25,000,000	25,000,000	59,494	0.238%	517,288	2.069%
6.66% - Senior Note	10/1/2009	9/30/2016	6.660%	25,000,000	25,000,000	59,494	0.238%	517,288	2.069%
<b>Total Long-Term Debt Capital</b>				<b>\$280,000,000</b>	<b>\$280,000,000</b>	<b>\$1,087,981</b>		<b>\$11,847,253</b>	

Description	Net Proceeds		Cost of Money 1/	Principal Outstanding	Annual Cost	Embedded Cost
	Amount	Per Unit				
<b>First Mortgage Bonds:</b>						
Secured Medium-term Notes, Series A:						
5.98% - Senior Note	\$29,456,832	98.189%	6.205%	\$30,000,000	1,861,500	
6.33% - Senior Note	89,123,930	89.124%	7.514%	100,000,000	7,514,000	
6.04% - Senior Note	99,637,568	99.638%	6.181%	100,000,000	6,181,000	
6.61% - Senior Note	24,423,218	97.693%	7.120%	25,000,000	1,780,000	
6.66% - Senior Note	24,423,218	97.693%	7.172%	25,000,000	1,793,000	
<b>Total Long-Term Debt Capital</b>	<b>\$267,064,766</b>			<b>\$280,000,000</b>	<b>\$19,129,500</b>	<b>6.832%</b>

1/ Yield to maturity based upon the life, net proceeds, semiannual compounding of stated interest rate, and amortization of indenture revision costs.

**MONTANA-DAKOTA UTILITIES CO.  
LONG-TERM DEBT CAPITAL  
PROJECTED DECEMBER 31, 2013**

Description	Date of Issuance	Date of Maturity	Interest Rate	Principal Amount of Issue	Gross Proceeds	Underwriters' Commission		Loss on Reacquirement Redemption and Issuance Expense	
						Amount	% Gross Proceeds	Amount	% Gross Proceeds
<b>First Mortgage Bonds:</b>									
Secured Medium-term Notes, Series A:									
5.98% - Senior Note	12/15/2003	12/15/2033	5.980%	\$30,000,000	\$30,000,000	\$262,500	0.875%	\$280,668	0.936%
6.33% - Senior Note	8/24/2006	8/24/2026	6.330%	100,000,000	100,000,000	344,061	0.344%	10,532,009	10.532%
6.04% - Senior Note	9/16/2008	9/16/2018	6.040%	100,000,000	100,000,000	362,432	0.362%	0	0.000%
6.61% - Senior Note	9/1/2009	9/30/2016	6.610%	25,000,000	25,000,000	68,319	0.273%	517,288	2.069%
6.66% - Senior Note	10/1/2009	9/30/2016	6.660%	25,000,000	25,000,000	68,319	0.273%	517,288	2.069%
4.25% - Senior Note	12/15/2013	12/15/2023	4.250%	100,000,000	100,000,000	700,000	0.700%	0	0.000%
<b>Total Long-Term Debt Capital</b>				<b>\$380,000,000</b>	<b>\$380,000,000</b>	<b>\$1,805,631</b>		<b>\$11,847,253</b>	

Description	Net Proceeds		Cost of Money 1/	Principal Outstanding	Annual Cost	Embedded Cost
	Amount	Per Unit				
<b>First Mortgage Bonds:</b>						
Secured Medium-term Notes, Series A:						
5.98% - Senior Note	\$29,456,832	98.189%	6.205%	\$30,000,000	1,861,500	
6.33% - Senior Note	89,123,930	89.124%	7.514%	100,000,000	7,514,000	
6.04% - Senior Note	99,637,568	99.638%	6.181%	100,000,000	6,181,000	
6.61% - Senior Note	24,414,393	97.658%	7.120%	25,000,000	1,780,000	
6.66% - Senior Note	24,414,393	97.658%	7.172%	25,000,000	1,793,000	
4.25% - Senior Note	99,300,000	99.300%	4.385%	100,000,000	4,385,000	
<b>Total Long-Term Debt Capital</b>	<b>\$366,347,116</b>			<b>\$380,000,000</b>	<b>\$23,514,500</b>	<b>6.188%</b>

1/ Yield to maturity based upon the life, net proceeds, semiannual compounding of stated interest rate, and amortization of indenture revision costs.

**MONTANA-DAKOTA UTILITIES CO.  
LONG-TERM DEBT CAPITAL  
PROJECTED DECEMBER 31, 2014**

Description	Date of Issuance	Date of Maturity	Interest Rate	Principal Amount of Issue	Gross Proceeds	Underwriters' Commission		Loss on Reacquirement Redemption and Issuance Expense	
						Amount	% Gross Proceeds	Amount	% Gross Proceeds
<b>First Mortgage Bonds:</b>									
Secured Medium-term Notes, Series A:									
5.98% - Senior Note	12/15/2003	12/15/2033	5.980%	\$30,000,000	\$30,000,000	\$262,500	0.875%	\$280,668	0.936%
6.33% - Senior Note	8/24/2006	8/24/2026	6.330%	100,000,000	100,000,000	344,061	0.344%	10,532,009	10.532%
6.04% - Senior Note	9/16/2008	9/16/2018	6.040%	100,000,000	100,000,000	362,432	0.362%	0	0.000%
6.61% - Senior Note	9/1/2009	9/30/2016	6.610%	25,000,000	25,000,000	68,319	0.273%	517,288	2.069%
6.66% - Senior Note	10/1/2009	9/30/2016	6.660%	25,000,000	25,000,000	68,319	0.273%	517,288	2.069%
4.25% - Senior Note	12/15/2013	12/15/2023	4.250%	100,000,000	100,000,000	700,000	0.700%	0	0.000%
5.00% - Senior Note	10/1/2014	10/12/2024	5.000%	50,000,000	50,000,000	400,000	0.800%	0	0.000%
<b>Total Long-Term Debt Capital</b>				<b>\$430,000,000</b>	<b>\$430,000,000</b>	<b>\$2,205,631</b>		<b>\$11,847,253</b>	

Description	Net Proceeds		Cost of Money 1/	Principal Outstanding	Annual Cost	Embedded Cost
	Amount	Per Unit				
<b>First Mortgage Bonds:</b>						
Secured Medium-term Notes, Series A:						
5.98% - Senior Note	\$29,456,832	98.189%	6.205%	\$30,000,000	1,861,500	
6.33% - Senior Note	89,123,930	89.124%	7.514%	100,000,000	7,514,000	
6.04% - Senior Note	99,637,568	99.638%	6.181%	100,000,000	6,181,000	
6.61% - Senior Note	24,414,393	97.658%	7.120%	25,000,000	1,780,000	
6.66% - Senior Note	24,414,393	97.658%	7.172%	25,000,000	1,793,000	
3.85% - Senior Note	99,300,000	99.300%	4.385%	100,000,000	4,385,000	
4.30% - Senior Note	49,600,000	99.200%	5.169%	50,000,000	2,584,500	
<b>Total Long-Term Debt Capital</b>	<b>\$415,947,116</b>			<b>\$430,000,000</b>	<b>\$26,099,000</b>	<b>6.070%</b>

1/ Yield to maturity based upon the life, net proceeds, semiannual compounding of stated interest rate, and amortization of indenture revision costs.

**MONTANA-DAKOTA UTILITIES CO.  
AMORTIZATION OF LOSS ON REACQUIRED DEBT  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014**

<u>Acct. 1890 - Unamortized Loss</u>	<u>Amortization</u>
PCN Notes Loss/Unamortized Expense - 2012	\$43,469 ✓
PCN Notes Loss/Unamortized Expense - 2013	43,469 ✓
PCN Notes Loss/Unamortized Expense - 2014	43,469 ✓

**MONTANA-DAKOTA UTILITIES CO.**  
**AVERAGE SHORT-TERM DEBT**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**

	<u>Balance Outstanding</u>	<u>Annual Cost</u>	<u>Average Cost</u>
<u>2012</u>			
Average Balance 1/	\$26,206,284	\$112,715	0.430%
Amortization of Fees 2/		255,829	
Total	<u>\$26,206,284</u>	<u>\$368,544</u>	<u>1.406%</u>
 <u>Projected 2013</u>			
Average Balance 1/	\$42,618,963	\$338,942	0.795%
Amortization of Fees 2/		323,335	
Total	<u>\$42,618,963</u>	<u>\$662,277</u>	<u>1.554%</u>
 <u>Projected 2014</u>			
Average Balance 1/	\$34,867,366	\$309,638	0.888%
Amortization of Fees 2/		253,786	
Total	<u>\$34,867,366</u>	<u>\$563,424</u>	<u>1.616%</u>

- 1/ Twelve month average balance.  
2/ Negotiation and commitment fees.

**MONTANA-DAKOTA UTILITIES CO.  
AVERAGE PREFERRED STOCK  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014**

<u>Description</u>	<u>Balance Outstanding</u>	<u>Annual Cost</u>	<u>Adjusted Embedded Cost</u>
Balance at 12/31/2011	\$15,400,000	\$706,140	4.585%
2012 Redemptions:			
5.1% Series	(13,900)	(735)	
Balance at 12/31/2012	<u>\$15,386,100</u>	<u>\$705,405</u>	<u>4.585%</u>
Average @ 12/31/2012	<u>\$15,393,050</u>	<u>\$705,773</u>	<u>4.585%</u>
2013 Redemptions:			
5.1% Series	(100,000)	(5,285)	5.285%
Balance at 12/31/2013	<u>\$15,286,100</u>	<u>\$700,120</u>	<u>4.580%</u>
Average @ 12/31/2013	<u>\$15,336,100</u>	<u>\$702,763</u>	<u>4.582%</u>
2014 Redemptions:			
5.1% Series	(100,000)	(5,285)	5.285%
Balance at 12/31/2014	<u>\$15,186,100</u>	<u>\$694,835</u>	<u>4.575%</u>
Average @ 12/31/2014	<u>\$15,236,100</u>	<u>\$697,478</u>	<u>4.578%</u>

**MONTANA-DAKOTA UTILITIES CO.  
PREFERRED STOCK CAPITAL  
DECEMBER 31, 2012**

<u>Description</u>	<u>Date of Issuance</u>	<u>Call (Redemption) Price</u>	<u>Dividend Rate</u>	<u>Par Value of Issue</u>	<u>Gross Proceeds (000's)</u>	<u>Underwriters' Commission</u>		<u>Issuance Expense</u>	
						<u>Amount</u>	<u>% Gross Proceeds</u>	<u>Amount</u>	<u>% Gross Proceeds</u>
4.5% Series	01/01/51	\$105	4.5%	\$100	\$10,000				
4.7% Series	12/07/55	102	4.7%	100	5,000				
5.1% Series	05/23/61	100/102	5.1%	100	5,000	\$25,000	0.50%	\$27,452	0.549%

<u>Description</u>	<u>Net Proceeds</u>		<u>Cost of Money 1/ 2/</u>	<u>Principal Outstanding</u>	<u>December 31, 2011</u>		<u>Method of Offering</u>
	<u>Amount (000's)</u>	<u>Per Unit</u>			<u>Annual Cost</u>	<u>Embedded Cost</u>	
4.5% Series	\$10,000	100.000%	4.500%	\$10,000,000	\$450,000		Public
4.7% Series	5,000	100.000%	4.700%	5,000,000	235,000		Public
5.1% Series	4,948	98.951%	5.285%	386,100	20,405		Private
<b>Total</b>				<u>\$15,386,100</u>	<u>\$705,405</u>	<u>4.585%</u>	

1/ Yield to maturity based upon the life, net proceeds, and quarterly compounding of the stated dividend rate of each issue.  
2/ 4.5% Series and 4.7% Series issue expense fully recovered.

**MONTANA-DAKOTA UTILITIES CO.  
PREFERRED STOCK CAPITAL  
PROJECTED DECEMBER 31, 2013**

Description	Date of Issuance	Call (Redemption) Price	Dividend Rate	Par Value of Issue	Gross Proceeds (000's)	Underwriters' Commission		Issuance Expense	
						Amount	% Gross Proceeds	Amount	% Gross Proceeds
4.5% Series	01/01/51	\$105	4.5%	\$100	\$10,000				
4.7% Series	12/07/55	102	4.7%	100	5,000				
5.1% Series	05/23/61	100/102	5.1%	100	5,000	\$25,000	0.50%	\$27,452	0.549%

Description	Net Proceeds		Cost of Money 1/ 2/	Principal Outstanding	December 31, 2011		Method of Offering
	Amount (000's)	Per Unit			Annual Cost	Embedded Cost	
4.5% Series	\$10,000	100.000%	4.500%	\$10,000,000	\$450,000		Public
4.7% Series	5,000	100.000%	4.700%	5,000,000	235,000		Public
5.1% Series	4,948	98.951%	5.285%	286,100	15,120		Private
Total				<u>\$15,286,100</u>	<u>\$700,120</u>	<u>4.580%</u>	

1/ Yield to maturity based upon the life, net proceeds, and quarterly compounding of the stated dividend rate of each issue.

2/ 4.5% Series and 4.7% Series issue expense fully recovered.

**MONTANA-DAKOTA UTILITIES CO.  
PREFERRED STOCK CAPITAL  
PROJECTED DECEMBER 31, 2014**

<u>Description</u>	<u>Date of Issuance</u>	<u>Call (Redemption) Price</u>	<u>Dividend Rate</u>	<u>Par Value of Issue</u>	<u>Gross Proceeds (000's)</u>	<u>Underwriters' Commission</u>		<u>Issuance Expense</u>	
						<u>Amount</u>	<u>% Gross Proceeds</u>	<u>Amount</u>	<u>% Gross Proceeds</u>
4.5% Series	01/01/51	\$105	4.5%	\$100	\$10,000				
4.7% Series	12/07/55	102	4.7%	100	5,000				
5.1% Series	05/23/61	100/102	5.1%	100	5,000	\$25,000	0.50%	\$27,452	0.549%

<u>Description</u>	<u>Net Proceeds</u>		<u>Cost of Money 1/ 2/</u>	<u>Principal Outstanding</u>	<u>December 31, 2011</u>		<u>Method of Offering</u>
	<u>Amount (000's)</u>	<u>Per Unit</u>			<u>Annual Cost</u>	<u>Embedded Cost</u>	
4.5% Series	\$10,000	100.000%	4.500%	\$10,000,000	\$450,000		Public
4.7% Series	5,000	100.000%	4.700%	5,000,000	235,000		Public
5.1% Series	4,948	98.951%	5.285%	186,100	9,835		Private
Total				<u>\$15,186,100</u>	<u>\$694,835</u>	<u>4.575%</u>	

1/ Yield to maturity based upon the life, net proceeds, and quarterly compounding of the stated dividend rate of each issue.

2/ 4.5% Series and 4.7% Series issue expense fully recovered.

**MONTANA-DAKOTA UTILITIES CO.  
AVERAGE UTILITY COMMON EQUITY  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014**

<u>Description</u>	<u>Amount</u>
Common Equity - 12/31/2012	<u>\$2,633,248,256</u>
Investment in Subsidiaries	<u>2,253,293,721</u>
Utility Common Equity - 12/31/2012	<u>\$379,954,535</u>
Common Equity - 12/31/2013	\$2,846,588,630
Investment in Subsidiaries	<u>2,420,446,125</u>
Utility Common Equity - 12/31/2013	<u>\$426,142,505</u>
Average @ 12/31/2013	\$403,048,520
Common Equity - 12/31/2014	\$2,915,485,785
Investment in Subsidiaries	<u>2,420,446,125</u>
Utility Common Equity - 12/31/2014	<u>\$495,039,660</u>
Average @ 12/31/2014	<u>\$460,591,083</u>

**MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF REVENUES  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012**

	<u>Dk</u>	<u>Per Books</u>
<u>Sales</u>		
Residential	6,762,593	\$44,239,670
Firm General	5,426,754	30,879,471
Air Force	504,464	1,754,125
Small Interruptible	743,874	3,160,830
Large Interruptible	24,626	95,068
Unbilled Revenue		1,848,410
Total Sales	<u>13,462,311</u>	<u>\$81,977,574</u>
 <u>Transportation</u>		
Small Interruptible	954,759	\$528,912
Large Interruptible	5,129,954	1,342,065
Unbilled Revenue		10,926
Total Transportation	<u>6,084,713</u>	<u>\$1,881,903</u>
 Total Sales and Transportation	 <u>19,547,024</u>	 <u>\$83,859,477</u>
 <u>Other Revenue</u>		
Miscellaneous Service Revenue		\$484,352
Rent from Property		516,132
Other Revenue		95,682
Total Other Revenue		<u>\$1,096,166</u>
 Total Operating Revenue		 <u>\$84,955,643</u>

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
SUMMARY OF REVENUES  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

Rate Reporting Class	Per Books @ Current Rates 1/			Normalized		
	Billing Units	Dk	Revenue	Billing Units	Dk	Revenue
<b>Sales</b>						
Residential						
Residential	82,803	6,746,299	\$48,085,377	82,803	7,636,964	\$53,233,421
Propane	274	16,294	\$124,265	274	18,037	\$134,339
<b>Total Residential</b>	<u>83,077</u>	<u>6,762,593</u>	<u>48,209,642</u>	<u>83,077</u>	<u>7,655,001</u>	<u>53,367,760</u>
Air Force						
Firm	1	32,233	166,203	1	32,291	166,498
Interruptible	2	472,231	1,942,567	2	520,209	2,138,280
<b>Total Air Force</b>	<u>3</u>	<u>504,464</u>	<u>2,108,770</u>	<u>3</u>	<u>552,500</u>	<u>2,304,778</u>
Firm General						
Firm General	12,749	5,387,389	34,027,407	12,749	5,977,538	37,311,587
Seasonal	17	15,450	91,916	17	15,450	91,916
Propane	71	23,704	148,578	71	26,311	163,085
<b>Total Firm General</b>	<u>12,837</u>	<u>5,426,543</u>	<u>34,267,901</u>	<u>12,837</u>	<u>6,019,299</u>	<u>37,566,588</u>
Interruptible						
Small Interruptible 2/	96	743,874	3,393,453	70	655,954	2,974,789
Large Interruptible	1	24,626	113,450	1	24,626	113,450
<b>Total Interruptible</b>	<u>97</u>	<u>768,500</u>	<u>3,506,903</u>	<u>71</u>	<u>680,580</u>	<u>3,088,239</u>
<b>Total Sales</b>	<u>96,014</u>	<u>13,462,100</u>	<u>\$88,093,216</u>	<u>95,988</u>	<u>14,907,380</u>	<u>\$96,327,365</u>
<b>Transportation</b>						
Small Interruptible	63	954,759	521,082	63	1,032,664	554,348
Large Interruptible	8	5,129,954	1,399,335	7	4,777,691	1,280,560
<b>Total Transportation</b>	<u>71</u>	<u>6,084,713</u>	<u>\$1,920,417</u>	<u>70</u>	<u>5,810,355</u>	<u>\$1,834,908</u>
<b>Total Sales &amp; Transportation</b>	<u>96,085</u>	<u>19,546,813</u>	<u>\$90,013,633</u>	<u>96,058</u>	<u>20,717,735</u>	<u>\$98,162,273</u>

1/ Rates effective with service rendered on and after 9/19/07, Docket No. PU-07-618, for firm, IT and Transportation and 8/1/12, Docket No. PU-12-452 for seasonal firm. COG effective June 2013 with annual gas costs.

2/ Excludes grain drying sales.

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF OPERATION AND MAINTENANCE EXPENSES**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**

	<u>Total Company</u>	<u>North Dakota</u>
Production	\$609,800	\$270,726
Gas Supply	129,670,689	58,003,320
Other Gas Supply	262,909	116,721
Total Gas Supply	<u>129,933,598</u>	<u>58,120,041</u>
Distribution	16,570,574	7,667,587
Customer Accounting	5,548,053	2,159,154
Customer Service & Information	496,714	236,923
Sales	370,688	148,460
Administrative and General	<u>13,939,321</u>	<u>6,019,987</u>
Total Operation and Maintenance Expenses	<u><u>\$167,468,748</u></u>	<u><u>\$74,622,878</u></u>

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF OPERATION AND MAINTENANCE EXPENSES**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**

<u>Account No.</u>		<u>Total Company</u>	<u>North Dakota</u>
	<u>Production</u>		
754	Field Compressor Station Expense	\$538,329	\$238,996
765	Maintenance of Field Compressor Sta. Equip.	71,471	31,730
	Total Production	609,800	270,726
	<u>Other Gas Supply Expenses</u>		
804	Natural Gas City Gate Purchases	124,631,460	54,940,973
805	Purchased Gas Cost Adjustments	616,323	733,696
808.1	Gas Withdrawn from Storage	28,567,545	12,789,069
808.2	Gas Delivered to Storage	(24,144,639)	(10,460,418)
813	Other Gas Supply Expenses	262,909	116,721
	Total Other Gas Supply Expenses	129,933,598	58,120,041
	<u>Distribution Expenses</u>		
	<u>Operation</u>		
870	Supervision and Engineering	2,661,504	1,248,396
871	Distribution Load Dispatching	262,470	118,718
874	Mains and Services	4,142,861	2,017,261
875	Measuring & Reg. Station Exp. - General	138,621	56,917
876	Measuring & Reg. Station Exp. - Industrial	61,592	41,274
877	Measuring & Reg. Station Exp. - City Gate	51,147	2,358
878	Meters and House Regulators	830,190	468,714
879	Customer Installations	1,523,391	735,266
880	Other Expenses	3,954,914	1,840,023
881	Rents	166,033	92,091
	Total Operation Expenses	13,792,723	6,621,018
	<u>Maintenance</u>		
885	Supervision & Engineering	464,037	171,097
886	Structures & Improvements	9,030	3,469
887	Mains	370,057	127,713
889	Measuring & Reg. Station Exp. - General	146,381	33,193
890	Measuring & Reg. Station Exp. - Industrial	68,712	21,414
891	Measuring & Reg. Station Exp. - City Gate	5,961	318
892	Services	443,138	184,711
893	Meters and House Regulators	939,800	419,290
894	Other Equipment	330,735	85,364
	Total Maintenance Expenses	2,777,851	1,046,569
	Total Distribution Expenses	16,570,574	7,667,587

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF OPERATION AND MAINTENANCE EXPENSES**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**

<u>Account No.</u>		<u>Total Company</u>	<u>North Dakota</u>
	<u>Customer Accounts Expenses</u>		
	<u>Operation</u>		
901	Supervision	241,940	118,827
902	Meter Reading Expenses	681,726	289,979
903	Customer Records and Collection Exp.	3,870,965	1,434,966
904	Uncollectible Accounts	354,960	101,596
905	Misc. Customer Accounts Expenses	398,462	213,786
	Total Customer Accounts Expenses	5,548,053	2,159,154
	<u>Customer Service &amp; Information Expenses</u>		
	<u>Operation</u>		
907	Supervision	85,449	32,721
908	Customer Assistance Expenses	201,271	113,538
909	Informational and Instructional Expenses	210,518	90,509
910	Misc. Customer Service & Info. Exp.	(524)	155
	Total Customer Service & Info. Exp.	496,714	236,923
	<u>Sales Expenses</u>		
	<u>Operation</u>		
911	Supervision	8,615	1,246
912	Demonstrating and Selling Expenses	261,838	102,532
913	Advertising Expenses	67,027	30,362
916	Misc. Sales Expenses	33,208	14,320
	Total Sales Expenses	370,688	148,460
	<u>Administrative &amp; General Expenses</u>		
	<u>Operation</u>		
920	Administrative and General Salaries	3,582,179	1,566,525
921	Office Supplies and Expenses	2,085,494	903,034
923	Outside Services Employed	281,334	107,592
924	Property Insurance	386,315	168,940
925	Injuries and Damages	1,220,165	520,021
926	Employee Pensions and Benefits	5,095,369	2,117,430
928	Regulatory Commission Expenses	152,126	81,645
930.1	General Advertising Expenses	72,742	32,947
930.2	Miscellaneous General Expenses	325,389	152,362
931	Rents	345,920	149,668
	Total Operation Expenses	13,547,033	5,800,164
	<u>Maintenance</u>		
935	Maintenance of General Plant	392,288	219,823
	Total Administrative & General Expenses	13,939,321	6,019,987
	Total Operation & Maintenance Expenses	\$167,468,748	\$74,622,878

**MONTANA-DAKOTA UTILITIES CO.**  
**INSURANCE EXPENSE**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**

<u>Insurance Expense</u>	<u>Total Company</u>	<u>North Dakota</u>
Director's & Officer's Liability Insurance	\$67,678	\$26,080
Excess Liability		
Fiduciary & Employee Benefits Liability	27,633	10,648
Public Liab. & Property Ins. Damage of Others	564,826	217,654
All Risk	435,205	167,705
Blanket Crime	2,913	1,122
Special Contingency	291	112
Self Insurance	420,878	162,185
Total Insurance Expense	<u>\$1,519,424</u>	<u>\$585,506</u>

**MONTANA-DAKOTA UTILITIES CO.  
INDUSTRY DUES  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012**

	<u>Per Books</u>
American Gas Association	\$29,349
Belfield Area Chamber of Commerce	20
Bismarck-Mandan Convention Bureau	494
Bismarck-Mandan Development Association	3,385
Bismarck-Mandan Home Builders Association	176
Bowman Area Chamber of Commerce	44
Carrington Chamber of Commerce	110
Cavalier Area Chamber of Commerce	150
Cavalier Retail Committee	210
Common Ground Alliance	513
Consortium for Energy Efficiency	1,466
Devils Lake Area Chamber of Commerce	300
Dickinson Area Builders Association	108
Dickinson Builders Exchange	45
Economic Development Ass. of North Dakota (EDND)	156
Energy Solutions Center	1,957
Forward Devils Lake Corporation	500
Garrison Chamber of Commerce	1,100
Grafton Area Chamber of Commerce	199
Hebron Business Club	14
Hettinger Area Chamber of Commerce	40
Jamestown Area Chamber of Commerce	642
Kiwanis Club of Minot	130
Langdon Chamber of Commerce	250
Linton Chamber of Commerce	1
Mandan Progress Organization	82
Main Street/Downtown Jamestown	175
Max Civic Club	50
Midwest Energy Association	11,867
Midwest Region Task Force	385
Minot Area Chamber of Commerce	1,994
Minot Area Development Corporation	7,205
Minot Association of Builders	325
Minot Builders Exchange	215
NARUC	1,153
National Fuel Funds Network	89
New England Commercial Club	8
North Dakota Association of Businesses	424
North Dakota Petroleum Council	537
Theodore Roosevelt Express	275
Turtle Lake Chamber of Progress	75
Utilites Telecom Council	996
Underwood Civic Club	75
Utility Solid Waste Activities Group	1,618
Washburn Area Economic Development	150
Washburn Civic Club	75
Watford City Economic	37
Williston Area Chamber of Commerce	190
Williston Area Development	392
Other/Corporate Charges	27,646
Total	<u>\$97,397</u>

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF DEPRECIATION EXPENSE AND AMORTIZATION**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**

<u>Function</u>	<u>Total Company</u>	<u>North Dakota</u>
Production	\$359,967	\$159,811
Distribution	8,313,209	3,000,280
General	570,983	176,772
General - Intangible	55,248	55,248
Common	712,861	225,153
Common - Intangible	289,026	103,131
Acquisition Adjustment	<u>2,819</u>	<u>2,819</u>
Total	<u>\$10,304,113</u>	<u>\$3,723,214</u>

**MONTANA-DAKOTA UTILITIES CO.  
DEPRECIATION AND AMORTIZATION EXPENSES**

See page 3 for a summary of depreciation rates by function and pages 4 through 8 for Montana-Dakota's depreciation rates as set forth in a study performed by AUS Consultants as of December 31, 2008 for gas and common plant.

**MONTANA-DAKOTA UTILITIES CO.  
COMPOSITE DEPRECIATION RATES  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012**

	Average Plant	Annual Depreciation	%
Production	\$4,770,840	\$158,869	3.33%
Distribution	\$98,134,325	\$4,256,853	4.34%
General			
Other	\$1,599,866	\$87,414	5.46%
Structures	2,206,056	76,330	3.46%
Computer Equipment	162,254	31,150	19.20%
Transportation	3,213,214	25,672	0.80%
Work Equipment	2,679,051	18,002	0.67%
Total General	<u>\$9,860,441</u>	<u>\$238,568</u>	2.42%
Common			
Other	\$1,834,495	\$90,229	4.92%
Structures	4,180,753	94,067	2.25%
Computer Equipment	425,784	65,933	15.49%
Transportation	741,846	30,278	4.08%
Total Common	<u>\$7,182,878</u>	<u>\$280,507</u>	3.91%
<u>Amortization</u>			
General Intangible	\$2,936,729	\$97,621	
Common Intangible	3,601,470	114,764	
Acquisition Adjustment	97,266	2,819	
 Total Plant	 <u>\$126,583,949</u>	 <u>\$5,150,001</u>	

Table 1

Montana-Dakota Utilities Company  
Gas Division

Summary of Original Cost of Utility Plant in Service as of December 31, 2008  
and Related Annual Depreciation Expense Under Present and Proposed Rates

Account No. (a)	Description (b)	Original Cost 12/31/08 (c)	Present Rates		Proposed Rates								Net Change Depr. Exp. (n)
			Rate % (d)	Annual Accrual (e)	Proposed Plant Only Rates		Proposed Gross Salv Rates		Proposed COR Rates		Total Proposed Rates		
					Rate % (f)	Annual Accrual (g)	Rate % (h)	Annual Accrual (i)	Rate % (j)	Annual Accrual (k)	Rate % (l)	Annual Accrual (m)	
<b>DEPRECIABLE PLANT</b>													
<b>Distribution Plant</b>													
374.20	Rights of Way	322,677.60	0.75%	2,420.08	1.39%	4,485.22	0.00%	0.00	0.00%	0.00	1.39%	4,485.22	2,065.14
375.00	Distr. Meas & Reg Station Structures	609,311.11	2.57%	15,659.30	1.52%	9,261.53	0.18%	1,096.76	1.07%	6,519.63	2.77%	16,877.92	1,218.62
<b>Mains</b>													
376.10	Mains-Steel	41,975,049.45	1.92%	805,920.95	1.77%	742,958.38	0.00%	0.00	1.07%	449,133.03	2.84%	1,192,091.40	386,170.45
376.20	Mains-Plastic	63,935,958.79	1.92%	1,227,570.41	1.99%	1,272,325.58	0.00%	0.00	1.06%	677,721.16	3.05%	1,950,046.74	722,476.33
376.30	Mains-Valves	447,328.09	1.92%	8,588.70	2.29%	10,243.81	0.00%	0.00	1.25%	5,591.60	3.54%	15,835.41	7,246.71
376.40	Mains-Manholes	69,919.29	1.92%	1,342.45	1.83%	1,279.52	0.00%	0.00	1.06%	741.14	2.89%	2,020.67	678.22
376.50	Mains-Bridge & River Crossings	19,818.03	1.92%	380.51	2.06%	408.25	0.00%	0.00	1.07%	212.05	3.13%	620.30	239.79
	<b>Total Mains</b>	<b>106,448,073.65</b>	<b>1.92%</b>	<b>2,043,803.02</b>	<b>1.90%</b>	<b>2,027,215.54</b>	<b>0.00%</b>	<b>0.00</b>	<b>1.06%</b>	<b>1,133,398.98</b>	<b>2.97%</b>	<b>3,160,614.52</b>	<b>1,116,811.50</b>
378.00	Meas & Reg Station Equip-General	2,140,308.63	2.96%	63,353.14	2.22%	47,514.85	0.00%	0.00	0.92%	19,690.84	3.14%	67,205.69	3,852.55
379.00	Meas & Reg Station Equip-City Gate	1,028,821.89	3.54%	36,420.29	2.81%	28,909.90	0.00%	0.00	0.94%	9,670.93	3.75%	38,580.82	2,160.53
<b>Services</b>													
380.10	Services-Steel	7,285,187.87	5.66%	412,341.63	2.48%	180,672.66	0.00%	0.00	7.17%	522,347.97	9.65%	703,020.63	290,679.00
380.20	Services-Plastic	42,690,273.23	5.66%	2,416,269.46	2.50%	1,067,256.83	0.00%	0.00	5.41%	2,309,543.78	7.91%	3,376,800.61	960,531.15
380.30	Farm & Fuel Lines	248,640.18	5.66%	14,073.03	3.34%	8,304.58	0.00%	0.00	7.67%	19,070.70	11.01%	27,375.28	13,302.25
	<b>Total Services</b>	<b>50,224,101.28</b>	<b>5.66%</b>	<b>2,842,684.12</b>	<b>2.50%</b>	<b>1,256,234.07</b>	<b>0.00%</b>	<b>0.00</b>	<b>5.68%</b>	<b>2,850,962.45</b>	<b>8.18%</b>	<b>4,107,196.52</b>	<b>1,264,512.40</b>
381.00	Meters	55,172,050.24	3.19%	1,759,988.40	2.91%	1,605,506.66	0.00%	0.00	0.62%	342,066.71	3.53%	1,947,573.37	187,584.97
383.00	Service Regulators	5,555,207.98	2.59%	143,879.89	2.16%	119,992.49	-0.39%	(21,665.31)	0.00%	0.00	1.77%	98,327.18	(45,552.71)
385.00	Industrial Meas. & Reg. Station Equip	875,376.89	3.04%	26,611.46	2.43%	21,271.66	0.35%	3,063.82	0.53%	4,639.50	3.31%	28,974.98	2,363.52
<b>MISCELLANEOUS EQUIPMENT</b>													
386.10	Misc Property on Customers Premise	1,679.84	5.19%	87.18	2.39%	40.15	0.00%	0.00	0.00%	0.00	2.39%	40.15	(47.03)
386.20	CNG Refueling station	261,880.34	3.70%	9,689.57	0.27%	707.08	0.00%	0.00	0.00%	0.00	0.27%	707.08	(8,982.49)
386.30	CNG Lease/Demo	0.00											
	<b>TOTAL Account 386</b>	<b>263,560.18</b>	<b>3.71%</b>	<b>9,776.75</b>	<b>0.28%</b>	<b>747.23</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.28%</b>	<b>747.23</b>	<b>(9,029.52)</b>

**Montana-Dakota Utilities Company  
Gas Division**

**Summary of Original Cost of Utility Plant in Service as of December 31, 2008  
and Related Annual Depreciation Expense Under Present and Proposed Rates**

Account No. (a)	Description (b)	Original Cost 12/31/08 (c)	Present Rates		Proposed Rates								Net Change Depr., Exp. (n)	
			Rate % (d)	Annual Accrual (e)	Proposed Plant Only Rates		Proposed Gross Salv Rates		Proposed COR Rates		Total Proposed Rates			
					Rate % (f)	Annual Accrual (g)	Rate % (h)	Annual Accrual (i)	Rate % (j)	Annual Accrual (k)	Rate % (l)	Annual Accrual (m)		
<b>OTHER EQUIPMENT</b>														
387.10	Cathodic Protection Equipment	1,737,817.71	5.75%	99,924.52	3.21%	55,783.95	0.00%	0.00	0.00%	0.00	3.21%	55,783.95	(44,140.57)	
387.20	Other Distribution Equipment	588,025.51	1.42%	8,349.96	0.99%	5,821.45	0.00%	0.00	0.00%	0.00	0.99%	5,821.45	(2,528.51)	
	<b>TOTAL Account 387</b>	<b>2,325,843.22</b>	<b>4.66%</b>	<b>108,274.48</b>	<b>2.65%</b>	<b>61,605.40</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>2.65%</b>	<b>61,605.40</b>	<b>(46,669.08)</b>	
	<b>TOTAL Distribution Plant</b>	<b>224,965,332.67</b>	<b>3.14%</b>	<b>7,052,870.93</b>	<b>2.30%</b>	<b>5,182,744.55</b>	<b>-0.01%</b>	<b>(17,504.73)</b>	<b>1.94%</b>	<b>4,366,949.04</b>	<b>4.24%</b>	<b>9,532,188.85</b>	<b>2,479,317.92</b>	
<b>General Plant</b>														
390.00	General Structures	5,835,295.28	3.73%	217,656.51	3.09%	180,310.62	-0.04%	(2,334.12)	0.41%	23,924.71	3.46%	201,901.22	(15,755.29)	
<b>OFFICE FURNITURE &amp; EQUIPMENT</b>														
391.10	Office Furniture & Equipment	415,861.93	4.97%	20,668.34	6.59%	27,412.62	0.00%	0.00	0.00%	0.00	6.59%	27,412.62	6,744.28	
391.30	Computer Equipment - PC	828,118.21	26.02%	215,476.36	11.28%	93,383.50	0.00%	0.00	0.00%	0.00	11.28%	93,383.50	(122,092.86)	
391.50	Other Computer Equipment	53,696.84	0.00%	0.00	4.97%	2,667.08	0.00%	0.00	0.00%	0.00	4.97%	2,667.08	2,667.08	
	<b>TOTAL Account 391</b>	<b>1,297,676.98</b>	<b>18.20%</b>	<b>236,144.70</b>	<b>9.51%</b>	<b>123,463.20</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>9.51%</b>	<b>123,463.20</b>	<b>(112,681.50)</b>	
<b>TRANSPORTATION EQUIPMENT</b>														
392.10	Transportation Equipment (Trailers)	397,059.69	4.36%	17,311.80	12.35%	49,036.87	-2.68%	(10,641.20)	0.00%	0.00	9.67%	38,395.67	21,083.87	
392.20	Trans Equipment (Cars & Trucks)	8,775,094.21	21.13%	1,854,177.41	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	(1,854,177.41)	
	<b>TOTAL Account 392</b>	<b>9,172,153.90</b>	<b>20.40%</b>	<b>1,871,489.21</b>	<b>0.53%</b>	<b>49,036.87</b>	<b>-0.12%</b>	<b>(10,641.20)</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.42%</b>	<b>38,395.67</b>	<b>(1,833,093.54)</b>	
393.00	Stores Equipment	148,282.28	2.49%	3,692.23	2.44%	3,613.53	0.00%	0.00	0.00%	0.00	2.44%	3,613.53	(78.70)	
<b>TOOLS, SHOP &amp; GARAGE EQ.</b>														
394.10	Tools, Shop & Garage Equip. (Non-Unif	2,515,638.89	6.62%	166,535.29	5.65%	142,108.78	0.00%	0.00	0.00%	0.00	5.65%	142,108.78	(24,426.51)	
394.30	Vehicle Maintenance Equipment	37,100.02	5.78%	2,144.38	7.12%	2,640.27	0.00%	0.00	0.00%	0.00	7.12%	2,640.27	495.89	
394.40	Vehicle Refueling Equipment	26,852.90	4.72%	1,267.46	10.32%	2,772.05	0.00%	0.00	0.00%	0.00	10.32%	2,772.05	1,504.59	
	<b>TOTAL Account 394</b>	<b>2,579,591.81</b>	<b>6.59%</b>	<b>169,947.13</b>	<b>5.72%</b>	<b>147,521.10</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>5.72%</b>	<b>147,521.10</b>	<b>(22,426.03)</b>	
395.00	Laboratory Equipment	172,283.97	7.67%	13,214.18	6.95%	11,980.02	0.00%	0.00	0.00%	0.00	6.95%	11,980.02	(1,234.16)	

**Montana-Dakota Utilities Company**  
Gas Division

**Summary of Original Cost of Utility Plant in Service as of December 31, 2008  
and Related Annual Depreciation Expense Under Present and Proposed Rates**

Account No.	Description	Original Cost 12/31/08	Present Rates		Proposed Rates								Net Change Depr. Exp.
			Rate %	Annual Accrual	Proposed Plant Only Rates		Proposed Gross Salv Rates		Proposed COR Rates		Total Proposed Rates		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
<b>POWER OPERATED EQUIPMENT</b>													
396.10	Work Equipment (Trailers)	530,575.86	5.76%	30,561.17	10.19%	54,065.68	-4.17%	(22,125.01)	0.00%	0.00	6.02%	31,940.67	1,379.50
396.20	Power Operated Equipment	6,142,234.08	0.00%	0.00	31.72%	1,948,316.65	-30.77%	(1,889,965.43)	0.00%	0.00	0.95%	58,351.22	58,351.22
	TOTAL Account 396	6,672,809.94	0.46%	30,561.17	30.01%	2,002,382.33	-28.65%	(1,912,090.44)	0.00%	0.00	1.35%	90,291.89	59,730.72
<b>COMMUNICATION EQUIPMENT</b>													
397.10	Radio Communication Equip. (Fixed)	226,847.00	7.37%	16,718.62	6.07%	13,763.90	0.00%	0.00	0.00%	0.00	6.07%	13,763.90	(2,954.72)
397.20	Radio Communication Equip. (Mobile)	468,875.34	7.34%	34,415.45	4.06%	19,052.43	0.00%	0.00	0.00%	0.00	4.06%	19,052.43	(15,363.02)
397.30	General Telephone Communication Eq	56,947.69	9.88%	5,626.43	10.69%	6,089.15	0.00%	0.00	0.00%	0.00	10.69%	6,089.15	462.72
397.80	Network Equipment	172,146.81	26.26%	45,205.75	17.68%	30,435.15	0.00%	0.00	0.00%	0.00	17.68%	30,435.15	(14,770.60)
	TOTAL Account 397	924,816.84	11.03%	101,966.25	7.50%	69,340.63	0.00%	0.00	0.00%	0.00	7.50%	69,340.63	(32,625.62)
398.00	Miscellaneous Equipment	56,850.20	1.27%	722.00	9.43%	5,361.40	0.00%	0.00	0.00%	0.00	9.43%	5,361.40	4,639.40
	Sub-Total (General Plant) Amortization	<b>5,179,502.08</b>		<b>525,686.49</b>	<b>6.98%</b>	<b>361,279.88</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>6.98%</b>	<b>361,279.88</b>	<b>(164,406.61)</b>
	TOTAL General Plant	26,859,761.20	9.85%	2,645,393.38	9.65%	2,593,009.70	-7.17%	(1,925,065.76)	0.09%	23,924.71	2.58%	691,868.66	(1,953,524.72)
	TOTAL Depreciable Plant	251,825,093.87	3.85%	9,698,264.31	3.09%	7,775,754.25	-0.77%	(1,942,570.49)	1.74%	4,390,873.75	4.06%	10,224,057.51	525,793.20
<b>NON-DEPRECIABLE PLANT</b>													
374.1	Land (Distribution)	138,261.79											
389	Land & Land Rights (General)	1,328,891.91											
	Total Land	1,467,153.70											
<b>INTANGIBLE PLANT</b>													
303	Miscellaneous Intangible Plant	3,949,065.10											
	Total Intangible Plant	3,949,065.10											
	TOTAL Non-Depreciable Plant	5,416,218.80											
	TOTAL Plant in Service	257,241,312.67											

Table 1

**Montana-Dakota Utilities Company  
Common Plant**

**Summary of Original Cost of Utility Plant in Service as of December 31, 2008  
and Related Annual Depreciation Expense Under Present and Proposed Rates**

Account No. (a)	Description (b)	Original Cost 12/31/08 (c)	Present Rates		Proposed Plant Only Rates		Proposed Gross Salv Rates		Proposed COR Rates		Total Proposed Rates		Net Change Depr. Exp. (l)
			Rate % (d)	Annual Accrual (e)	Rate % (f)	Annual Accrual (g)	Rate % (f)	Annual Accrual (g)	Rate % (h)	Annual Accrual (i)	Rate % (j)	Annual Accrual (k)	
<b>DEPRECIABLE PLANT</b>													
<b>General Plant</b>													
390.0	General Structures	26,865,571.47	2.93%	787,161.24	2.51%	674,325.84	0.07%	18,805.90	-0.33%	(88,656.39)	2.25%	604,475.36	(182,685.88)
OFFICE FURNITURE & EQUIPMENT													
391.1	Office Furniture & Equipment	3,072,248.50	4.95%	152,076.30	6.75%	207,227.63	0.00%	0.00	0.00%	0.00	6.75%	207,227.63	55,151.33
391.2	Computer Equipment - Honeywell	0.00	1.52%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00
391.3	Computer Equipment - PC	2,168,689.65	23.29%	505,087.82	7.28%	157,939.09	0.00%	0.00	0.00%	0.00	7.28%	157,939.09	(347,148.73)
391.4	Computer Equipment - Prime/Sun	7,552.14	26.51%	2,002.07	0.68%	51.47	0.00%	0.00	0.00%	0.00	0.68%	51.47	(1,950.60)
391.5	Computer Equipment - Other	1,049,321.00	0.46%	4,826.88	18.40%	193,100.24	0.00%	0.00	0.00%	0.00	18.40%	193,100.24	188,273.36
	TOTAL Account 391	6,297,811.29	10.54%	663,993.07	8.87%	558,318.43	0.00%	0.00	0.00%	0.00	8.87%	558,318.43	(105,674.64)
TRANSPORTATION EQUIPMENT													
392.1	Transportation Equipment (Trailers)	113,614.30	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00 (1)	0.00%	0.00	0.00
392.2	Transportation Equipment (Cars & Trucks)	5,326,632.43	13.33%	710,040.10	9.14%	486,854.20	-4.44%	(236,502.48)	0.00%	0.00	4.70%	250,351.72	(459,688.38)
	TOTAL Account 392	5,440,246.73	13.05%	710,040.10	8.95%	486,854.20	-4.35%	(236,502.48)	0.00%	0.00	4.60%	250,351.72	(459,688.38)
393.0	Stores Equipment	45,012.16	2.80%	1,260.34	3.32%	1,494.05	0.00%	0.00	0.00%	0.00	3.32%	1,494.05	233.71
TOOLS, SHOP & GARAGE EQ.													
394.1	Tools, Shop & Garage Equip. (Non-Unitized)	412,820.47	6.11%	25,223.33	6.71%	27,719.23	0.00%	0.00	0.00%	0.00	6.71%	27,719.23	2,495.90
394.3	Vehicle Maintenance Equipment	179,785.84	4.75%	8,539.83	5.33%	9,591.43	0.00%	0.00	0.00%	0.00	5.33%	9,591.43	1,051.60
394.4	Vehicle Refueling Equipment	612,112.44	4.38%	26,810.52	3.28%	20,101.35	0.00%	0.00	0.00%	0.00	3.28%	20,101.35	(6,709.17)
	TOTAL Account 394	1,204,718.75	5.03%	60,573.68	4.77%	57,412.01	0.00%	0.00	0.00%	0.00	4.77%	57,412.01	(3,161.67)
396.2	Power Operated Equipment	53,432.48	2.69%	1,437.33	18.22%	9,735.40	-10.64%	(5,685.22)	0.00%	0.00	7.58%	4,050.18	2,612.85
COMMUNICATION EQUIPMENT													
397.1	Radio Communication Equip. (Fixed)	379,772.93	4.99%	18,950.67	4.70%	17,844.86	0.00%	0.00	0.00%	0.00	4.70%	17,844.86	(1,105.81)
397.2	Radio Communication Equip. (Mobile)	612,124.91	4.08%	24,974.70	4.13%	25,251.65	0.00%	0.00	0.00%	0.00	4.13%	25,251.65	276.95
397.3	General Telephone Communication Equip.	496,688.56	8.72%	43,311.24	7.78%	38,662.59	0.00%	0.00	0.00%	0.00	7.78%	38,662.59	(4,648.65)
397.5	Supervisory & Telemetering Equip.	41,918.98	0.35%	146.72	4.24%	1,777.12	0.00%	0.00	0.00%	0.00	4.24%	1,777.12	1,630.40
397.8	Network Equipment	424,430.36	17.95%	76,185.25	18.95%	80,428.99	0.00%	0.00	0.00%	0.00	18.95%	80,428.99	4,243.74
	TOTAL Account 397	1,954,935.74	8.37%	163,568.58	8.39%	163,965.21	0.00%	0.00	0.00%	0.00	8.39%	163,965.21	396.63

**Montana-Dakota Utilities Company  
Common Plant**

**Summary or Original Cost of Utility Plant in Service as of December 31, 2008  
and Related Annual Depreciation Expense Under Present and Proposed Rates**

Account No. (a)	Description (b)	Original Cost 12/31/08 (c)	Present Rates		Proposed Rates				Total Proposed Rates		Net Change Depr. Exp. (l)		
			Rate % (d)	Annual Accrual (e)	Proposed Plant Only Rates		Proposed Gross Salv Rates		Proposed COR Rates			Rate % (j)	Annual Accrual (k)
					Rate % (f)	Annual Accrual (g)	Rate % (f)	Annual Accrual (g)	Rate % (h)	Annual Accrual (i)			
398.0	Miscellaneous Equipment	932,731.72	2.41%	22,478.83	4.01%	37,429.17	0.00%	0.00	0.00%	0.00	4.01%	37,429.17	14,950.34
	<b>Sub-Total (General Plant) Amortization</b>	<b>10,435,209.66</b>	<b>8.74%</b>	<b>911,874.50</b>	<b>7.84%</b>	<b>818,618.87</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>7.84%</b>	<b>818,618.87</b>	<b>(93,255.63)</b>
	TOTAL General Plant	42,794,460.34	5.63%	2,410,513.17	4.65%	1,989,534.31	-0.52%	(223,381.80)	-0.21%	(88,656.39)	3.92%	1,677,496.13	(733,017.04)
	TOTAL Depreciable Plant	42,794,460.34	5.63%	2,410,513.17	4.65%	1,989,534.31	-0.52%	(223,381.80)	-0.21%	(88,656.39)	3.92%	1,677,496.13	(733,017.04)
	<b><u>Amortizable Plant</u></b>												
392.3	Aircraft Equipment	2,937,920.42											
	TOTAL Amortizable Plant	2,937,920.42											
	<b><u>NON-DEPRECIABLE PLANT</u></b>												
389.0	Land & Land Rights (General)	2,778,248.40											
	Total Land	2,778,248.40											
	<b>INTANGIBLE PLANT</b>												
303.0	Miscellaneous Intangible Plant	22,784,037.44											
	Total Intangible Plant	22,784,037.44											
	TOTAL Non-Depreciable Plant	25,562,285.84											
	TOTAL Plant in Service	71,294,666.60											
	(1) Account Fully Depreciated. No further current depreciation accrual.												

**MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF TAXES OTHER THAN INCOME  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2012**

<u>Type of Tax</u>	<u>Total Company</u>	<u>North Dakota</u>
Ad Valorem		
Production	\$282,164	\$125,269
Distribution	3,853,264	642,974
General	238,213	58,311
Common	417,534	55,036
Intangible	17,132	16,407
Total Ad Valorem Taxes	<u>4,808,307</u>	<u>897,997</u>
O&M Related Taxes - Other		
Payroll Taxes	1,478,777	652,676
Franchise	87,290	17,601
Delaware Franchise	69,239	30,078
Total O&M Related Taxes	<u>1,635,306</u>	<u>700,355</u>
Other		
Gross Revenue Taxes	288,023	0
Highway Use Tax	890	318
Secretary of State	1,199	520
Total Other	<u>290,112</u>	<u>838</u>
Total Taxes Other Than Income	<u><u>\$6,733,725</u></u>	<u><u>\$1,599,190</u></u>

**MONTANA-DAKOTA UTILITIES CO.**  
**CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2012**

	North Dakota
Operating Revenues	\$84,955,643
Operating Expense:	
O&M Expense	74,622,878
Depreciation Expense	3,723,214
Taxes Other than Income	1,599,190
Total Operating Expense	79,945,282
Operating Income	5,010,361
Interest Expense	1,528,350
Book Taxable Income before Adjustments	3,482,011
Deductions and Adjustments to Book Income:	
Tax Deductions	5,711,830
Preferred Dividend Paid Deduction	15,557
Total Deductions and Adjustments	5,727,387
Taxable Income - Before State Income Tax	(2,245,376)
Less: State Income Taxes	(161,500)
Federal Taxable Income	(2,083,876)
Federal Income Taxes @ 35%	(729,357)
Credits and Adjustments	(3,571)
State Income Taxes	(161,500)
Federal and State Income Taxes	(894,428)
Closing/Filing - Federal and State	(1,992,159)
Total Federal Income Taxes	(\$2,886,587)

**MONTANA-DAKOTA UTILITIES CO.**  
**CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES**  
**INCOME TAX DEDUCTIONS**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2012**

<b><u>1900 Account M-1's</u></b>	<u>North Dakota</u>
Pension Expense	\$1,223,610
Accrued Vacation	77,142
Property Insurance Adjustment	(71,292)
Bad Debt Expense	(19,683)
Management Incentive Compensation	12,097
Sundry Reserves	(38,279)
Customer Advances	(2,994,324)
Restricted Stock Bonus Plan	12,655
Capitalized Overheads	44,923
FAS 106 - OPRB	1,922,849
Prepaid Demand Charges	5,816
Deferred Compensation - Directors	33,881
BOD - Retirement Benefits	13,373
PCB Related Income	6,815
FAS 158 Post Retirement	(2,006,775)
Bonus Accrual & 401K Profit Sharing	(299,520)
<b><u>2820 Account M-1's</u></b>	
Liberalized Depreciation and Other	
Property Timing Differences	5,163,232
Property Timing Differences - Common	752,909
Acquisition Adjustments	(2,819)
<b><u>2830 Account M-1's</u></b>	
Unrecovered Purchased Gas Cost	(184,175)
Amortization of Loss on Bond Retirements	(52,959)
FAS 158 Pension	2,130,288
Regulatory Assets Awaiting Recovery	(90,780)
<b><u>Permanent M-1's</u></b>	
Preferred Stock Expense Amortization	(1,763)
Disallowed Meals & Entertainment	(23,281)
Federal Nonhighway Use Tax Credit	(4,308)
Medicare Part D Subsidiary	102,169
Dividend Received Deduction	29
Total M-1 Deductions	<u>\$5,711,830</u>

**MONTANA-DAKOTA UTILITIES CO.  
DEFERRED INCOME TAXES  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2012**

	North Dakota
<b><u>Gas Utility - Rate Base Deductions:</u></b>	
Liberalized Depreciation and Other	
Property Timing Differences	\$2,363,509
Normalized Timing Differences	(102,409)
Contributions In Aid of Construction	(149,664)
Customer Advances	(1,148,323)
Acquisition Adjustment	(1,077)
Total Rate Base Deductions	962,036
 <b><u>Gas Utility - Current Timing Differences:</u></b>	
Management Incentive Compensation	4,775
Pension Expense	482,931
Sundry Reserves	(15,413)
Property Insurance Adjustment	(28,482)
Bad Debt Expense	(7,548)
Accrued Vacation	30,445
Capitalized Overheads	17,796
FAS 106 - OPRB	758,904
Deferred Compensation - Directors	13,372
BOD Retirement	5,279
Prepaid Demand Charges	2,231
PCB Related Income	2,704
Restricted Stock Bonus Plan	4,994
FAS 158 Post Retirement	(792,027)
Bonus Accrual & 401K Profit Sharing	(119,662)
Unrecovered Purchased Gas Cost	(70,631)
Amort of Loss on Bond Retirements	(21,323)
FAS 158 Pension	840,775
Regulatory Assets Awaiting Recovery	(34,814)
Closing and filing	1,991,319
Total Current Timing Differences	3,065,625
Total Deferred Income Taxes	\$4,027,661

**MONTANA-DAKOTA UTILITIES CO.  
ACCUMULATED DEFERRED INCOME TAXES  
GAS UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

	Balance @		
	12/31/2011	12/31/2012	Average
<u>Accumulated Deferred Income Taxes</u>			
Liberalized Depreciation	\$10,424,732	\$13,969,599	\$12,197,166
Full Normalization	1,004,472	902,063	953,268
Contribution in Aid of Construction	(411,782)	(559,645)	(485,714)
Customer Advances	(1,283,936)	(2,432,259)	(1,858,098)
Unamortized Loss on Debt	239,983	240,836	240,410
Acquisition Adjustment	(20,015)	(20,015)	(20,015)
 Balance	 <u>\$9,953,454</u>	 <u>\$12,100,579</u>	 <u>\$11,027,017</u>
 <u>Accumulated Investment Tax Credits</u>	 <u>\$5,335</u>	 <u>\$0</u>	 <u>\$2,668</u>

**MONTANA-DAKOTA UTILITIES CO.  
INCOME STATEMENT  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2012**

	<u>Total Company</u>	<u>North Dakota</u>	<u>Reference</u>
Operating Revenues			
Sales	\$190,868,730	\$81,977,574	Statement G
Transportation	3,774,944	1,881,903	Statement G
Other	1,990,445	1,096,166	Statement G
Total Revenues	<u>196,634,119</u>	<u>\$84,955,643</u>	
Operating Expenses			
Operation and Maintenance			
Cost of Gas	\$129,670,689	\$58,003,320	Statement H
Other O&M	37,798,060	16,619,558	Statement H
Total O&M	<u>\$167,468,749</u>	<u>\$74,622,878</u>	
Depreciation	10,304,112	3,723,214	Statement I
Taxes Other Than Income	6,733,725	1,599,190	Statement J
Current Income Taxes	(9,717,713)	(2,886,587)	Statement K
Deferred Income Taxes	12,287,395	4,027,661	Statement K
Total Expenses	<u>\$187,076,268</u>	<u>\$81,086,356</u>	
Operating Income	<u>\$9,557,851</u>	<u>\$3,869,287</u>	
Rate Base	<u>\$143,029,916</u>	<u>\$48,045,075</u>	Statement L
Rate of Return	<u>6.682%</u>	<u>8.053%</u>	

**MONTANA-DAKOTA UTILITIES CO.**  
**AVERAGE RATE BASE**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2012**

	Total Company	North Dakota	Other	Reference
Gas Plant in Service	\$345,140,646	\$126,583,949	\$218,556,697	Statement C
Accumulated Reserve for Depreciation	181,249,610	69,690,438	111,559,172	Statement D
Net Gas Plant in Service	<u>163,891,036</u>	<u>56,893,511</u>	<u>106,997,525</u>	
CWIP in Service Pending Reclassification	6,369,741	4,785,424	1,584,317	Statement C
Total Gas Plant in Service	<u>170,260,777</u>	<u>61,678,935</u>	<u>108,581,842</u>	
Additions				
Materials and Supplies	2,944,813	1,563,961	1,380,852	Statement E
Fuel Stocks	46,069	46,069		Statement E
Gas in Underground Storage	1,208,474		1,208,474	
Prepayments	6,845,964	33,143	6,812,821	Statement E
Unamortized Gain/Loss on Debt	1,840,788	597,754	1,243,034	Statement E
Other	98,156		98,156	
Total Additions	<u>12,984,264</u>	<u>2,240,927</u>	<u>10,743,337</u>	
Total Before Deductions	\$183,245,041	\$63,919,862	\$119,325,179	
Deductions				
Accumulated Deferred Income Taxes	33,629,858	11,027,017	22,602,841	Statement K
Accumulated Investment Tax Credits	3,263	2,668	595	Statement K
Customer Advances	6,582,004	4,845,102	1,736,902	Statement E
Total Deductions	<u>40,215,125</u>	<u>15,874,787</u>	<u>24,340,338</u>	
Total Rate Base	<u>\$143,029,916</u>	<u>\$48,045,075</u>	<u>\$94,984,841</u>	

**MONTANA-DAKOTA UTILITIES CO.**  
**PROJECTED OPERATING INCOME AND RATE OF RETURN**  
**REFLECTING ADDITIONAL REVENUE REQUIREMENTS**  
**PROJECTED 2014**  
**(000s)**

	Before Additional Revenue Requirements 1/	<b>Additional Revenue Requirements</b>	Reflecting Additional Revenue Requirements
<b>Operating Revenues</b>			
Sales	\$105,223	<b>\$6,839</b>	\$112,062
Transportation	1,866		1,866
Other	1,247		1,247
Total Revenues	<u>108,336</u>	<u>6,839</u>	<u>115,175</u>
<b>Operating Expenses</b>			
Operation and Maintenance			
Cost of Gas	79,840		79,840
Other O&M	17,665		17,665
Total O&M	<u>97,505</u>		<u>97,505</u>
Depreciation	7,423		7,423
Taxes Other Than Income	1,694		1,694
Income Taxes	(287)	2,595 2/	2,308
Total Expenses	<u>106,335</u>	<u>2,595</u>	<u>108,930</u>
Operating Income	<u>\$2,001</u>	<u>\$4,244</u>	<u>\$6,245</u>
Rate Base	<u>\$79,244</u>		<u>\$79,244</u>
<hr/>			
<b>Rate of Return</b>	<b>2.525%</b>		<b>7.881%</b>

1/ Statement M, Page 1.

2/ Reflects state and federal taxes at 37.9445%.

**MONTANA-DAKOTA UTILITIES CO.**  
**INCOME STATEMENT**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013 AND 2014**  
**(000s)**

	<u>Per Books</u>	<u>Projected 2013</u>	<u>Projected 2014</u>
Operating Revenues			
Sales	\$81,977	\$99,616	\$105,223
Transportation	1,882	1,849	1,866
Other	1,096	1,241	1,247
Total Revenues	<u>84,955</u>	<u>102,706</u>	<u>108,336</u>
Operating Expenses			
Operation and Maintenance			
Cost of Gas	58,003	75,351	79,840
Other O&M	16,620	17,308	17,665
Total O&M	<u>74,623</u>	<u>92,659</u>	<u>97,505</u>
Depreciation and Amortization	3,723	6,444	7,423
Taxes Other Than Income	1,599	1,579	1,694
Current Income Taxes	(2,887)	(30)	(287)
Deferred Income Taxes	4,028		
Total Expenses	<u>81,086</u>	<u>100,652</u>	<u>106,335</u>
Operating Income	<u>\$3,869</u>	<u>\$2,054</u>	<u>\$2,001</u>
Rate Base	<u>\$48,045</u>	<u>\$65,754</u>	<u>\$79,244</u>
Rate of Return	<u>8.053%</u>	<u>3.124%</u>	<u>2.525%</u>

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF REVENUES**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

	<u>Per Books</u>	<u>Projected 2013</u>	<u>Projected 2014</u>
<u>Sales</u>			
Residential	\$44,240	\$55,538	\$57,715
Firm General	30,879	38,685	40,104
Air Force	1,754	2,305	2,305
Small Interruptible	3,161	2,975	4,986
Large Interruptible	95	113	113
Unbilled Revenue	1,848	0	0
Total Sales	<u>\$81,977</u>	<u>\$99,616</u>	<u>\$105,223</u>
<u>Transportation</u>			
Small Interruptible	\$529	\$555	\$564
Large Interruptible	1,342	1,294	1,302
Unbilled Revenue	11	0	0
Total Transportation	<u>\$1,882</u>	<u>\$1,849</u>	<u>\$1,866</u>
Total Sales and Transportation	<u><u>\$83,859</u></u>	<u><u>\$101,465</u></u>	<u><u>\$107,089</u></u>
<u>Other Operating Revenue</u>			
Miscellaneous Service Revenue	\$484	\$484	\$484
Rent from Property	516	567	567
Other Revenue	96	190	196
Total Other Revenue	<u>\$1,096</u>	<u>\$1,241</u>	<u>\$1,247</u>
Total Operating Revenue	<u><u>\$84,955</u></u>	<u><u>\$102,706</u></u>	<u><u>\$108,336</u></u>

**MONTANA-DAKOTA UTILITIES CO.  
SALES AND TRANSPORTATION REVENUE  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014**

	Per Books		Projected 2013		Projected 2014	
	Dk	Revenue	Dk	Revenue	Dk	Revenue
<u>Sales</u>						
Residential	6,762,593	\$44,239,670	7,973,146	\$55,538,030	8,285,778	\$57,715,371
Firm General	5,426,754	30,879,471	6,201,180	38,684,933	6,429,931	40,103,576
Air Force	504,464	1,754,125	552,500	2,304,778	552,500	2,304,778
Small Interruptible	743,874	3,160,830	655,954	2,974,789	1,107,934	4,985,865
Large Interruptible	24,626	95,068	24,626	113,450	24,626	113,450
Unbilled Revenue		1,848,410				
Total Sales	<u>13,462,311</u>	<u>\$81,977,574</u>	<u>15,407,406</u>	<u>\$99,615,980</u>	<u>16,400,769</u>	<u>\$105,223,040</u>
 <u>Transportation</u>						
Small Interruptible	954,759	\$528,912	1,032,664	\$554,348	1,050,534	\$563,778
Large Interruptible	5,129,954	1,342,065	4,810,572	1,294,166	4,810,572	1,302,628
Unbilled Revenue		10,926				
Total Transportation	<u>6,084,713</u>	<u>\$1,881,903</u>	<u>5,843,236</u>	<u>\$1,848,514</u>	<u>5,861,106</u>	<u>\$1,866,406</u>
 Total Throughput	<u><u>19,547,024</u></u>	<u><u>\$83,859,477</u></u>	<u><u>21,250,642</u></u>	<u><u>\$101,464,494</u></u>	<u><u>22,261,875</u></u>	<u><u>\$107,089,446</u></u>

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
SUMMARY OF REVENUES  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

Rate Reporting Class	Projected 2013			Projected 2014		
	Billing Units	Dk	Revenue	Billing Units	Dk	Revenue
<b>Sales</b>						
Residential						
Residential	86,057	7,955,109	\$55,403,773	89,439	8,267,741	\$57,581,114
Propane	274	18,037	\$134,257	274	18,037	134,257
<b>Total Residential</b>	<u>86,331</u>	<u>7,973,146</u>	<u>55,538,030</u>	<u>89,713</u>	<u>8,285,778</u>	<u>57,715,371</u>
Air Force						
Firm	1	32,291	166,498	1	32,291	166,498
Interruptible	2	520,209	2,138,280	2	520,209	2,138,280
<b>Total Air Force</b>	<u>3</u>	<u>552,500</u>	<u>2,304,778</u>	<u>3</u>	<u>552,500</u>	<u>2,304,778</u>
Firm General						
Firm General	13,121	6,159,419	38,429,994	13,543	6,388,170	39,848,637
Seasonal	17	15,450	91,900	17	15,450	91,900
Propane	71	26,311	163,039	71	26,311	163,039
<b>Total Firm General</b>	<u>13,209</u>	<u>6,201,180</u>	<u>38,684,933</u>	<u>13,631</u>	<u>6,429,931</u>	<u>40,103,576</u>
Interruptible						
Small Interruptible 2/	70	655,954	2,974,789	86	1,107,934	4,985,865
Large Interruptible	1	24,626	113,450	1	24,626	113,450
<b>Total Interruptible</b>	<u>71</u>	<u>680,580</u>	<u>3,088,239</u>	<u>87</u>	<u>1,132,560</u>	<u>5,099,315</u>
<b>Total Sales</b>	<u>99,614</u>	<u>15,407,406</u>	<u>\$99,615,980</u>	<u>103,434</u>	<u>16,400,769</u>	<u>\$105,223,040</u>
<b>Transportation</b>						
Small Interruptible	63	1,032,664	554,348	64	1,050,534	563,778
Large Interruptible	7	4,810,572	1,294,166	7	4,810,572	1,302,628
<b>Total Transportation</b>	<u>70</u>	<u>5,843,236</u>	<u>\$1,848,514</u>	<u>71</u>	<u>5,861,106</u>	<u>\$1,866,406</u>
<b>Total Sales &amp; Transportation</b>	<u>99,684</u>	<u>21,250,642</u>	<u>\$101,464,494</u>	<u>103,505</u>	<u>22,261,875</u>	<u>\$107,089,446</u>

1/ Rates effective with service rendered on and after 9/19/07, Docket No. PU-07-618, for firm, IT and Transportation and 8/1/12, Docket No. PU-12-452 for seasonal firm. COG effective June 2013 with annual gas costs.

2/ Excludes grain drying sales.

**MONTANA-DAKOTA UTILITIES CO.  
OTHER OPERATING REVENUE  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014  
(000s)**

	<u>Per Books</u>	<u>Projected 2013</u>	<u>Projected 2014</u>
<u>Miscellaneous Service Revenue</u>			
NSF Check fees, MAFB Dist. System	\$461	\$461	\$461
Other Misc. Service Revenue	23	23	23
Total	<u>\$484</u>	<u>\$484</u>	<u>\$484</u>
Rent from Property 1/	\$516	\$567	\$567
<u>Other Revenue</u>			
Late Payment Revenue 2/	\$0	\$101	\$107
Other Revenue 3/	96	89	89
	<u>\$96</u>	<u>\$190</u>	<u>\$196</u>
Total	<u>\$1,096</u>	<u>\$1,241</u>	<u>\$1,247</u>

1/ Projected 2013-2014 reflects current levels.

2/ Projected 2013-2014 based on a percentage of 2012 late payment revenue to 2012 sales and transportation revenue.

3/ Restates penalty revenue to a three year average.

**MONTANA-DAKOTA UTILITIES CO.  
OPERATION & MAINTENANCE EXPENSE  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2013  
(000s)**

Function	Total	Cost of Gas	Labor	Benefits	Subcontract Labor	Materials	Vehicles & Work Equip.	Company Consumption	Uncollectible Accounts
Cost of Gas	\$75,351	\$75,351							
Other Gas Supply	121		\$83		\$11		\$1		
Production	278		51		23	\$16	1		
Distribution	7,974		5,569		1,006	643	602	\$137	\$10
Customer Accounting	2,246		1,323		105	1	52	1	112
Customer Service & Info	241		135				4		
Sales	123		88		0		3	9	
Administrative and General	6,325		1,767	\$2,269	253	29	17	41	
Total Other O&M	17,308	0	9,016	2,269	1,398	689	680	188	122
<b>Total O&amp;M</b>	<b>\$92,659</b>	<b>\$75,351</b>	<b>\$9,016</b>	<b>\$2,269</b>	<b>\$1,398</b>	<b>\$689</b>	<b>\$680</b>	<b>\$188</b>	<b>\$122</b>

**MONTANA-DAKOTA UTILITIES CO.  
OPERATION & MAINTENANCE EXPENSE  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2013  
(000s)**

Function	Postage	Software Maintenance	Building Rental	Advertising	Industry Dues	Insurance	Regulatory Commission Expense	All Other O&M
Cost of Gas								\$0
Other Gas Supply		\$2						24
Production		1						186
Distribution	\$1	7	\$96					(97)
Customer Accounting	327	115						210
Customer Service & Info				\$89				13
Sales								23
Administrative and General	63	184	188	22	\$68	\$408	\$113	903
Total Other O&M	391	309	284	111	68	408	113	1,262
<b>Total O&amp;M</b>	<b>\$391</b>	<b>\$309</b>	<b>\$284</b>	<b>\$111</b>	<b>\$68</b>	<b>\$408</b>	<b>\$113</b>	<b>\$1,262</b>

**MONTANA-DAKOTA UTILITIES CO.  
OPERATION & MAINTENANCE EXPENSE  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2014  
(000s)**

Function	Total	Cost of Gas	Labor	Benefits	Subcontract Labor	Materials	Vehicles & Work Equip.	Company Consumption	Uncollectible Accounts
Cost of Gas	\$79,840	\$79,840							
Other Gas Supply	125		\$86		\$11		\$1		
Production	284		53		23	\$16	1		
Distribution	8,164		5,759		1,006	643	604	\$137	\$10
Customer Accounting	2,311		1,368		105	1	52	1	119
Customer Service & Info	246		140				4		
Sales	127		91		0		3	9	
Administrative and General	6,408		1,827	\$2,228	253	29	17	41	
Total Other O&M	17,665	0	9,324	2,228	1,398	689	682	188	129
Total O&M	\$97,505	\$79,840	\$9,324	\$2,228	\$1,398	\$689	\$682	\$188	\$129

**MONTANA-DAKOTA UTILITIES CO.  
OPERATION & MAINTENANCE EXPENSE  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2014  
(000s)**

Function	Postage	Software Maintenance	Building Rental	Advertising	Industry Dues	Insurance	Regulatory Commission Expense	All Other O&M
Cost of Gas								\$0
Other Gas Supply		\$2						25
Production		1						190
Distribution	\$1	7	\$96					(99)
Customer Accounting	335	115						215
Customer Service & Info				\$89				13
Sales				0				24
Administrative and General	64	184	188	22	\$68	\$450	\$113	924
Total Other O&M	400	309	284	111	68	450	113	1,292
Total O&M	\$400	\$309	\$284	\$111	\$68	\$450	\$113	\$1,292

**MONTANA-DAKOTA UTILITIES CO.**  
**PROJECTED COST OF GAS**  
**GAS UTILITY - NORTH DAKOTA**  
**PROJECTED 2013 - 2014**  
**(000s)**

	<u>Projected Dk Sales</u>	<u>Dk Adjusted for Distribution Losses 1/</u>	<u>Commodity Charge 2/</u>	<u>Projected Cost of Gas</u>
<u>Projected 2013</u>				
Residential	7,973	8,009	\$4.946	\$39,613
Firm General Service	6,201	6,229	4.946	30,809
Air Force				
Firm	32	32	4.946	158
Interruptible - Contract	455	455	3.962	1,803
Interruptible	65	65	3.962	258
Total Air Force	<u>552</u>	<u>552</u>		<u>2,219</u>
Small Interruptible	656	659	3.962	2,611
Large Interruptible	25	25	3.962	99
Total	<u>15,407</u>	<u>15,474</u>		<u>\$75,351</u>
<u>Projected 2014</u>				
Residential	8,286	8,323	\$4.946	\$41,166
Firm General Service	6,430	6,459	4.946	31,946
Air Force				
Firm	32	32	4.946	158
Interruptible - Contract	455	455	3.962	1,803
Interruptible	65	65	3.962	258
Total Air Force	<u>552</u>	<u>552</u>		<u>2,219</u>
Small Interruptible	1,108	1,113	3.962	4,410
Large Interruptible	25	25	3.962	99
Total	<u>16,401</u>	<u>16,472</u>		<u>\$79,840</u>

1/ Distribution loss factor of .45%. Air Force Interruptible - Contract is not adjusted for losses because it takes service at the transmission level.

2/ June 2013 cost of gas adjusted to reflect annual commodity costs.

**MONTANA-DAKOTA UTILITIES CO.**  
**LABOR EXPENSE**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013 - 2014**  
**(000s)**

	Per Books	Projected	
		2013 1/	2014 2/
Other Gas Supply	\$80	\$83	\$86
Production	48	51	53
Distribution	5,309	5,569	5,759
Customer Accounts	1,261	1,323	1,368
Customer Service	129	135	140
Sales	84	88	91
A&G	1,684	1,767	1,827
Total Labor Expense	<u>\$8,595</u>	<u>\$9,016</u>	<u>\$9,324</u>

1/ Reflects a projected 4.90% increase.

2/ Reflects a projected 3.41% increase.

**MONTANA-DAKOTA UTILITIES CO.  
BENEFITS EXPENSE  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014  
(000s)**

	Per Books	Projected	
		2013 1/	2014 2/
Medical/Dental	\$828	\$941	\$988
Pension expense	(82)	231	107
Post-retirement	335	46	46
401K	886	1,022	1,057
Workers compensation	28	29	30
Total Benefits Expense	<u>\$1,995</u>	<u>\$2,269</u>	<u>\$2,228</u>

- 1/ Medical, pension, post-retirement and 401K based on 2013 loading factor of 10.44% for medical, 2.56% for pension, 0.51% for post retirement, and 11.34% for 401K. Workers compensation expense is based on the ratio of 2012 workers compensation to 2012 labor expense.
- 2/ Medical reflects an increase of 5%. Pension reflects a decrease of 53.59% and post-retirement reflects a decrease of 0.76% based on an actuarial study. 401K reflects the labor increase of 3.41%. Workers compensation expense is based on the ratio of 2012 workers compensation to 2012 labor expense.

**MONTANA-DAKOTA UTILITIES CO.  
SUBCONTRACT LABOR  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013 - 2014  
(000s)**

	Per Books	Projected	
		2013 1/	2014 1/
Other Gas Supply	\$11	\$11	\$11
Production	23	23	23
Distribution	1,006	1,006	1,006
Customer Accounts	105	105	105
Sales	0	0	0
A&G	253	253	253
Total Subcontract Labor	<u>\$1,398</u>	<u>\$1,398</u>	<u>\$1,398</u>

1/ Projected to remain at the 2012 level.

MONTANA-DAKOTA UTILITIES CO.  
MATERIALS  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014  
(000s)

	Per Books	Projected	
		2013 1/	2014 1/
Production	\$16	\$16	\$16
Distribution	643	643	643
Customer Accounting	1	1	1
A&G	29	29	29
Total Materials	<u>\$689</u>	<u>\$689</u>	<u>\$689</u>

1/ Projected to remain at the 2012 level.

**MONTANA-DAKOTA UTILITIES CO.  
VEHICLES AND WORK EQUIPMENT  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014  
(000s)**

	Per Books	Projected	
		2013 1/	2014 1/
Other Gas Supply	\$1	\$1	\$1
Production	1	1	1
Distribution	593	602	604
Customer Accounting	51	52	52
Customer Service	4	4	4
Sales	4	3	3
A&G	17	17	17
Total Vehicle and Work Equipment	<u>\$671</u>	<u>\$680</u>	<u>\$682</u>

1/ Based on projected plant and proposed depreciation rates.

**MONTANA-DAKOTA UTILITIES CO.  
COMPANY CONSUMPTION  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014  
(000s)**

<u>Total</u>	Per Books	Projected	
		2013	2014
Distribution	\$124	\$137	\$137
Customer Accounting	1	1	1
Sales	8	9	9
A&G	39	41	41
Total Company Consumption	<u>\$172</u>	<u>\$188</u>	<u>\$188</u>
<u>Electric</u>			
Distribution	\$63	\$63	\$63
Customer Accounting			
Sales	5	5	5
A&G	31	31	31
Total Electric	<u>\$99</u>	<u>\$99</u>	<u>\$99</u>
<u>Gas 1/</u>			
Distribution	\$61	\$74	\$74
Customer Accounting	1	1	1
Sales	3	4	4
A&G	8	10	10
Total Gas	<u>\$73</u>	<u>\$89</u>	<u>\$89</u>

1/ Reflects a 21.66% increase to reflect normalized firm general sales at current rates.

MONTANA-DAKOTA UTILITIES CO.  
UNCOLLECTIBLE ACCOUNTS  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014  
(000s)

	Per Books	Projected	
		2013 1/	2014 1/
Distribution	\$9	\$10	\$10
Customer Accounting	102	112	119
Total Uncollectible Accounts	<u>\$111</u>	<u>\$122</u>	<u>\$129</u>

1/ Based on five year average ratio of write-offs applied to projected revenues.

**MONTANA-DAKOTA UTILITIES CO.**  
**POSTAGE**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

	Per Books	Projected	
		2013 1/	2014 2/
Distribution	\$1	\$1	\$1
Customer Accounting	318	327	335
A&G	61	63	64
Total Postage	<u>\$380</u>	<u>\$391</u>	<u>\$400</u>

1/ Reflects 2.73% increase in postage rates effective January 2013.

2/ Reflects an increase of 2.3% based on three year average change in the Consumer Price Index.

**MONTANA-DAKOTA UTILITIES CO.  
SOFTWARE MAINTENANCE  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014  
(000s)**

	Per Books	Projected	
		2013	2014
Other Gas Supply	\$2	\$2	\$2
Production	1	1	1
Distribution	7	7	7
Customer Accounting	115	115	115
A&G 1/	101	184	184
Total Software Maintenance	<u>\$226</u>	<u>\$309</u>	<u>\$309</u>

1/ Projected 2013 - 2014 reflect implementation of new software maintenance programs that support or protect current software programs.

**MONTANA-DAKOTA UTILITIES CO.**  
**BUILDING RENTAL**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

	Per Books	Projected	
		2013 1/	2014 1/
Distribution	\$71	\$96	\$96
A&G	150	188	188
Total Building Rental	<u>\$221</u>	<u>\$284</u>	<u>\$284</u>

1/ Projected 2013-2014 reflect current levels.

**MONTANA-DAKOTA UTILITIES CO.  
ADVERTISING EXPENSE  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014  
(000s)**

	Per Books	Projected	
		2013 1/	2014 1/
Informational	\$91	\$89	\$89
Promotional	30		
Institutional	33	22	22
Total Advertising Expense	<u>\$154</u>	<u>\$111</u>	<u>\$111</u>

1/ Eliminates promotional advertising expense and advertising expenses not applicable to North Dakota gas operations.

**MONTANA-DAKOTA UTILITIES CO.**  
**INDUSTRY DUES**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

	Per Books	Projected	
		2013	2014
American Gas Association	\$29	\$34 2/	\$34
Bismarck-Mandan Development Association	3	3	3
Common Ground Alliance	1	0 2/	0
Consortium for Energy Efficiency	1		
Energy Solutions Center	2	3 2/	3
Forward Devils Lake Corporation	1	1 2/	1
Garrison Chamber of Commerce	1	1 2/	1
Jamestown Area Chamber of Commerce	1	1 2/	1
Midwest Energy Association	12	9 2/	9
Minot Area Chamber of Commerce	2	2 2/	2
Minot Area Development Corporation	7	2 2/	2
National Assoc. of Regulatory Utility Commissioners	1	1	1
North Dakota Petroleum Council	1	1 2/	1
Utilities Telecom Council	1	1	1
Utility Solid Waste Activities Group	2	2 2/	2
Valley Development Group		1 2/	1
Dues under \$500	5	6	6
Other/Corporate Charges 1/	28	0	0
<b>Total Industry Dues</b>	<b>\$98</b>	<b>\$68</b>	<b>\$68</b>

1/ Reflects dues not applicable to North Dakota gas operations.  
2/ Reflects actual 2013 amount.

**MONTANA-DAKOTA UTILITIES CO.  
INSURANCE EXPENSE  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014  
(000s)**

<u>Insurance Expense</u>	<u>Per Books</u>	<u>Projected</u>	
		<u>2013</u> 1/	<u>2014</u> 2/
Director's & Officer's Liability Insurance	\$26	\$27	\$28 2/
Excess Liability			
Fiduciary & Employee Benefits Liability	11	10	10 2/
Public Liab. & Property Ins. Damage of Others	218	210	221 2/
All Risk	168	160	190 3/
Blanket Crime	1	1	1 2/
Self Insurance	162	0	0
Total Insurance Expense	<u>\$586</u>	<u>\$408</u>	<u>\$450</u>

1/ Reflects insurance expense at the current level for 2013.

2/ Reflects projected increase of 5%.

3/ Reflects projected increase of 20%.

**MONTANA-DAKOTA UTILITIES CO.  
REGULATORY COMMISSION EXPENSE  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
PROJECTED 2013-2014  
(000s)**

	<u>Per Books</u>	<u>Projected</u>	
		<u>2013 1/</u>	<u>2014 1/</u>
Regulatory Commission Expense	<u>\$91</u>	<u>\$113</u>	<u>\$113</u>

1/ Reflects a three year amortization of rate case expense and an ongoing level of regulatory commission expense.

**MONTANA-DAKOTA UTILITIES CO.**  
**OTHER O&M**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

Function	Per Books O&M	Total items adjusted individually 1/	All Other	Projected	
				2013 2/	2014 2/
Other Gas Supply	\$117	\$94	\$23	\$24	\$25
Production	271	89	182	186	190
Distribution	7,668	7,763	(95)	(97)	(99)
Customer Accounting	2,159	1,954	205	210	215
Customer Service & Information	237	224	13	13	13
Sales	148	126	22	23	24
Administrative and General	6,020	5,137	883	903	924
<b>Total Other O&amp;M</b>	<b>\$16,620</b>	<b>\$15,387</b>	<b>\$1,233</b>	<b>\$1,262</b>	<b>\$1,292</b>

1/ Pages 26-27.

2/ Reflects an increase of 2.3% based on three year average change in the Consumer Price Index.

**MONTANA-DAKOTA UTILITIES CO.  
OPERATION & MAINTENANCE EXPENSE  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
(000s)**

Function	Per Books	Cost of Gas	Labor	Benefits	Subcontract Labor	Materials	Vehicles & Work Equip.	Company Consumption	Uncollectible Accounts
Cost of Gas	\$58,003	\$58,003							
Other Gas Supply	117		\$80		\$11		\$1		
Production	271		48		23	\$16	1		
Distribution	7,668		5,309		1,006	643	593	\$124	\$9
Customer Accounting	2,159		1,261		105	1	51	1	102
Customer Service & Info	237		129				4		
Sales	148		84		0		4	8	
Administrative and General	6,020		1,684	\$1,995	253	29	17	39	
Total Other O&M	16,620	0	8,595	1,995	1,398	689	671	172	111
<b>Total O&amp;M</b>	<b>\$74,623</b>	<b>\$58,003</b>	<b>\$8,595</b>	<b>\$1,995</b>	<b>\$1,398</b>	<b>\$689</b>	<b>\$671</b>	<b>\$172</b>	<b>\$111</b>

**MONTANA-DAKOTA UTILITIES CO.  
OPERATION & MAINTENANCE EXPENSE  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2012  
(000s)**

Function	Postage	Software Maintenance	Building Rental	Advertising	Industry Dues	Insurance	Regulatory Commission Expense	Total Items adjusted individually	All Other O&M
Cost of Gas								\$58,003	\$0
Other Gas Supply		\$2						94	23
Production		1						89	182
Distribution	\$1	7	\$71					7,763	(95)
Customer Accounting	318	115						1,954	205
Customer Service & Info				\$91				224	13
Sales				30				126	22
Administrative and General	61	101	150	33	\$98	\$586	\$91	5,137	883
Total Other O&M	380	226	221	154	98	586	91	15,387	1,233
<b>Total O&amp;M</b>	<b>\$380</b>	<b>\$226</b>	<b>\$221</b>	<b>\$154</b>	<b>\$98</b>	<b>\$586</b>	<b>\$91</b>	<b>\$73,390</b>	<b>\$1,233</b>

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF DEPRECIATION EXPENSE**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

	Per Books	Projected	
		2013	2014
Production	\$160	\$161	\$161
Distribution	3,000	5,326	6,001
General	177	178	161
General Intangible	55	100	112
Common	225	328	370
Common Intangible	103	348	615
Acquisition Adjustment	3	3	3
<b>Total</b>	<b>\$3,723</b>	<b>\$6,444</b>	<b>\$7,423</b>

**MONTANA-DAKOTA UTILITIES CO.**  
**ACCUMULATED RESERVE FOR DEPRECIATION**  
**GAS UTILITY - NORTH DAKOTA**  
**PROJECTED 2013**  
**(000s)**

	2012 Year End Acc. Reserve for Depr.	2013 Average Plant In Service 1/	Depreciation/ Amortization Rate 2/	2013			2013 Average Balance
				Depreciation/ Amortization Expense	Retirements/ Removal 5/	Ending Balance	
Production	\$317	\$4,833	3.33%	\$161	\$0	\$478	\$398
Distribution	59,735	122,711	4.34%	5,326	(281)	64,780	62,257
<u>General</u>							
Other	452	1,635	5.46%	89	(132)	409	431
Structures & Improvements	763	2,046	3.46%	71	(223)	611	687
Computer Equipment	20	92	19.20%	18	(6)	32	26
Vehicles	2,236	3,191	0.80%	26	(655)	1,607	1,921
Work Equipment	450	2,716	0.67%	18	(132)	336	393
Total General	3,921	9,680		222	(1,148)	2,995	3,458
General Intangible	438	3,582	3/	100	0	538	488
<u>Common</u>							
Other	720	2,091	4.92%	103	(59)	764	742
Structures & Improvements	2,166	5,858	2.25%	132	(177)	2,121	2,144
Computer Equipment	223	603	15.49%	93	(18)	298	260
Vehicles	510	840	4.08%	34	(42)	502	506
Total Common	3,619	9,392		362	(296)	3,685	3,652
Common Intangible	2,878	7,196	3/	348	0	3,226	3,052
Acquisition Adjustment	55	97	4/	3		58	57
Total Gas Plant in Service	<u>\$70,963</u>	<u>\$157,491</u>		<u>\$6,522</u>	<u>(\$1,725)</u>	<u>\$75,760</u>	<u>\$73,362</u>
Depreciation Expense				<u>\$6,444</u>	6/		

1/ Statement N, page 3.

2/ Composite depreciation rates by function, Statement I, pages 3-7.

3/ Amortized by each item within the intangible account.

4/ Amortized.

5/ Based on the three year average of retirements.

6/ Excludes depreciation on vehicles and work equipment, which are charged to a clearing account.

**MONTANA-DAKOTA UTILITIES CO.**  
**ACCUMULATED RESERVE FOR DEPRECIATION**  
**GAS UTILITY - NORTH DAKOTA**  
**PROJECTED 2014**  
**(000s)**

	2013 Acc. Reserve for Depr.	2014 Average Plant In Service 1/	Depreciation/ Amortization Rate 2/	2014			2014 Average Balance
				Depreciation/ Amortization Expense	Retirements/ Removal 5/	Ending Balance	
Production	\$478	\$4,833	3.33%	\$161	\$0	\$639	\$559
Distribution	64,780	138,276	4.34%	6,001	(304)	70,477	67,628
<u>General</u>							
Other	409	1,542	5.46%	84	(120)	373	391
Structures & Improvements	611	1,778	3.46%	62	(179)	494	553
Computer Equipment	32	80	19.20%	15	(9)	38	35
Vehicles	1,607	3,150	0.80%	25	(471)	1,161	1,384
Work Equipment	336	2,803	0.67%	19	(98)	257	296
Total General	2,995	9,353		205	(877)	2,323	2,659
General Intangible	538	3,705	3/	112	0	650	594
<u>Common</u>							
Other	764	2,142	4.92%	105	(62)	807	786
Structures & Improvements	2,121	7,299	2.25%	164	(173)	2,112	2,116
Computer Equipment	298	652	15.49%	101	(24)	375	337
Vehicles	502	932	4.08%	38	(41)	499	500
Total Common	3,685	11,025		408	(300)	3,793	3,739
Common Intangible	3,226	11,080	3/	615	0	3,841	3,534
Acquisition Adjustment	58	97	4/	3		61	59
Total Gas Plant in Service	<u>\$75,760</u>	<u>\$178,369</u>		<u>\$7,505</u>	<u>(\$1,481)</u>	<u>\$81,784</u>	<u>\$78,772</u>
Depreciation Expense				<u>\$7,423</u>	6/		

1/ Statement N, page 3.

2/ Composite depreciation rates by function, Statement I, page 3-7.

3/ Amortized by each item within the intangible account.

4/ Amortized.

5/ Based on the three year average of retirements.

6/ Excludes depreciation on vehicles and work equipment, which are charged to a clearing account.

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF TAXES OTHER THAN INCOME**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2012**  
**PROJECTED 2013 - 2014**  
**(000s)**

Type of Tax	Per Books	Projected	
		2013	2014
Ad Valorem			
Production	\$125	\$127	\$127
Distribution	643	603	679
General	58	43	41
Common	55	54	63
Intangible	17	20	28
Total Ad Valorem Taxes	<u>898</u>	<u>847</u>	<u>938</u>
O&M Related Taxes - Other			
Payroll Taxes	653	684	708
Franchise Taxes	17	17	17
Delaware Franchise	30	30	30
Total O&M Related Taxes	<u>700</u>	<u>731</u>	<u>755</u>
Other			
Secretary of State	1	1	1
Total Other	<u>1</u>	<u>1</u>	<u>1</u>
Total Taxes Other Than Income	<u>\$1,599</u>	<u>\$1,579</u>	<u>\$1,694</u>

**MONTANA-DAKOTA UTILITIES CO.  
AD VALOREM TAXES  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2013 - 2014  
(000s)**

Function	Effective Tax Rate	Projected 2013		Projected 2014	
		Plant Balance	Ad Valorem Tax	Plant Balance	Ad Valorem Tax
Production	2.6257%	\$4,833	\$127	\$4,833	\$127
Distribution	0.4909%	122,808	603	138,373	679
General	0.4436%	9,680	43	9,353	41
Common	0.5747%	9,392	54	11,025	63
Intangible	0.1882%	10,778	20	14,785	28
Total		<u>\$157,491</u>	<u>\$847</u>	<u>\$178,369</u>	<u>\$938</u>

**MONTANA-DAKOTA UTILITIES CO.  
AD VALOREM TAXES  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2012**

Function	Avg. Plant Balance @ 12/31/2012	Ad Valorem Tax @ 12/31/2012	Effective Tax Rate	Projected Effective Tax Rate 2/
Production	\$4,770,840	\$125,269	2.6257%	2.6257%
Distribution	98,231,591	642,974	0.6545%	0.4909%
General	9,860,441	58,311	0.5914%	0.4436%
Common	7,182,878	55,036	0.7662%	0.5747%
Intangible 1/	6,538,199	16,407	0.2509%	0.1882%
Total	<u>\$126,583,949</u>	<u>\$897,997</u>		

1/ General and common intangible.

2/ Reflects ad valorem tax reduction of 25% in North Dakota.

**MONTANA-DAKOTA UTILITIES CO.  
PAYROLL TAXES  
GAS UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
PROJECTED 2013 - 2014  
(000s)**

	Per Books	Projected (000's)	
		2013	2014
Labor Expense	\$8,594,974	\$9,016	\$9,324
Payroll Taxes	652,676	\$684	\$708
% Payroll Taxes to Labor	7.59%		

**MONTANA-DAKOTA UTILITIES CO.  
CALCULATION OF INCOME TAXES  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2013 - 2014  
(000s)**

	Projected	
	2013	2014
<b>Operating Revenues</b>		
Sales Revenues	\$99,616	\$105,223
Transportation Revenue	1,849	1,866
Other Revenues	1,241	1,247
Total Operating Revenues	<u>102,706</u>	<u>108,336</u>
<b>Operating Expenses</b>		
Operation and Maintenance		
Cost of Gas	75,351	79,840
Other O&M	17,308	17,665
Total O&M	<u>92,659</u>	<u>97,505</u>
Depreciation and Amortization Expense	6,444	7,423
Taxes other Than Income	1,579	1,694
Total Operating Expenses	<u>100,682</u>	<u>106,622</u>
<b>Gross Operating Income</b>	2,024	1,714
Deductions and Adjustments to Book Income:		
Interest 1/	1,833	2,201
Total Adjustments to Taxable Income	<u>1,833</u>	<u>2,201</u>
Taxable Income	191	(487)
Federal & State Income Taxes	72	(185)
Full Normalization	(102)	(102)
Total Income Taxes	<u><u>(\$30)</u></u>	<u><u>(\$287)</u></u>

1/ Page 36.

**MONTANA-DAKOTA UTILITIES CO.  
INTEREST EXPENSE  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2013 - 2014**

	Projected	
	2013	2014
Rate Base 1/	\$65,754	\$79,244
Weighted Cost of Debt 2/	2.787%	2.778%
Interest Expense	<u>\$1,833</u>	<u>\$2,201</u>

1/ Statement N, page 1.

2/ Statement F, page 1.

**MONTANA-DAKOTA UTILITIES CO.**  
**AVERAGE RATE BASE**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

	2012	Projected		Reference
		2013	2014	
Gas Plant in Service	\$126,584	\$157,491 1/	\$178,369 1/	Page 2
Accumulated Reserve for Depreciation	69,690	73,362	78,772	Page 10
Net Gas Plant in Service	56,894	84,129	99,597	
CWIP in Service Pending Reclassification	4,785			Statement C
Total Gas Plant in Service	61,679	84,129	99,597	
<b>Additions</b>				
Materials and Supplies	1,564	2,260	2,260	Page 12
Fuel Stock	46	35	35	Page 13
Prepayments	33	167	193	Page 14
Unamortized Loss on Debt	598	630	629	Page 15
Gain on Sale of Williston Office	0	(145)	(282)	Page 16
Total Additions	2,241	2,947	2,835	
Total Before Deductions	\$63,920	\$87,076	\$102,432	
<b>Deductions</b>				
Accumulated Deferred Income Taxes	11,027	14,742	16,608	Page 18
Accumulated Investment Tax Credits	3	0	0	Statement K
Customer Advances	4,845	6,580	6,580	Page 17
Total Deductions	15,875	21,322	23,188	
Total Rate Base	<u>\$48,045</u>	<u>\$65,754</u>	<u>\$79,244</u>	

1/ Includes CWIP in service by function.

**MONTANA-DAKOTA UTILITIES CO.**  
**PLANT IN SERVICE**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

	Year End 2012 1/	Projected 2013 2/	Average 2013 2/	Projected 2014 2/	Average 2014 2/
Production	\$4,833	\$4,833	\$4,833	\$4,833	\$4,833
Distribution	112,814	132,608	122,711	143,944	138,276
General	9,986	9,373	9,680	9,333	9,353
Intangible Plant - General	3,556	3,607	3,582	3,802	3,705
Common	8,079	10,705	9,392	11,346	11,025
Intangible Plant - Common	3,761	10,632	7,196	11,528	11,080
Acquisition Adjustment	97	97	97	97	97
Total	<u>\$143,126</u>	<u>\$171,855</u>	<u>\$157,491</u>	<u>\$184,883</u>	<u>\$178,369</u>

1/ Includes CWIP in Service at year end.

2/ Page 3.

**MONTANA-DAKOTA UTILITIES CO.**  
**PLANT IN SERVICE**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

	Year End	2013			Average	2014			Average
	2012 1/	Additions 2/	Retirements 3/	Balance	2013	Additions 2/	Retirements 3/	Balance	2014
Production	\$4,833		\$0	\$4,833	\$4,833		\$0	\$4,833	\$4,833
Distribution	112,814	\$20,121	(327)	132,608	122,711	\$11,721	(385)	143,944	138,276
<b>General</b>									
Other	1,664	161	(218)	1,607	1,635	82	(211)	1,478	1,542
Structures & Improvements	2,190		(287)	1,903	2,046		(250)	1,653	1,778
Computer Equipment	98		(13)	85	92		(11)	74	80
Vehicles	3,272	266	(429)	3,109	3,191	490	(408)	3,191	3,150
Work Equipment	2,762	269	(362)	2,669	2,716	618	(350)	2,937	2,803
Total General	9,986	696	(1,309)	9,373	9,680	1,190	(1,230)	9,333	9,353
General Intangible	3,556	51	0	3,607	3,582	195	0	3,802	3,705
<b>Common</b>									
Other	2,046	163	(73)	2,136	2,091	90	(77)	2,149	2,142
Structures & Improvements	4,656	2,572	(167)	7,061	5,858	729	(253)	7,537	7,299
Computer Equipment	577	72	(21)	628	603	71	(23)	676	652
Vehicles	800	109	(29)	880	840	136	(32)	984	932
Total Common	8,079	2,916	(290)	10,705	9,392	1,026	(385)	11,346	11,025
Common Intangible	3,761	6,871	0	10,632	7,196	896	0	11,528	11,080
Acquisition Adjustment	97		0	97	97		0	97	97
<b>Total Gas Plant in Service</b>	<b>\$143,126</b>	<b>\$30,655</b>	<b>(\$1,926)</b>	<b>\$171,855</b>	<b>\$157,491</b>	<b>\$15,028</b>	<b>(\$2,000)</b>	<b>\$184,883</b>	<b>\$178,369</b>

1/ Includes CWIP in Service by function.

2/ Page 4.

3/ Based on three year average of retirements.

**MONTANA-DAKOTA UTILITIES CO.  
SUMMARY - PLANT ADDITIONS  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2013-2014**

	Projected	
	2013 1/	2014 2/
Distribution	\$20,120,819	\$11,720,888
General		
Other	\$160,731	\$82,002
Vehicles	266,451	490,062
Work Equipment	269,303	618,257
Total General	<u>\$696,485</u>	<u>\$1,190,321</u>
General Intangible	\$50,508	\$194,791
Common		
Other	\$163,644	\$89,956
Structures & Improvements	2,571,738	728,526
Computer Equipment	71,703	71,509
Vehicles	109,020	135,649
Total Common	<u>\$2,916,105</u>	<u>\$1,025,640</u>
Common Intangible	\$6,871,131	\$896,202
Total Additions	<u><u>\$30,655,048</u></u>	<u><u>\$15,027,842</u></u>

1/ Pages 5-7.

2/ Pages 8-9.

**MONTANA-DAKOTA UTILITIES CO.  
PLANT ADDITIONS  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2013**

<u>Project No.</u>	<u>Account</u>	<u>Description</u>	<u>Region</u>	<u>Amount</u>
		<u>Distribution</u>		
B12330G	376	Mains Growth	Dakota Heartland	\$823,353
B12330R	376	Mains Replace	Dakota Heartland	134,115
B15330G	376	Mains Growth	Badlands	1,392,093
B15330R	376	Mains Replace	Badlands	112,755
J177075	376	Replace Steel Main - Belfield	Badlands	45,908
J177076	376	Replace Main - Taylor	Badlands	32,136
J177077	376	Replace Main - Richardton	Badlands	32,114
J190244	376	Dickinson West 12" IP Loop Line	Badlands	(896,541)
J190576	376	Main Installation- MAFB- 3 bay munitions maint.	Dakota Heartland	15,000
J193626	376	Install 4" loop NE Minot	Dakota Heartland	86,894
J193629	376	Install main - Berthold lateral - IP	Dakota Heartland	545,031
J193779	376	Install main - Bowman loop	Badlands	110,613
J193780	376	Install main - Stanley loop	Badlands	389,317
J193794	376	Uprate S. Bismarck 60# MAOP	Dakota Heartland	192,978
J193797	376	Install 12" IP main loop - East Williston	Badlands	2,502,555
J194430	376	Install 4 miles IP main - Watford City	Badlands	227,258
J196343	376	Install 8000' main - West Ridge Center Dickinson	Badlands	75,000
J196495	376	Install main - Bakken	Badlands	222,234
J196506	376	Pheasant Run - Phase I	Dakota Heartland	5,529
J196507	376	Install 14,000' main - Koch Meadows, Dickinson	Badlands	130,000
J196778	376	Statesboro Addition - Northern Lights	Dakota Heartland	(1,427)
J199071	376	4" main extension Sierra Ridge	Badlands	70,000
J199463	376	Install 1.25"(P) main - Gladstone	Badlands	2,103
J200169	376	Heidrich Addition Loop - Minot	Dakota Heartland	201,514
	376	SW Crossings - Mains	Dakota Heartland	60,000
	376	Bolton Heights Addition	Dakota Heartland	152,900
	376	Washington Square	Dakota Heartland	41,300
	376	Highlands at North Hill	Dakota Heartland	75,000
	376	Countryside - Berthold	Dakota Heartland	200,000
	376	Spring Lake Apt.	Dakota Heartland	75,000
	376	Water Main Replacement	Dakota Heartland	30,000
J194883	376	Williston SW Industrial Loop	Badlands	120,000
B12334	378	Measuring & Regulating Equipment	Dakota Heartland	53,706
B15334	378	Measuring & Regulating Equipment	Badlands	269,303
J193789	379	Upgrade Williston border #3	Badlands	55,033
J190248	379	Dickinson West Border Station	Badlands	73,134
J190615	379	Install and Upgrades of TBS	Badlands	6,118,890
J193805	379	Town border upgrades	Badlands	548,824
J194050	379	Install SW Williston TBS	Badlands	429,698
B12333	380	Service Lines	Dakota Heartland	1,722,957
B15333	380	Service Lines	Badlands	2,040,792
J190602	380	Misc. Replacements-MAFB	Dakota Heartland	22,000
J195312	380	Install Service Lines- 5 Diamond Industrial Park	Badlands	3,480
	380	Farm Service Line	Dakota Heartland	24,000
J194842	380	Install 10 Commercial Service Lines	Badlands	5,546

**MONTANA-DAKOTA UTILITIES CO.  
PLANT ADDITIONS  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2013**

<u>Project No.</u>	<u>Account</u>	<u>Description</u>	<u>Region</u>	<u>Amount</u>
B90031	381	Meters	General Office	930,516
J177155	381	Install ERTS	General Office	56,281
B90032	383	Regulators	General Office	175,302
J188087	383	Install Regulation- Bakken Industrial Park	Badlands	206,202
J196048	383	Install 5 new distribution reg. stations	Badlands	78,087
B12335, B15335	387.1	Cathodic Protection	DH/BL	102,336
		Total Distribution		<u>\$20,120,819</u>
		<u>General</u>		
B90038	392.2	Gas Vehicles	General Office	\$266,451
J193624	394.1	Crane Welding Shop Bismarck	Dakota Heartland	25,263
B12343, B15343	394.1	Minor Work Equipment	DH/BL	93,473
B90039	396.2	Gas Work Equipment	General Office	269,303
J193663	397.3	Install Mobile Mounts	General Office	22,795
B12344	397.1	Communication Equip	Dakota Heartland	19,200
		Total General		<u>\$696,485</u>
		<u>General Intangible</u>		
J177214	303	GPS Based Leak Survey Software	General Office	\$38,063
J177305	303	Purchase Gas Management System	General Office	12,445
		Total General Intangible		<u>\$50,508</u>
		<u>Common</u>		
J176898	390	Build Williston Office	Badlands	\$2,367,900
J177019	390	Replace Windows in Annex	General Office	17,977
J193603	390	Replace Card Access	General Office	7,687
J193766	390	Replace Jamestown Warehouse Windows/Doors	Dakota Heartland	35,522
J193774	390	Replace Remote Gates BSC	Dakota Heartland	14,515
J193855	390	Replace Mobile File Unit- Williston	Badlands	8,537
J193859	390	Replace Office Furniture - Williston	Badlands	119,600
J193951	391.1	Williston Video Conferencing	Badlands	1,320
B12342, B12382, B15382, B90082	391.1	Office Equipment	DH/GO/BL	26,408
B90080	391.3	Personal Computers	General Office	39,333
J144522	391.3	Toughbook Replacement- MobileUP	General Office	32,370
B90078	392.2	Vehicles	General Office	109,020
J193869	394.1	Replace Power Washer- Williston	Badlands	1,583
J195371	394.1	Purchase Mechanic Oil Containers	Badlands	1,320
B12383, B15383, B90083	394.1	Minor Work Equipment	DH/GO/BL	14,021
B12384, B15384, B90081	397.1	Communication Equip	DH/GO/BL	77,060
J193823	397.3	Purchase Call Rec System- Credit Center	General Office	11,388
J193825	397.3	Purchase Cisco VOIP	General Office	14,673
B90081	397.8	Network Equipment	General Office	2,200
J176892	398	Purchase Endpoint Link Pro	General Office	13,671
		Total Common		<u>\$2,916,105</u>

**MONTANA-DAKOTA UTILITIES CO.  
PLANT ADDITIONS  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2013**

<u>Project No.</u>	<u>Account</u>	<u>Description</u>	<u>Region</u>	<u>Amount</u>
		<u>Common Intangible</u>		
J165746	303	Replace Mobile Workforce Software	General Office	\$46,896
J172806	303	Replace Customer Information System	General Office	6,586,411
J176833	303	Purchase/Install Work Management Application	General Office	52,711
J177281	303	Upgrade Powerplan/Tax/Budget software	General Office	42,925
J177297	303	Upgrade Imagerps with Image Exchange	General Office	6,930
J181432	303	Purchase IVR-Web Direct	General Office	29,555
J193716	303	Purchase Environmental Comp Software	General Office	9,964
J193902	303	Upgrade GIS Enhancement	General Office	22,159
J193905	303	Upgrade Outage Management System	General Office	73,580
		Total Common Intangible		<u>\$6,871,131</u>
		Total Plant Additions		<u><u>\$30,655,048</u></u>

**MONTANA-DAKOTA UTILITIES  
PLANT ADDITIONS  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2014**

<u>Project No.</u>	<u>Account</u>	<u>Description</u>	<u>Region</u>	<u>Amount</u>
		<u>Distribution</u>		
B12330G	376	Mains Growth	Dakota Heartland	\$1,055,300
B12330R	376	Mains Replace	Dakota Heartland	196,274
B15330G	376	Mains Growth	Badlands	1,416,439
B15330R	376	Mains Replace	Badlands	34,254
	376	SW Crossings - Mains	Dakota Heartland	60,000
	376	Countryside - Berthold	Dakota Heartland	145,000
	376	Southgate - Phase II	Dakota Heartland	25,000
B12334	378	Measuring & Regulating Equipment	Dakota Heartland	81,892
B15334	378	Measuring & Regulating Equipment	Badlands	136,966
	379	TBS and Lateral	Badlands	3,000,000
B12333	380	Service Lines	Dakota Heartland	2,291,455
B15333	380	Service Lines	Badlands	2,075,798
B90031	381	Meters	General Office	946,180
B90032	383	Regulators	General Office	178,150
B12335, B15335	387.1	Cathodic Protection	DH/BL	78,180
		Total Distribution		<u>\$11,720,888</u>
		<u>General</u>		
B90038	392.2	Gas Vehicles	General Office	\$490,062
B12343, B15343	394.1	Minor Work Equipment	DH/BL	64,503
B90039	396.2	Gas Work Equipment- Comp		413,152
J193909	396.2	Purchase Bore Machine- Dickinson	Badlands	205,105
J193667	397.1	Replace Mobile Collectors	General Office	12,436
B12344	397.1	Communication Equip	Dakota Heartland	5,063
		Total General		<u>\$1,190,321</u>
		<u>General Intangible</u>		
J177214	303	GPS Based Leak Survey Software	General Office	\$64,846
J177305	303	Purchase Gas Management System	General Office	94,171
J193668	303	Purchase Meter Data Management	General Office	35,774
		Total General Intangible		<u>\$194,791</u>
		<u>Common</u>		
J177019	390	Replace Windows in Annex	General Office	\$18,163
	390	Build Watford City Office	Badlands	710,363
B12342, B12382, B15382	391.1	Office Equipment	DH/BL	5,584
B90080	391.3	Personal Computers	General Office	34,901
J144522	391.3	Toughbook Replacement- MobileUP	General Office	36,608
B90078	392.2	Vehicles	General Office	135,649
B12383, B15383, B90083	394.1	Minor Work Equipment	DH/GO/BL	11,778
J193825	397.1	Purchase Cisco VOIP	General Office	10,040

**MONTANA-DAKOTA UTILITIES  
PLANT ADDITIONS  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2014**

<u>Project No.</u>	<u>Account</u>	<u>Description</u>	<u>Region</u>	<u>Amount</u>
B12384, B15384, B90084 B90081	397.1  397.8	Communication Equipment  Network Equipment Total Common	DH/GO/BL  General Office	60,381  2,173 <u>\$1,025,640</u>
<u>Common Intangible</u>				
J172806	303	Replace Customer Information System	General Office	\$638,245
J176833	303	Purchase/Install Work Mgmt. Application	General Office	62,053
J177212	303	Work Asset Management	General Office	41,704
J181432	303	Purchase IVR-Web Direct	General Office	50,289
J193902	303	GIS Enhancement	General Office	24,060
J193905	303	Outage Management System	General Office	79,851
		Total Common Intangible		<u>\$896,202</u>
		Total Plant Additions		<u><u>\$15,027,842</u></u>

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF ACCUMULATED RESERVE FOR DEPRECIATION**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

	2012	Projected 2013 1/	Average 2013	Projected 2014 2/	Average 2014
Production	\$317	\$478	\$398	\$639	\$559
Distribution	59,735	64,780	62,257	70,477	67,628
General	3,921	2,995	3,458	2,323	2,659
General Intangible	438	538	488	650	594
Common	3,619	3,685	3,652	3,793	3,739
Common Intangible	2,878	3,226	3,052	3,841	3,534
Acquisition Adjustment	55	58	57	61	59
<b>Total</b>	<b><u>\$70,963</u></b>	<b><u>\$75,760</u></b>	<b><u>\$73,362</u></b>	<b><u>\$81,784</u></b>	<b><u>\$78,772</u></b>

1/ Statement M, page 29.

2/ Statement M, page 30.

**MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF WORKING CAPITAL AND  
CUSTOMER ADVANCES FOR CONSTRUCTION  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2013-2014  
(000s)**

<u>Working Capital</u>	2012	Projected	
		2013	2014
Materials and Supplies	\$1,564	\$2,260	\$2,260
Fuel Stocks	46	35	35
Prepayments	33	167	193
Unamortized Loss on Debt	598	630	629
Gain on Sale of Williston Office	0	(145)	(282)
Total Working Capital	<u>\$2,241</u>	<u>\$2,947</u>	<u>\$2,835</u>
Customer Advances for Construction	<u>\$4,845</u>	<u>\$6,580</u>	<u>\$6,580</u>

**MONTANA-DAKOTA UTILITIES CO.**  
**MATERIALS AND SUPPLIES**  
**GAS UTILITY - NORTH DAKOTA**  
**PROJECTED 2013-2014**  
(000s)

	2012	Projected 1/	
		2013	2014
December 2011	\$1,027	\$2,100	
January 2012	1,019	2,015	
February	1,031	2,030	
March	1,117	1,885	
April	1,398	1,990	
May	2,181	2,223	
June	2,348	2,395	
July	2,458	2,507	
August	2,499	2,549	
September	2,480	2,530	
October	2,458	2,507	
November	2,461	2,510	
December	2,100	2,142	
Beginning and Ending Average	\$1,564		
13 Month Average		\$2,260	\$2,260

1/ Actuals through May 2013. June-December reflect a 2% increase from prior year.

**MONTANA-DAKOTA UTILITIES CO.**  
**FUEL STOCKS**  
**GAS UTILITY - NORTH DAKOTA**  
**PROJECTED 2013-2014**  
**(000S)**

	2012	Projected	
		2013	2014
December 2011	\$30		
January 2012	29		
February	26		
March	44		
April	21		
May	36		
June	26		
July	29		
August	43		
September	24		
October	30		
November	53		
December	63		
Beginning and Ending Average	\$46		
13 Month Average		<u>\$35</u>	<u>\$35</u>

**MONTANA-DAKOTA UTILITIES CO.**  
**PREPAYMENTS**  
**GAS UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

	2012	Projected 1/	
		2013	2014
December 2011	\$35	\$31	\$33
January 2012	302	350	406
February	278	318	369
March	250	285	331
April	221	253	293
May	195	221	256
June	168	188	219
July	140	156	181
August	112	124	144
September	85	91	106
October	64	59	69
November	59	65	70
December	31	33	33
Beginning and Ending Average	\$33		
13 Month Average		<u>\$167</u>	<u>\$193</u>

1/ Actuals through May 2013. June 2013- December 2014 are based on projected insurance expenses.

**MONTANA-DAKOTA UTILITIES CO.**  
**UNAMORTIZED GAIN(LOSS) ON DEBT**  
**GAS UTILITY - NORTH DAKOTA**  
**FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

	2012	2013		Average 2013	2014		Average 2014
		Amortization 1/	Balance		Amortization	Balance	
Unamortized Loss on Debt	\$598	\$63	\$661	\$630	(\$64)	\$597	\$629

1/ Reflects a reallocation of balance and current amortization.

**MONTANA-DAKOTA UTILITIES CO.**  
**GAIN ON SALE OF WILLISTON OFFICE**  
**GAS UTILITY - NORTH DAKOTA**  
**FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

	2012	2013			Average 2013	2014		Average 2014
		Additions 1/	Amortization	Balance		Amortization 2/	Balance	
Gain on Sale of Williston Office	\$0	(\$289)	\$0	(\$289)	(\$145)	\$14	(\$275)	(\$282)

1/ Gain on sale of Williston Office of \$1.1 million, allocated to North Dakota gas.

2/ Amortized over 20 years, beginning in 2014.

**MONTANA-DAKOTA UTILITIES CO.**  
**CUSTOMER ADVANCES FOR CONSTRUCTION**  
**GAS UTILITY - NORTH DAKOTA**  
**PROJECTED 2013-2014**  
**(000s)**

	<u>2012</u>	<u>2013 1/</u>	<u>2014</u>
December 2011	\$3,348	\$6,342	
January 2012	3,316	6,303	
February	3,310	6,349	
March	3,310	6,346	
April	3,371	6,411	
May	4,489	6,724	
June	4,506	6,724	
July	4,506	6,724	
August	4,643	6,724	
September	5,538	6,724	
October	5,761	6,724	
November	6,027	6,724	
December	6,342	6,724	
Beginning and Ending Average	\$4,845		
13 Month Average		<u>\$6,580</u>	<u>\$6,580</u>

1/ Actuals through May 2013. June - December projection remains constant.

**MONTANA-DAKOTA UTILITIES CO.  
ACCUMULATED DEFERRED INCOME TAXES  
ACCUMULATED INVESTMENT TAX CREDITS  
GAS UTILITY - NORTH DAKOTA  
PROJECTED 2013-2014  
(000s)**

	2012	Projected 2013			Projected 2014		
		Changes	Balance	Average	Changes	Balance	Average
<u>Accumulated Deferred Income Taxes</u>							
Liberalized Depreciation	\$13,970	\$5,261 1/	\$19,231	\$16,601	(\$1,418) 1/	\$17,813	\$18,522
Full Normalization	902	(102) 2/	800	851	(102) 2/	698	749
Contribution in Aid of Construction	(560)		(560)	(560)		(560)	(560)
Customer Advances	(2,432)		(2,432)	(2,432)		(2,432)	(2,432)
Unamortized Loss on Debt	241	11 3/	252	247	(25) 3/	227	240
Gain on Sale of Williston Office	0	110 4/	110	55	(5) 4/	105	108
Acquisition Adjustment	(20)	1 5/	(19)	(20)	1 5/	(18)	(19)
Balance	<u>\$12,101</u>	<u>\$5,281</u>	<u>\$17,382</u>	<u>\$14,742</u>	<u>(\$1,549)</u>	<u>\$15,833</u>	<u>\$16,608</u>
<u>Accumulated Investment Tax Credits</u>							
Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

1/ Page 19.

2/ Statement M, page 35.

3/ Page 20.

4/ Page 21.

5/ Statement K, page 3.

**MONTANA-DAKOTA UTILITIES CO.**  
**CHANGES IN ACCUMULATED DEFERRED INCOME TAXES**  
**RELATED TO PLANT IN SERVICE**  
**GAS UTILITY - NORTH DAKOTA**  
**PROJECTED 2013-2014**  
**(000s)**

	Projected	
	2013	2014
Plant related tax deductions		
Book depreciation	(\$6,522)	(\$7,505)
Tax Depreciation		
2013 Plant additions	12,312	114
2014 Plant additions		1,212
Prior vintages	8,075	2,442
Total tax deductions	<u>\$13,865</u>	<u>(\$3,737)</u>
Changes in Accumulated		
Deferred income taxes @ 37.9445%	<u>\$5,261</u>	<u>(\$1,418)</u>

**MONTANA-DAKOTA UTILITIES CO.**  
**ACCUMULATED DEFERRED INCOME TAXES ON**  
**UNAMORTIZED GAIN(LOSS) ON DEBT**  
**GAS UTILITY - NORTH DAKOTA**  
**FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

	2012	2013	Average	2014	Average
		Amortization 1/	2013	Amortization	2014
			Balance		Balance
Unamortized Loss on Debt	\$241	\$11	\$252	(\$25)	\$227
			\$247		\$240

1/ Reflects a reallocation of balance and current amortization.

**MONTANA-DAKOTA UTILITIES CO.**  
**ACCUMULATED DEFERRED INCOME TAXES ON**  
**GAIN ON SALE OF WILLISTON OFFICE**  
**GAS UTILITY - NORTH DAKOTA**  
**FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2012**  
**PROJECTED 2013-2014**  
**(000s)**

	2012	Additions 1/	2013 Amortization	Balance	Average 2013	2014 Amortization 2/	Balance	Average 2014
Unamortized Loss on Debt	\$0	\$110	\$0	\$110	\$55	(\$5)	\$105	\$108

1/ Deferred income taxes on the gain of the sale of the Williston Office, \$1.1 million, allocated to North Dakota gas.

2/ Amortized over 20 years, beginning in 2014.

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
Embedded Class Cost of Service Study  
Cost of Service by Component  
Projected 2014**

	Total North Dakota	Residential			Total Residential
		Demand	Energy	Customer	
Projected Rate Base	79,244	16,691	0	32,177	48,868
Operating Income for Proposed Return	6,245	1,315	0	2,536	3,851
Projected Operating Income	2,001	(2,003)	4,048	(1,820)	225
Increase in Operating Income	4,244	3,318	(4,048)	4,356	3,626
Related Taxes for Increase					
Federal Income	2,595	2,029	(2,475)	2,663	2,217
Total Increase in Revenue	6,839	5,347	(6,523)	7,019	5,843
Projected Revenue Before Increase	108,336	9,835	38,233	10,142	58,210
Total Cost of Service Required from Rates:	114,384	15,037	31,708	16,813	63,558
Less Projected Cost of Gas	79,840	9,695	31,471	0	41,166
Net Distribution Cost of Service	34,430	5,342	237	16,813	22,392
Return on Rate Base Before Increase	2.525%				0.460%
Projected Billing Units	103,505			89,713	
Bills	1,242,060			1,076,556	
Dk	22,261,875	8,285,778	8,285,778		
Unit Cost of Service					
Energy cost per Dk			\$0.03		
Demand cost per Dk		\$0.640			
Customer Cost Per Month				\$15.62	

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Cost of Service by Component**  
**Projected 2014**

	Small Firm General			Total Small Firm General	Large Firm General			Total Large Firm General
	Demand	Energy	Customer		Demand	Energy	Customer	
Projected Rate Base	3,943	0	3,954	7,897	8,505	0	5,083	13,588
Operating Income for Proposed Return	311	0	312	623	670	0	401	1,071
Projected Operating Income	(471)	633	136	298	(1,008)	1,641	222	855
Increase in Operating Income	782	(633)	176	325	1,678	(1,641)	179	216
Related Taxes for Increase Federal Income	478	(387)	108	199	1,026	(1,003)	109	132
Total Increase in Revenue	1,260	(1,020)	284	524	2,704	(2,644)	288	348
Projected Revenue Before Increase	2,436	7,545	1,899	11,880	5,644	20,268	2,523	28,435
Total Cost of Service Required from Rates:	3,661	6,524	2,138	12,323	8,274	17,623	2,755	28,652
Less Projected Cost of Gas	2,403	6,475	0	8,878	5,573	17,495	0	23,068
Net Distribution Cost of Service	1,258	49	2,138	3,445	2,701	128	2,755	5,584
Return on Rate Base Before Increase				3.774%				6.292%
Projected Billing Units			9,769			3,862		
Bills			117,228			46,344		
Dk	1,787,104	1,787,104			4,642,827	4,642,827		
Unit Cost of Service								
Energy cost per Dk		\$0.03			\$0.580	\$0.03		
Demand cost per Dk	\$0.700							
Customer Cost Per Month			\$18.24				\$59.45	

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Cost of Service by Component**  
**Projected 2014**

	Air Force Delivery			Total Air Force Delivery	Small Interruptible			Total Small Interruptible	
	Demand	Energy	Customer		Demand	Energy	Customer		
Projected Rate Base	129	0	65	194	3,784	0	466	4,250	
Operating Income for Proposed Return	10	0	5	15	298	0	37	335	
Projected Operating Income	(17)	40	(25)	(2)	(469)	529	(3)	57	
Increase in Operating Income	27	(40)	30	17	767	(529)	40	278	
Related Taxes for Increase Federal Income	17	(24)	18	11	469	(323)	24	170	
Total Increase in Revenue	44	(64)	48	28	1,236	(852)	64	448	
Projected Revenue Before Increase	167	2,125	18	2,310	408	4,960	224	5,592	
Total Cost of Service Required from Rates:	209	2,061	63	2,333	1,608	4,108	282	5,998	
Less Projected Cost of Gas	175	2,044	0	2,219	352	4,058	0	4,410	
Net Distribution Cost of Service	34	17	63	114	1,256	50	282	1,588	
Return on Rate Base Before Increase								-1.031%	1.341%
Projected Billing Units			3			150			
Bills			36			1,800			
Dk	552,500	552,500			2,158,468	2,158,468			
Unit Cost of Service									
Energy cost per Dk		\$0.03			\$0.580	\$0.02			
Demand cost per Dk	\$0.060								
Customer Cost Per Month			\$1,750.00				\$156.67		

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Cost of Service by Component**  
**Projected 2014**

	Large Interruptible			Total Large Interruptible	Minot Air Force Base Distribution			Total MAFB Distribution
	Demand	Energy	Customer		Demand	Energy	Customer	
Projected Rate Base	2,696	0	655	3,351	753	0	343	1,096
Operating Income for Proposed Return	212	0	52	264	59	0	27	86
Projected Operating Income	(222)	713	(72)	419	(115)	0	264	149
Increase in Operating Income	434	(713)	124	(155)	174	0	(237)	(63)
Related Taxes for Increase								
Federal Income	265	(436)	76	(95)	106	0	(145)	(39)
Total Increase in Revenue	699	(1,149)	200	(250)	280	0	(382)	(102)
Projected Revenue Before Increase	29	1,340	75	1,444	7	0	458	465
Total Cost of Service Required from Rates:	707	190	269	1,166	280	0	74	354
Less Projected Cost of Gas	8	91	0	99	0	0	0	0
Net Distribution Cost of Service	699	99	269	1,067	280	0	74	354
Return on Rate Base Before Increase				12.504%				13.595%
Projected Billing Units			8					0
Bills			96					12
Dk	4,835,198	4,835,198						
Unit Cost of Service								
Energy cost per Dk		\$0.02						
Demand cost per Dk	\$0.140							
Customer Cost Per Month			\$2,802.08					\$29,500.00

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

	Allocation Factor	Total North Dakota	Residential			Total Residential	Firm General-Meter < 500 cubic feet			Total Small Firm General
			Demand	Energy	Customer		Demand	Energy	Customer	
<b>Rate Base-Projected</b>										
Gas Plant in Service										
Production Plant	3	4,833	2,442	0	0	2,442	527	0	0	527
Land	13	49	18	0	11	29	4	0	1	5
Rights of Way	13	239	83	0	50	133	20	0	5	25
Structures & Improvements	40	180	65	0	39	104	16	0	4	20
Direct	Direct	77	0	0	0	0	0	0	0	0
Mains - \$64,704-Directly Assigned \$2,499										
Demand Related 75%	2	46,654	22,599	0	0	22,599	5,386	0	0	5,386
Customer Related 25%	8	15,551	0	0	13,479	13,479	0	0	1,468	1,468
Directly Assigned Demand Related 75%	Direct	1,874	0	0	0	0	0	0	0	0
Directly Assigned Customer Related 25%	Direct	625	0	0	0	0	0	0	0	0
Meas. & Reg. Equip. - General	40	1,310	477	0	284	761	113	0	31	144
Direct	Direct	152	0	0	0	0	0	0	0	0
Meas. & Reg. Equip. - City Gate	13	9,593	3,351	0	1,998	5,349	799	0	218	1,017
Direct	Direct	0	0	0	0	0	0	0	0	0
Services	37	32,048	0	0	25,765	25,765	0	0	4,012	4,012
Direct	Direct	121	0	0	0	0	0	0	0	0
Meters	9	24,708	0	0	16,446	16,446	0	0	1,970	1,970
Direct	Direct	52	0	0	0	0	0	0	0	0
Service Regulators	9	3,330	0	0	2,216	2,216	0	0	266	266
Direct	Direct	14	0	0	0	0	0	0	0	0
Ind. Meas. & Reg. Station Equipment	40	140	51	0	30	81	12	0	3	15
Direct	Direct	327	0	0	0	0	0	0	0	0
Property on Customer Premise	13	115	40	0	24	64	10	0	3	13
Cathodic Protection & Other Equipment	40	1,115	405	0	242	647	97	0	26	123
Direct	Direct	2	0	0	0	0	0	0	0	0
Distribution Plant		138,276	27,089	0	60,584	87,673	6,457	0	8,007	14,464
Distribution Plant Excluding Direct Assignments		135,109	27,089	0	60,584	87,673	6,457	0	8,007	14,464
General Plant	38	8,954	1,796	0	4,017	5,813	428	0	531	959
Direct	Direct	399	0	0	0	0	0	0	0	0
Intangible Plant - General	15	3,705	726	0	1,623	2,349	173	0	215	388
Common Plant Excluding CC&B	15	15,175	2,973	0	6,647	9,620	709	0	879	1,588
Common (CC&B)	4	6,930	0	0	6,006	6,006	0	0	654	654
Acquisition Adjustment	15	97	19	0	41	60	5	0	6	11
<b>Total Gas Plant in Service</b>		<b>178,369</b>	<b>35,045</b>	<b>0</b>	<b>78,918</b>	<b>113,963</b>	<b>8,299</b>	<b>0</b>	<b>10,292</b>	<b>18,591</b>

MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - NORTH DAKOTA  
 Embedded Class Cost of Service Study  
 Twelve Months Ended December 31, 2012  
 Projected 2014

	Allocation Factor	Total North Dakota	Residential			Total Residential	Firm General-Meter < 500 cubic feet			Total Small Firm General
			Demand	Energy	Customer		Demand	Energy	Customer	
Less: Accumulated Depreciation										
Production Plant	39	558	281	0	0	281	61	0	0	61
Distribution Plant										
Rights of Way	13	50	19	0	11	30	4	0	1	5
Structures & Improvements	23	164	41	0	26	67	10	0	3	13
Mains	40	30,407	11,047	0	6,588	17,635	2,633	0	718	3,351
Direct	Direct	13	0	0	0	0	0	0	0	0
Meas. & Reg. Equip. - General	18	509	167	0	98	265	39	0	11	50
Meas. & Reg. Equip. - City Gate Services	19	485	170	0	102	272	40	0	11	51
Direct	37	24,872	0	0	19,995	19,995	0	0	3,114	3,114
Direct	Direct	16	0	0	0	0	0	0	0	0
Meters	5	8,437	0	0	5,609	5,609	0	0	672	672
Direct	Direct	6	0	0	0	0	0	0	0	0
Service Regulators	9	1,198	0	0	796	796	0	0	96	96
Direct	Direct	1	0	0	0	0	0	0	0	0
Ind. Meas. & Reg. Station Equipment	21	254	27	0	16	43	7	0	2	9
Property on Customer Premise	13	125	44	0	26	70	10	0	3	13
Cathodic Protection & Other Equipment	13	1,092	381	0	227	608	91	0	25	116
Distribution Plant		67,629	11,896	0	33,494	45,390	2,834	0	4,656	7,490
General Plant	38	2,542	510	0	1,140	1,650	122	0	151	273
Direct	Direct	117	0	0	0	0	0	0	0	0
Intangible Plant - General	15	594	116	0	259	375	28	0	34	62
Common Plant	15	3,739	732	0	1,637	2,369	175	0	217	392
Intangible Plant - Common	15	3,073	602	0	1,348	1,950	143	0	178	321
Intangible Plant - Common-CC&B	4	460	0	0	399	399	0	0	43	43
Acquisition Adjustment	15	60	13	0	26	39	3	0	3	6
Less: Total Accumulated Reserve for Depreciation		78,772	14,150	0	38,303	52,453	3,366	0	5,282	8,648
Net Gas Plant in Service		99,597	20,895	0	40,615	61,510	4,933	0	5,010	9,943
CWIP in Service	15	0	0	0	0	0	0	0	0	0
Total Gas Plant in Service		99,597	20,895	0	40,615	61,510	4,933	0	5,010	9,943
Additions										
Materials & Supplies	15	2,260	443	0	990	1,433	106	0	131	237
Fuel Stocks	10	35	15	0	0	15	8	0	0	8
Prepayments	25	193	38	0	87	125	9	0	11	20
Unamortized Loss on Debt	24	629	132	0	256	388	31	0	32	63
Gain on Sale of Williston Office	24	(282)	(59)	0	(116)	(175)	(14)	0	(14)	(28)
Total Additions		2,835	569	0	1,217	1,786	140	0	160	300
Total Before Deductions		102,432	21,464	0	41,832	63,296	5,073	0	5,170	10,243

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

	Allocation Factor	Total North Dakota	Residential			Total Residential	Firm General-Meter < 500 cubic feet			Total Small Firm General
			Demand	Energy	Customer		Demand	Energy	Customer	
<b>Deductions</b>										
Accumulated Deferred Income Tax	24	(16,608)	(3,484)	0	(6,772)	(10,256)	(823)	0	(835)	(1,658)
Accumulated Investment Tax Credit	24	0	0	0	0	0	0	0	0	0
Customer Advances For Construction	Direct	(6,580)	(1,289)		(2,883)	(4,172)	(307)		(381)	(688)
<b>Total Deductions</b>		<b>(23,188)</b>	<b>(4,773)</b>	<b>0</b>	<b>(9,655)</b>	<b>(14,428)</b>	<b>(1,130)</b>	<b>0</b>	<b>(1,216)</b>	<b>(2,346)</b>
<b>Total Rate Base</b>		<b>79,244</b>	<b>16,691</b>	<b>0</b>	<b>32,177</b>	<b>48,868</b>	<b>3,943</b>	<b>0</b>	<b>3,954</b>	<b>7,897</b>
<b>Income Statement</b>										
<b>Gas Operating Revenues</b>										
<b>Retail Sales &amp; Transportation</b>										
Residential	Direct	57,715	9,690	38,231	9,794	57,715	0	0	0	0
Firm General	Direct	40,103	0	0	0	0	2,401	7,544	1,854	11,799
Air Force Delivery	Direct	2,305	0	0	0	0	0	0	0	0
Small Interruptible	Direct	5,550	0	0	0	0	0	0	0	0
Large Interruptible	Direct	1,416	0	0	0	0	0	0	0	0
<b>Total Sales &amp; Transportation Revenues</b>		<b>107,089</b>	<b>9,690</b>	<b>38,231</b>	<b>9,794</b>	<b>57,715</b>	<b>2,401</b>	<b>7,544</b>	<b>1,854</b>	<b>11,799</b>
<b>Other Operating Revenue</b>										
<b>Miscellaneous</b>										
Reconnect Fees	6	1	0	0	1	1	0	0	0	0
Minor Maintenance Fee Rate 65	Direct	456	0	0	0	0	0	0	0	0
NSF Check Fees & Other	6	16	0	0	13	13	0	0	2	2
Miscellaneous	24	11	2	0	3	5	1	0	1	2
Rent From Gas Property	24	567	119	0	231	350	28	0	29	57
<b>Other Gas Revenues</b>										
Miscellaneous	31	185	23	2	97	122	5	1	12	18
Transport and Penalty Revenue - Net	24	11	1	0	3	4	1	0	1	2
<b>Total Other Operating Revenue</b>		<b>1,247</b>	<b>145</b>	<b>2</b>	<b>348</b>	<b>495</b>	<b>35</b>	<b>1</b>	<b>45</b>	<b>81</b>
<b>Total Other Operating Revenue</b>		<b>791</b>	<b>145</b>	<b>2</b>	<b>348</b>	<b>495</b>	<b>35</b>	<b>1</b>	<b>45</b>	<b>81</b>
<b>Unbilled Revenue</b>	26	0	0	0	0	0	0	0	0	0
<b>Total Operating Revenues</b>		<b>108,336</b>	<b>9,835</b>	<b>38,233</b>	<b>10,142</b>	<b>58,210</b>	<b>2,436</b>	<b>7,545</b>	<b>1,899</b>	<b>11,880</b>
<b>Operation &amp; Maintenance Expenses</b>										
Cost of Purchased Gas	Direct	79,840	9,695	31,471	0	41,166	2,403	6,475	0	8,878
<b>Production Expense</b>										
Production Expense	39	284	144	0	0	144	31	0	0	31
Other Gas Supply Expenses	3	125	0	64	0	64	0	14	0	14
<b>Total Production Expense</b>		<b>409</b>	<b>144</b>	<b>64</b>	<b>0</b>	<b>208</b>	<b>31</b>	<b>14</b>	<b>0</b>	<b>45</b>

MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - NORTH DAKOTA  
 Embedded Class Cost of Service Study  
 Twelve Months Ended December 31, 2012  
 Projected 2014

	Allocation Factor	Total North Dakota	Residential			Total Residential	Firm General-Meter < 500 cubic feet			Total Small Firm General
			Demand	Energy	Customer		Demand	Energy	Customer	
Distribution Expenses										
Operation										
Load Dispatch	1	127	0	48	0	48	0	10	0	10
Mains and Services	22	2,148	502	0	871	1,373	119	0	122	241
Measuring Stations - General	18	60	19	0	12	31	5	0	1	6
Measuring Stations - Industrial	21	44	7	0	2	9	1	0	0	1
Measuring Stations - City Gate	19	2	2	0	0	2	0	0	0	0
Meters & House Regulators	16	499	0	0	331	331	0	0	40	40
Customer Installations	5	783	0	0	520	520	0	0	62	62
Other Gas Distribution	27	1,959	282	26	924	1,232	67	5	120	192
Rents	27	98	14	1	47	62	3	0	6	9
Supervision & Engineering	27	1,311	189	17	618	824	45	4	80	129
Direct -Minot AFB Distribution System	Direct	18	0	0	0	0	0	0	0	0
<b>Total Operation Expense</b>		<b>7,049</b>	<b>1,015</b>	<b>92</b>	<b>3,325</b>	<b>4,432</b>	<b>240</b>	<b>19</b>	<b>431</b>	<b>690</b>
Maintenance										
Structures & Improvements	13	4	2	0	1	3	0	0	0	0
Mains	13	136	49	0	28	77	11	0	3	14
Measuring Stations - General	18	35	11	0	7	18	3	0	1	4
Measuring Stations - Industrial	21	23	3	0	1	4	1	0	0	1
Measuring Stations - City Gate	19	0	0	0	0	0	0	0	0	0
Services	5	197	0	0	131	131	0	0	16	16
Meters & House Regulators	16	447	0	0	295	295	0	0	36	36
Other Equipment	28	91	7	0	47	54	2	0	6	8
Supervision & Engineering	28	155	12	0	81	93	3	0	10	13
Direct -Minot AFB Distribution System	Direct	27	0	0	0	0	0	0	0	0
<b>Total Maintenance Expense</b>		<b>1,115</b>	<b>84</b>	<b>0</b>	<b>591</b>	<b>675</b>	<b>20</b>	<b>0</b>	<b>72</b>	<b>92</b>
<b>Total Distribution Expenses</b>		<b>8,164</b>	<b>1,099</b>	<b>92</b>	<b>3,916</b>	<b>5,107</b>	<b>260</b>	<b>19</b>	<b>503</b>	<b>782</b>
Customer Accounts										
Customer Accounts	4	127	0	0	110	110	0	0	12	12
Meter Reading	5	310	0	0	207	207	0	0	25	25
Customer Records & Collection	4	1,536	0	0	1,332	1,332	0	0	145	145
Uncollectible Accounts	6	109	0	0	95	95	0	0	10	10
Miscellaneous Customer Accounts	4	229	0	0	198	198	0	0	22	22
Customer Service & Information	4	246	0	0	214	214	0	0	23	23
Sales Expenses	4	127	0	0	110	110	0	0	12	12
Administration & General Expenses	30	6,408	863	72	3,073	4,008	204	15	395	614
<b>Total Gas O&amp;M Expenses</b>		<b>97,505</b>	<b>11,801</b>	<b>31,699</b>	<b>9,255</b>	<b>52,755</b>	<b>2,898</b>	<b>6,523</b>	<b>1,147</b>	<b>10,568</b>

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

	Allocation Factor	Total North Dakota	Residential			Total Residential	Firm General-Meter < 500 cubic feet			Total Small Firm General
			Demand	Energy	Customer		Demand	Energy	Customer	
O&M Excl. Cost of Gas and A&G		11,257	1,243	156	6,182	7,581	291	33	752	1,076
O&M Excl. Cost of Gas		17,665	2,106	228	9,255	11,589	495	48	1,147	1,690
Depreciation Expense										
Production Plant	39	161	81	0	0	81	18	0	0	18
Distribution Plant										
Rights of Way	13	3	1	0	1	2	0	0	0	0
Structures & Improvements	23	7	2	0	1	3	0	0	0	0
Mains	40	1,870	680	0	405	1,085	162	0	44	206
Direct -Minot AFB Distribution System	Direct	14	0	0	0	0	0	0	0	0
Meas. & Reg. Equip. - General	18	43	15	0	8	23	3	0	1	4
Meas. & Reg. Equip. - City Gate	19	304	107	0	63	170	25	0	7	32
Services	17	2,448	0	0	1,968	1,968	0	0	306	306
Direct -Minot AFB Distribution System	Direct	5	0	0	0	0	0	0	0	0
Meters	5	855	0	0	568	568	0	0	68	68
Direct -Minot AFB Distribution System	Direct	2	0	0	0	0	0	0	0	0
Service Regulators	20	58	0	0	38	38	0	0	5	5
Ind. Meas. & Reg. Station Equipment	21	15	2	0	1	3	1	0	0	1
Cathodic Protection & Other Equipment	13	377	132	0	79	211	31	0	9	40
Total Distribution Plant		6,001	939	0	3,132	4,071	222	0	440	662
General Plant	38	154	31	0	70	101	7	0	9	16
Direct -Minot AFB Distribution System	Direct	7	0	0	0	0	0	0	0	0
Amort. of Intangible Plant - General	15	112	22	0	50	72	5	0	6	11
Common Plant	15	370	73	0	164	237	17	0	21	38
Amort. of Intangible Plant - Common	15	615	120	0	269	389	29	0	36	65
Acquisition Adjustment	15	3	1	0	1	2	0	0	0	0
Total Depreciation Expense		7,423	1,267	0	3,686	4,953	298	0	512	810
Taxes Other Than Income										
Ad Valorem Taxes-Production	39	127	64	0	0	64	14	0	0	14
Ad Valorem Taxes-Other	15	811	159	0	356	515	38	0	47	85
Other Taxes - Payroll, Franchise, Other	31	754	90	10	395	495	21	2	49	72
Other Taxes - Minot AFB Distribution- Direct	Direct	1	0	0	0	0	0	0	0	0
Other Taxes - Revenue	26	1	0	1	0	1	0	0	0	0
Total Taxes Other Than Income Taxes		1,694	313	11	751	1,075	73	2	96	171
Total Operating Expense		106,622	13,381	31,710	13,692	58,783	3,269	6,525	1,755	11,549
Interest Expense	36	2,173	462	0	898	1,360	109	0	111	220
Direct -Minot AFB Distribution System	Direct	28	0	0	0	0	0	0	0	0
Taxable Income		(487)	(4,008)	6,523	(4,448)	(1,933)	(942)	1,020	33	111

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

Allocation Factor	Total North Dakota	Residential			Total Residential	Firm General-Meter < 500 cubic feet			Total Small Firm General	
		Demand	Energy	Customer		Demand	Energy	Customer		
Income Taxes	37.9445%	(185)	(1,522)	2,475	(1,688)	(735)	(357)	387	13	43
Full Normalization	24	(102)	(21)	0	(42)	(63)	(5)	0	(5)	(10)
Total Income Taxes		(287)	(1,543)	2,475	(1,730)	(798)	(362)	387	8	33
Total Operating Expense		106,335	11,838	34,185	11,962	57,985	2,907	6,912	1,763	11,582
Operating Income:		2,001	(2,003)	4,048	(1,820)	225	(471)	633	136	298

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

	Allocation Factor	Total North Dakota	Firm General > 500 cubic feet			Total Large Firm General	Air Force Delivery			Total Air Force Delivery
			Demand	Energy	Customer		Demand	Energy	Customer	
<b>Rate Base-Projected</b>										
Gas Plant in Service										
Production Plant	3	4,833	1,368	0	0	1,368	163	0	0	163
Land	13	49	9	0	0	9	0	0	0	0
Rights of Way	13	239	42	0	2	44	0	0	0	0
Structures & Improvements	40	180	33	0	2	35	0	0	0	0
Direct	Direct	77	0	0	0	0	22	0	0	22
Mains - \$64,704-Directly Assigned \$2,499										
Demand Related 75%	2	46,654	11,369	0	0	11,369	0	0	0	0
Customer Related 25%	8	15,551	0	0	580	580	0	0	0	0
Directly Assigned Demand Related 75%	Direct	1,874	0	0	0	0	0	0	0	0
Directly Assigned Customer Related 25%	Direct	625	0	0	0	0	0	0	0	0
Meas. & Reg. Equip. - General	40	1,310	239	0	12	251	0	0	0	0
Direct	Direct	152	0	0	0	0	0	0	0	0
Meas. & Reg. Equip. - City Gate	13	9,593	1,686	0	86	1,772	0	0	0	0
Direct	Direct	0	0	0	0	0	0	0	0	0
Services	37	32,048	0	0	2,096	2,096	0	0	0	0
Direct	Direct	121	0	0	0	0	0	0	0	0
Meters	9	24,708	0	0	5,522	5,522	0	0	32	32
Direct	Direct	52	0	0	0	0	0	0	0	0
Service Regulators	9	3,330	0	0	744	744	0	0	4	4
Direct	Direct	14	0	0	0	0	0	0	0	0
Ind. Meas. & Reg. Station Equipment	40	140	26	0	1	27	0	0	0	0
Direct	Direct	327	0	0	0	0	0	0	94	94
Property on Customer Premise	13	115	20	0	1	21	0	0	0	0
Cathodic Protection & Other Equipment	40	1,115	204	0	10	214	0	0	0	0
Direct	Direct	2	0	0	0	0	0	0	0	0
Distribution Plant		138,276	13,628	0	9,056	22,684	22	0	130	152
Distribution Plant Excluding Direct Assignments		135,109	13,628	0	9,056	22,684	0	0	36	58
General Plant	38	8,954	904	0	601	1,505	0	0	2	2
Direct	Direct	399	0	0	0	0	0	0	0	0
Intangible Plant - General	15	3,705	365	0	243	608	1	0	3	4
Common Plant Excluding CC&B	15	15,175	1,496	0	994	2,490	2	0	14	16
Common (CC&B)	4	6,930	0	0	259	259	0	0	0	0
Acquisition Adjustment	15	97	10	0	6	16	0	0	0	0
<b>Total Gas Plant in Service</b>		<b>178,369</b>	<b>17,771</b>	<b>0</b>	<b>11,159</b>	<b>28,930</b>	<b>188</b>	<b>0</b>	<b>149</b>	<b>337</b>

MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
Embedded Class Cost of Service Study  
Twelve Months Ended December 31, 2012  
Projected 2014

	Allocation Factor	Total North Dakota	Firm General > 500 cubic feet			Total Large Firm General	Air Force Delivery			Total Air Force Delivery
			Demand	Energy	Customer		Demand	Energy	Customer	
Less: Accumulated Depreciation										
Production Plant	39	558	158	0	0	158	19	0	0	19
Distribution Plant										
Rights of Way	13	50	9	0	0	9	0	0	0	0
Structures & Improvements	23	164	21	0	1	22	14	0	0	14
Mains	40	30,407	5,557	0	284	5,841	0	0	0	0
Direct	Direct	13	0	0	0	0	0	0	0	0
Meas. & Reg. Equip. - General	18	509	83	0	4	87	0	0	0	0
Meas. & Reg. Equip. - City Gate Services	19	485	85	0	4	89	0	0	0	0
Direct	37	24,872	0	0	1,627	1,627	0	0	0	0
Direct	Direct	16	0	0	0	0	0	0	0	0
Meters	5	8,437	0	0	1,884	1,884	0	0	11	11
Direct	Direct	6	0	0	0	0	0	0	0	0
Service Regulators	9	1,198	0	0	268	268	0	0	2	2
Direct	Direct	1	0	0	0	0	0	0	0	0
Ind. Meas. & Reg. Station Equipment	21	254	14	0	1	15	0	0	51	51
Property on Customer Premise	13	125	22	0	1	23	0	0	0	0
Cathodic Protection & Other Equipment	13	1,092	192	0	10	202	0	0	0	0
Distribution Plant		67,629	5,983	0	4,084	10,067	14	0	64	78
General Plant	38	2,542	257	0	170	427	0	0	1	1
Direct	Direct	117	0	0	0	0	0	0	0	0
Intangible Plant - General	15	594	59	0	39	98	0	0	1	1
Common Plant	15	3,739	369	0	245	614	1	0	4	5
Intangible Plant - Common	15	3,073	303	0	201	504	0	0	3	3
Intangible Plant - Common-CC&B	4	460	0	0	17	17	0	0	0	0
Acquisition Adjustment	15	60	6	0	4	10	0	0	0	0
Less: Total Accumulated Reserve for Depreciation		78,772	7,135	0	4,760	11,895	34	0	73	107
Net Gas Plant in Service		99,597	10,636	0	6,399	17,035	154	0	76	230
CWIP in Service	15	0	0	0	0	0	0	0	0	0
Total Gas Plant in Service		99,597	10,636	0	6,399	17,035	154	0	76	230
Additions										
Materials & Supplies	15	2,260	223	0	148	371	0	0	2	2
Fuel Stocks	10	35	12	0	0	12	0	0	0	0
Prepayments	25	193	19	0	12	31	0	0	0	0
Unamortized Loss on Debt	24	629	67	0	40	107	1	0	0	1
Gain on Sale of Williston Office	24	(282)	(30)	0	(18)	(48)	0	0	0	0
Total Additions		2,835	291	0	182	473	1	0	2	3
Total Before Deductions		102,432	10,927	0	6,581	17,508	155	0	78	233

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

	Allocation Factor	Total North Dakota	Firm General > 500 cubic feet			Total Large Firm General	Air Force Delivery			Total Air Force Delivery
			Demand	Energy	Customer		Demand	Energy	Customer	
<b>Deductions</b>										
Accumulated Deferred Income Tax	24	(16,608)	(1,774)	0	(1,067)	(2,841)	(26)	0	(13)	(39)
Accumulated Investment Tax Credit	24	0	0	0	0	0	0	0	0	0
Customer Advances For Construction	Direct	(6,580)	(648)		(431)	(1,079)	0	0	0	0
<b>Total Deductions</b>		<b>(23,188)</b>	<b>(2,422)</b>	<b>0</b>	<b>(1,498)</b>	<b>(3,920)</b>	<b>(26)</b>	<b>0</b>	<b>(13)</b>	<b>(39)</b>
<b>Total Rate Base</b>		<b>79,244</b>	<b>8,505</b>	<b>0</b>	<b>5,083</b>	<b>13,588</b>	<b>129</b>	<b>0</b>	<b>65</b>	<b>194</b>
<b>Income Statement</b>										
<b>Gas Operating Revenues</b>										
<b>Retail Sales &amp; Transportation</b>										
Residential	Direct	57,715	0	0	0	0	0	0	0	0
Firm General	Direct	40,103	5,570	20,267	2,467	28,304				0
Air Force Delivery	Direct	2,305	0	0	0	0	165	2,125	15	2,305
Small Interruptible	Direct	5,550	0	0	0	0	0	0	0	0
Large Interruptible	Direct	1,416	0	0	0	0	0	0	0	0
<b>Total Sales &amp; Transportation Revenues</b>		<b>107,089</b>	<b>5,570</b>	<b>20,267</b>	<b>2,467</b>	<b>28,304</b>	<b>165</b>	<b>2,125</b>	<b>15</b>	<b>2,305</b>
<b>Other Operating Revenue</b>										
<b>Miscellaneous</b>										
Reconnect Fees	6	1	0	0	0	0	0	0	0	0
Minot Maintenance Fee Rate 65	Direct	456	0	0	0	0	0	0	0	0
NSF Check Fees & Other	6	16	0	0	1	1	0	0	0	0
Miscellaneous	24	11	1	0	1	2	0	0	1	1
Rent From Gas Property	24	567	61	0	36	97	1	0	0	1
<b>Other Gas Revenues</b>										
Miscellaneous	31	185	11	1	17	29	0	0	1	1
Transport and Penalty Revenue - Net	24	11	1	0	1	2	1	0	1	2
<b>Total Other Operating Revenue</b>		<b>1,247</b>	<b>74</b>	<b>1</b>	<b>56</b>	<b>131</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>5</b>
		791	74	1	56	131	2	0	3	5
<b>Unbilled Revenue</b>	26	0	0	0	0	0	0	0	0	0
<b>Total Operating Revenues</b>		<b>108,336</b>	<b>5,644</b>	<b>20,268</b>	<b>2,523</b>	<b>28,435</b>	<b>167</b>	<b>2,125</b>	<b>18</b>	<b>2,310</b>
<b>Operation &amp; Maintenance Expenses</b>										
Cost of Purchased Gas	Direct	79,840	5,573	17,495	0	23,068	175	2,044	0	2,219
<b>Production Expense</b>										
Production Expense	39	284	80	0	0	80	10	0	0	10
Other Gas Supply Expenses	3	125	0	35	0	35	0	4	0	4
<b>Total Production Expense</b>		<b>409</b>	<b>80</b>	<b>35</b>	<b>0</b>	<b>115</b>	<b>10</b>	<b>4</b>	<b>0</b>	<b>14</b>

MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
Embedded Class Cost of Service Study  
Twelve Months Ended December 31, 2012  
Projected 2014

	Allocation Factor	Total North Dakota	Firm General > 500 cubic feet			Total Large Firm General	Air Force Delivery			Total Air Force Delivery
			Demand	Energy	Customer		Demand	Energy	Customer	
Distribution Expenses										
Operation										
Load Dispatch	1	127	0	26	0	26	0	3	0	3
Mains and Services	22	2,148	252	0	59	311	0	0	0	0
Measuring Stations - General	18	60	10	0	0	10	0	0	0	0
Measuring Stations - Industrial	21	44	2	0	0	2	0	0	9	9
Measuring Stations - City Gate	19	2	0	0	0	0	0	0	0	0
Meters & House Regulators	16	499	0	0	111	111	0	0	1	1
Customer Installations	5	783	0	0	175	175	0	0	1	1
Other Gas Distribution	27	1,959	140	14	184	338	0	2	6	8
Rents	27	98	7	1	9	17	0	0	0	0
Supervision & Engineering	27	1,311	94	9	123	226	0	1	4	5
Direct -Minot AFB Distribution System	Direct	18	0	0	0	0	0	0	0	0
<b>Total Operation Expense</b>		<b>7,049</b>	<b>505</b>	<b>50</b>	<b>661</b>	<b>1,216</b>	<b>0</b>	<b>6</b>	<b>21</b>	<b>27</b>
Maintenance										
Structures & Improvements	13	4	1	0	0	1	0	0	0	0
Mains	13	136	24	0	1	25	0	0	0	0
Measuring Stations - General	18	35	6	0	0	6	0	0	0	0
Measuring Stations - Industrial	21	23	1	0	0	1	0	0	5	5
Measuring Stations - City Gate	19	0	0	0	0	0	0	0	0	0
Services	5	197	0	0	44	44	0	0	0	0
Meters & House Regulators	16	447	0	0	100	100	0	0	1	1
Other Equipment	28	91	3	0	15	18	0	0	1	1
Supervision & Engineering	28	155	6	0	26	32	0	0	1	1
Direct -Minot AFB Distribution System	Direct	27	0	0	0	0	0	0	0	0
<b>Total Maintenance Expense</b>		<b>1,115</b>	<b>41</b>	<b>0</b>	<b>186</b>	<b>227</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>8</b>
<b>Total Distribution Expenses</b>		<b>8,164</b>	<b>546</b>	<b>50</b>	<b>847</b>	<b>1,443</b>	<b>0</b>	<b>6</b>	<b>29</b>	<b>35</b>
Customer Accounts	4	127	0	0	5	5	0	0	0	0
Meter Reading	5	310	0	0	69	69	0	0	0	0
Customer Records & Collection	4	1,536	0	0	57	57	0	0	0	0
Uncollectible Accounts	6	109	0	0	4	4	0	0	0	0
Miscellaneous Customer Accounts	4	229	0	0	9	9	0	0	0	0
Customer Service & Information	4	246	0	0	9	9	0	0	0	0
Sales Expenses	4	127	0	0	5	5	0	0	0	0
Administration & General Expenses	30	6,408	429	39	665	1,133	0	5	23	28
<b>Total Gas O&amp;M Expenses</b>		<b>97,505</b>	<b>6,628</b>	<b>17,619</b>	<b>1,670</b>	<b>25,917</b>	<b>185</b>	<b>2,059</b>	<b>52</b>	<b>2,296</b>

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

	Allocation Factor	Total North Dakota	Firm General > 500 cubic feet			Total Large Firm General	Air Force Delivery			Total Air Force Delivery
			Demand	Energy	Customer		Demand	Energy	Customer	
O&M Excl. Cost of Gas and A&G		11,257	626	85	1,005	1,716	10	10	29	49
O&M Excl. Cost of Gas		17,665	1,055	124	1,670	2,849	10	15	52	77
Depreciation Expense										
Production Plant	39	161	46	0	0	46	5	0	0	5
Distribution Plant										
Rights of Way	13	3	1	0	0	1	0	0	0	0
Structures & Improvements	23	7	1	0	0	1	1	0	0	1
Mains	40	1,870	342	0	17	359	0	0	0	0
Direct -Minot AFB Distribution System	Direct	14	0	0	0	0	0	0	0	0
Meas. & Reg. Equip. - General	18	43	7	0	0	7	0	0	0	0
Meas. & Reg. Equip. - City Gate	19	304	53	0	3	56	0	0	0	0
Services	17	2,448	0	0	160	160	0	0	0	0
Direct -Minot AFB Distribution System	Direct	5	0	0	0	0	0	0	0	0
Meters	5	855	0	0	191	191	0	0	1	1
Direct -Minot AFB Distribution System	Direct	2	0	0	0	0	0	0	0	0
Service Regulators	20	58	0	0	13	13	0	0	0	0
Ind. Meas. & Reg. Station Equipment	21	15	1	0	0	1	0	0	3	3
Cathodic Protection & Other Equipment	13	377	66	0	3	69	0	0	0	0
Total Distribution Plant		6,001	471	0	387	858	1	0	4	5
General Plant	38	154	16	0	10	26	0	0	0	0
Direct -Minot AFB Distribution System	Direct	7	0	0	0	0	0	0	0	0
Amort. of Intangible Plant - General	15	112	11	0	7	18	0	0	0	0
Common Plant	15	370	36	0	24	60	0	0	0	0
Amort. of Intangible Plant - Common	15	615	61	0	40	101	0	0	1	1
Acquisition Adjustment	15	3	0	0	0	0	1	0	0	1
Total Depreciation Expense		7,423	641	0	468	1,109	7	0	5	12
Taxes Other Than Income										
Ad Valorem Taxes-Production	39	127	36	0	0	36	4	0	0	4
Ad Valorem Taxes-Other	15	811	80	0	53	133	0	0	1	1
Other Taxes - Payroll, Franchise, Other	31	754	45	5	71	121	0	1	2	3
Other Taxes - Minot AFB Distribution- Direct	Direct	1	0	0	0	0	0	0	0	0
Other Taxes - Revenue	26	1	0	0	0	0	0	0	0	0
Total Taxes Other Than Income Taxes		1,694	161	5	124	290	4	1	3	8
Total Operating Expense		106,622	7,430	17,624	2,262	27,316	196	2,060	60	2,316
Interest Expense	36	2,173	235	0	141	376	3	0	2	5
Direct -Minot AFB Distribution System	Direct	28	0	0	0	0	0	0	0	0
Taxable Income		(487)	(2,021)	2,644	120	743	(32)	65	(44)	(11)

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

Allocation Factor	Total North Dakota	Firm General > 500 cubic feet			Total Large Firm General	Air Force Delivery			Total Air Force Delivery	
		Demand	Energy	Customer		Demand	Energy	Customer		
Income Taxes	37.9445%	(185)	(767)	1,003	46	282	(12)	25	(17)	(4)
Full Normalization	24	(102)	(11)	0	(7)	(18)	0	0	0	0
Total Income Taxes		(287)	(778)	1,003	39	264	(12)	25	(17)	(4)
Total Operating Expense		106,335	6,652	18,627	2,301	27,580	184	2,085	43	2,312
Operating Income:		2,001	(1,008)	1,641	222	855	(17)	40	(25)	(2)

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

	Allocation Factor	Total North Dakota	Small Interruptible			Total Small Interruptible	Large Interruptible			Total Large Interruptible
			Demand	Energy	Customer		Demand	Energy	Customer	
<b>Rate Base-Projected</b>										
<b>Gas Plant in Service</b>										
Production Plant	3	4,833	326	0	0	326	7	0	0	7
Land	13	49	4	0	0	4	2	0	0	2
Rights of Way	13	239	21	0	0	21	11	0	2	13
Structures & Improvements	40	180	16	0	0	16	5	0	0	5
Direct	Direct	77	0	0	0	0	55	0	0	55
Mains - \$64,704-Directly Assigned \$2,499										
Demand Related 75%	2	46,654	5,699	0	0	5,699	1,601	0	0	1,601
Customer Related 25%	8	15,551	0	0	23	23	0	0	1	1
Directly Assigned Demand Related 75%	Direct	1,874	0	0	0	0	1,360	0	0	1,360
Directly Assigned Customer Related 25%	Direct	625	0	0	0	0	0	0	454	454
Meas. & Reg. Equip. - General	40	1,310	120	0	0	120	34	0	0	34
Direct	Direct	152	0	0	0	0	152	0	0	152
Meas. & Reg. Equip. - City Gate	13	9,593	845	0	3	848	439	0	67	506
Direct	Direct	0	0	0	0	0	0	0	0	0
Services	37	32,048	0	0	168	168	0	0	7	7
Direct	Direct	121	0	0	0	0	0	0	5	5
Meters	9	24,708	0	0	652	652	0	0	86	86
Direct	Direct	52	0	0	0	0	0	0	0	0
Service Regulators	9	3,330	0	0	88	88	0	0	12	12
Direct	Direct	14	0	0	0	0	0	0	0	0
Ind. Meas. & Reg. Station Equipment	40	140	13	0	0	13	4	0	0	4
Direct	Direct	327	0	0	0	0	0	0	233	233
Property on Customer Premise	13	115	10	0	0	10	5	0	1	6
Cathodic Protection & Other Equipment	40	1,115	102	0	0	102	29	0	0	29
Direct	Direct	2	0	0	0	0	0	0	0	0
Distribution Plant		138,276	6,830	0	934	7,764	3,697	0	868	4,565
Distribution Plant Excluding Direct Assignments		135,109	6,830	0	934	7,764	2,130	0	176	2,361
General Plant	38	8,954	453	0	62	515	141	0	12	153
Direct	Direct	399	0	0	0	0	0	0	0	0
Intangible Plant - General	15	3,705	183	0	25	208	99	0	23	122
Common Plant Excluding CC&B	15	15,175	750	0	103	853	406	0	95	501
Common (CC&B)	4	6,930	0	0	10	10	0	0	1	1
Acquisition Adjustment	15	97	5	0	1	6	3	0	1	4
<b>Total Gas Plant in Service</b>		<b>178,369</b>	<b>8,547</b>	<b>0</b>	<b>1,135</b>	<b>9,682</b>	<b>4,353</b>	<b>0</b>	<b>1,000</b>	<b>5,353</b>

MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
Embedded Class Cost of Service Study  
Twelve Months Ended December 31, 2012  
Projected 2014

	Allocation Factor	Total North Dakota	Small Interruptible			Total Small Interruptible	Large Interruptible			Total Large Interruptible
			Demand	Energy	Customer		Demand	Energy	Customer	
Less: Accumulated Depreciation										
Production Plant	39	558	38	0	0	38	1	0	0	1
Distribution Plant										
Rights of Way	13	50	4	0	0	4	2	0	0	2
Structures & Improvements	23	164	10	0	0	10	38	0	0	38
Mains	40	30,407	2,786	0	11	2,797	783	0	0	783
Direct	Direct	13	0	0	0	0	0	0	0	0
Meas. & Reg. Equip. - General	18	509	42	0	0	42	65	0	0	65
Meas. & Reg. Equip. - City Gate Services	19	485	43	0	0	43	22	0	3	25
Direct	Direct	37	24,872	0	0	131	0	0	5	5
Direct	Direct	16	0	0	0	0	0	0	0	0
Meters	5	8,437	0	0	222	222	0	0	39	39
Direct	Direct	6	0	0	0	0	0	0	0	0
Service Regulators	9	1,198	0	0	32	32	0	0	4	4
Direct	Direct	1	0	0	0	0	0	0	0	0
Ind. Meas. & Reg. Station Equipment	21	254	7	0	0	7	2	0	127	129
Property on Customer Premise	13	125	11	0	0	11	6	0	1	7
Cathodic Protection & Other Equipment	13	1,092	96	0	0	96	50	0	8	58
Distribution Plant		67,629	2,999	0	396	3,395	968	0	187	1,155
General Plant	38	2,542	129	0	18	147	40	0	3	43
Direct	Direct	117	0	0	0	0	0	0	0	0
Intangible Plant - General	15	594	29	0	4	33	16	0	4	20
Common Plant	15	3,739	185	0	25	210	100	0	23	123
Intangible Plant - Common	15	3,073	152	0	21	173	82	0	19	101
Intangible Plant - Common-CC&B	4	460	0	0	1	1	0	0	0	0
Acquisition Adjustment	15	60	3	0	0	3	2	0	0	2
Less: Total Accumulated Reserve for Depreciation		78,772	3,535	0	465	4,000	1,209	0	236	1,445
Net Gas Plant in Service		99,597	5,012	0	670	5,682	3,144	0	764	3,908
CWIP in Service	15	0	0	0	0	0	0	0	0	0
Total Gas Plant in Service		99,597	5,012	0	670	5,682	3,144	0	764	3,908
Additions										
Materials & Supplies	15	2,260	112	0	15	127	60	0	14	74
Fuel Stocks	10	35	0	0	0	0	0	0	0	0
Prepayments	25	193	9	0	1	10	5	0	1	6
Unamortized Loss on Debt	24	629	32	0	4	36	20	0	5	25
Gain on Sale of Williston Office	24	(282)	(14)	0	(2)	(16)	(9)	0	(2)	(11)
Total Additions		2,835	139	0	18	157	76	0	18	94
Total Before Deductions		102,432	5,151	0	688	5,839	3,220	0	782	4,002

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

	Allocation Factor	Total North Dakota	Small Interruptible			Total Small Interruptible	Large Interruptible			Total Large Interruptible
			Demand	Energy	Customer		Demand	Energy	Customer	
<b>Deductions</b>										
Accumulated Deferred Income Tax	24	(16,608)	(836)	0	(112)	(948)	(524)	0	(127)	(651)
Accumulated Investment Tax Credit	24	0	0	0	0	0	0	0	0	0
Customer Advances For Construction	Direct	(6,580)	(531)		(110)	(641)	0	0	0	0
<b>Total Deductions</b>		<b>(23,188)</b>	<b>(1,367)</b>	<b>0</b>	<b>(222)</b>	<b>(1,589)</b>	<b>(524)</b>	<b>0</b>	<b>(127)</b>	<b>(651)</b>
<b>Total Rate Base</b>		<b>79,244</b>	<b>3,784</b>	<b>0</b>	<b>466</b>	<b>4,250</b>	<b>2,696</b>	<b>0</b>	<b>655</b>	<b>3,351</b>
<b>Income Statement</b>										
<b>Gas Operating Revenues</b>										
<b>Retail Sales &amp; Transportation</b>										
Residential	Direct	57,715	0	0	0	0	0	0	0	0
Firm General	Direct	40,103	0	0	0	0	0	0	0	0
Air Force Delivery	Direct	2,305	0	0	0	0	0	0	0	0
Small Interruptible	Direct	5,550	372	4,960	218	5,550	0	0	0	0
Large Interruptible	Direct	1,416	0	0	0	0	8	1,339	69	1,416
<b>Total Sales &amp; Transportation Revenues</b>		<b>107,089</b>	<b>372</b>	<b>4,960</b>	<b>218</b>	<b>5,550</b>	<b>8</b>	<b>1,339</b>	<b>69</b>	<b>1,416</b>
<b>Other Operating Revenue</b>										
<b>Miscellaneous</b>										
Reconnect Fees	6	1	0	0	0	0	0	0	0	0
Minot Maintenance Fee Rate 65	Direct	456	0	0	0	0	0	0	0	0
NSF Check Fees & Other	6	16	0	0	0	0	0	0	0	0
Miscellaneous	24	11	1	0	0	1	0	0	0	0
Rent From Gas Property	24	567	29	0	4	33	18	0	4	22
<b>Other Gas Revenues</b>										
Miscellaneous	31	185	5	0	2	7	3	1	2	6
Transport and Penalty Revenue - Net	24	11	1	0	0	1	0	0	0	0
<b>Total Other Operating Revenue</b>		<b>1,247</b>	<b>36</b>	<b>0</b>	<b>6</b>	<b>42</b>	<b>21</b>	<b>1</b>	<b>6</b>	<b>28</b>
		791	36	0	6	42	21	1	6	28
<b>Unbilled Revenue</b>	26	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Operating Revenues</b>		<b>108,336</b>	<b>408</b>	<b>4,960</b>	<b>224</b>	<b>5,592</b>	<b>29</b>	<b>1,340</b>	<b>75</b>	<b>1,444</b>
<b>Operation &amp; Maintenance Expenses</b>										
Cost of Purchased Gas	Direct	79,840	352	4,058	0	4,410	8	91	0	99
<b>Production Expense</b>										
Production Expense	39	284	19	0	0	19	0	0	0	0
Other Gas Supply Expenses	3	125	0	8	0	8	0	0	0	0
<b>Total Production Expense</b>		<b>409</b>	<b>19</b>	<b>8</b>	<b>0</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

	Allocation Factor	Total North Dakota	Small Interruptible			Total Small Interruptible	Large Interruptible			Total Large Interruptible
			Demand	Energy	Customer		Demand	Energy	Customer	
<b>Distribution Expenses</b>										
<b>Operation</b>										
Load Dispatch	1	127	0	12	0	12	0	28	0	28
Mains and Services	22	2,148	126	0	4	130	66	0	10	76
Measuring Stations - General	18	60	5	0	0	5	8	0	0	8
Measuring Stations - Industrial	21	44	1	0	0	1	0	0	22	22
Measuring Stations - City Gate	19	2	0	0	0	0	0	0	0	0
Meters & House Regulators	16	499	0	0	13	13	0	0	2	2
Customer Installations	5	783	0	0	21	21	0	0	4	4
Other Gas Distribution	27	1,959	70	6	20	96	39	15	20	74
Rents	27	98	4	0	1	5	2	1	1	4
Supervision & Engineering	27	1,311	47	4	14	65	26	10	14	50
Direct -Minot AFB Distribution System	Direct	18	0	0	0	0	0	0	0	0
<b>Total Operation Expense</b>		<b>7,049</b>	<b>253</b>	<b>22</b>	<b>73</b>	<b>348</b>	<b>141</b>	<b>54</b>	<b>73</b>	<b>268</b>
<b>Maintenance</b>										
Structures & Improvements	13	4	0	0	0	0	0	0	0	0
Mains	13	136	12	0	0	12	6	0	1	7
Measuring Stations - General	18	35	3	0	0	3	4	0	0	4
Measuring Stations - Industrial	21	23	1	0	0	1	0	0	11	11
Measuring Stations - City Gate	19	0	0	0	0	0	0	0	0	0
Services	5	197	0	0	5	5	0	0	1	1
Meters & House Regulators	16	447	0	0	12	12	0	0	2	2
Other Equipment	28	91	2	0	2	4	1	0	2	3
Supervision & Engineering	28	155	3	0	3	6	2	0	3	5
Direct -Minot AFB Distribution System	Direct	27	0	0	0	0	0	0	0	0
<b>Total Maintenance Expense</b>		<b>1,115</b>	<b>21</b>	<b>0</b>	<b>22</b>	<b>43</b>	<b>13</b>	<b>0</b>	<b>20</b>	<b>33</b>
<b>Total Distribution Expenses</b>		<b>8,164</b>	<b>274</b>	<b>22</b>	<b>95</b>	<b>391</b>	<b>154</b>	<b>54</b>	<b>93</b>	<b>301</b>
Customer Accounts	4	127	0	0	0	0	0	0	0	0
Meter Reading	5	310	0	0	8	8	0	0	1	1
Customer Records & Collection	4	1,536	0	0	2	2	0	0	0	0
Uncollectible Accounts	6	109	0	0	0	0	0	0	0	0
Miscellaneous Customer Accounts	4	229	0	0	0	0	0	0	0	0
Customer Service & Information	4	246	0	0	0	0	0	0	0	0
Sales Expenses	4	127	0	0	0	0	0	0	0	0
Administration & General Expenses	30	6,408	215	17	75	307	121	42	73	236
<b>Total Gas O&amp;M Expenses</b>		<b>97,505</b>	<b>860</b>	<b>4,105</b>	<b>180</b>	<b>5,145</b>	<b>283</b>	<b>187</b>	<b>167</b>	<b>637</b>

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

	Allocation Factor	Total North Dakota	Small Interruptible			Total Small Interruptible	Large Interruptible			Total Large Interruptible
			Demand	Energy	Customer		Demand	Energy	Customer	
O&M Excl. Cost of Gas and A&G		11,257	293	30	105	428	154	54	94	302
O&M Excl. Cost of Gas		17,665	508	47	180	735	275	96	167	538
Depreciation Expense										
Production Plant	39	161	11	0	0	11	0	0	0	0
Distribution Plant										
Rights of Way	13	3	0	0	0	0	0	0	0	0
Structures & Improvements	23	7	0	0	0	0	2	0	0	2
Mains	40	1,870	171	0	1	172	48	0	0	48
Direct -Minot AFB Distribution System	Direct	14	0	0	0	0	0	0	0	0
Meas. & Reg. Equip. - General	18	43	4	0	0	4	5	0	0	5
Meas. & Reg. Equip. - City Gate	19	304	27	0	0	27	14	0	2	16
Services	17	2,448	0	0	13	13	0	0	1	1
Direct -Minot AFB Distribution System	Direct	5	0	0	0	0	0	0	0	0
Meters	5	855	0	0	23	23	0	0	4	4
Direct -Minot AFB Distribution System	Direct	2	0	0	0	0	0	0	0	0
Service Regulators	20	58	0	0	2	2	0	0	0	0
Ind. Meas. & Reg. Station Equipment	21	15	0	0	0	0	0	0	7	7
Cathodic Protection & Other Equipment	13	377	33	0	0	33	17	0	3	20
Total Distribution Plant		6,001	235	0	39	274	86	0	17	103
General Plant	38	154	8	0	1	9	2	0	0	2
Direct -Minot AFB Distribution System	Direct	7	0	0	0	0	0	0	0	0
Amort. of Intangible Plant - General	15	112	6	0	1	7	3	0	1	4
Common Plant	15	370	18	0	2	20	10	0	2	12
Amort. of Intangible Plant - Common	15	615	30	0	4	34	16	0	4	20
Acquisition Adjustment	15	3	0	0	0	0	0	0	0	0
Total Depreciation Expense		7,423	308	0	47	355	117	0	24	141
Taxes Other Than Income										
Ad Valorem Taxes-Production	39	127	9	0	0	9	0	0	0	0
Ad Valorem Taxes-Other	15	811	40	0	5	45	22	0	5	27
Other Taxes - Payroll, Franchise, Other	31	754	22	2	8	32	12	4	7	23
Other Taxes - Minot AFB Distribution- Direct	Direct	1	0	0	0	0	0	0	0	0
Other Taxes - Revenue	26	1	0	0	0	0	0	0	0	0
Total Taxes Other Than Income Taxes		1,694	71	2	13	86	34	4	12	50
Total Operating Expense		106,622	1,239	4,107	240	5,586	434	191	203	828
Interest Expense	36	2,173	111	0	15	126	69	0	17	86
Direct -Minot AFB Distribution System	Direct	28	0	0	0	0	0	0	0	0
Taxable Income		(487)	(942)	853	(31)	(120)	(474)	1,149	(145)	530

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

	Allocation Factor	Total North Dakota	Small Interruptible			Total Small Interruptible	Large Interruptible			Total Large Interruptible
			Demand	Energy	Customer		Demand	Energy	Customer	
Income Taxes	37.9445%	(185)	(357)	324	(12)	(45)	(180)	436	(55)	201
Full Normalization	24	(102)	(5)	0	(1)	(6)	(3)	0	(1)	(4)
Total Income Taxes		(287)	(362)	324	(13)	(51)	(183)	436	(56)	197
Total Operating Expense		106,335	877	4,431	227	5,535	251	627	147	1,025
Operating Income:		2,001	(469)	529	(3)	57	(222)	713	(72)	419

MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
Embedded Class Cost of Service Study  
Twelve Months Ended December 31, 2012  
Projected 2014

	Allocation Factor	Total North Dakota	Minot Air Force Base Distribution			Total Minot Air Force
			Demand	Energy	Customer	
<b>Rate Base-Projected</b>						
Gas Plant in Service						
Production Plant	3	4,833	0	0	0	0
Land	13	49	0	0	0	0
Rights of Way	13	239	2	0	1	3
Structures & Improvements	40	180	0	0	0	0
Direct	Direct	77	0	0	0	0
Mains - \$64,704-Directly Assigned \$2,499						
Demand Related 75%	2	46,654	0	0	0	0
Customer Related 25%	8	15,551	0	0	0	0
Directly Assigned Demand Related 75%	Direct	1,874	514	0	0	514
Directly Assigned Customer Related 25%	Direct	625	0	0	171	171
Meas. & Reg. Equip. - General	40	1,310	0	0	0	0
Direct	Direct	152	0	0	0	0
Meas. & Reg. Equip. - City Gate	13	9,593	76	0	25	101
Direct	Direct	0	0	0	0	0
Services	37	32,048	0	0	0	0
Direct	Direct	121	0	0	116	116
Meters	9	24,708	0	0	0	0
Direct	Direct	52	0	0	52	52
Service Regulators	9	3,330	0	0	0	0
Direct	Direct	14	0	0	14	14
Ind. Meas. & Reg. Station Equipment	40	140	0	0	0	0
Direct	Direct	327	0	0	0	0
Property on Customer Premise	13	115	1	0	0	1
Cathodic Protection & Other Equipment	40	1,115	0	0	0	0
Direct	Direct	2	2	0	0	2
Distribution Plant		138,276	595	0	379	974
Distribution Plant Excluding Direct Assignments		135,109	79	0	26	105
General Plant	38	8,954	5	0	2	7
Direct	Direct	399	399	0	0	399
Intangible Plant - General	15	3,705	16	0	10	26
Common Plant Excluding CC&B	15	15,175	65	0	42	107
Common (CC&B)	4	6,930	0	0	0	0
Acquisition Adjustment	15	97	0	0	0	0
<b>Total Gas Plant in Service</b>		<b>178,369</b>	<b>1,080</b>	<b>0</b>	<b>433</b>	<b>1,513</b>

MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
Embedded Class Cost of Service Study  
Twelve Months Ended December 31, 2012  
Projected 2014

	Allocation Factor	Total North Dakota	Minot Air Force Base Distribution			Total Minot Air Force
			Demand	Energy	Customer	
Less: Accumulated Depreciation						
Production Plant	39	558	0	0	0	0
Distribution Plant						
Rights of Way	13	50	0	0	0	0
Structures & Improvements	23	164	0	0	0	0
Mains	40	30,407	0	0	0	0
Direct	Direct	13	13	0	0	13
Meas. & Reg. Equip. - General	18	509	0	0	0	0
Meas. & Reg. Equip. - City Gate	19	485	4	0	1	5
Services	37	24,872	0	0	0	0
Direct	Direct	16	16	0	0	16
Meters	5	8,437	0	0	0	0
Direct	Direct	6	0	0	6	6
Service Regulators	9	1,198	0	0	0	0
Direct	Direct	1	0	0	1	1
Ind. Meas. & Reg. Station Equipment	21	254	0	0	0	0
Property on Customer Premise	13	125	1	0	0	1
Cathodic Protection & Other Equipment	13	1,092	9	0	3	12
Distribution Plant		67,629	43	0	11	54
General Plant	38	2,542	1	0	0	1
Direct	Direct	117	117	0	0	117
Intangible Plant - General	15	594	3	0	2	5
Common Plant	15	3,739	16	0	10	26
Intangible Plant - Common	15	3,073	13	0	8	21
Intangible Plant - Common-CC&B	4	460	0	0	0	0
Acquisition Adjustment	15	60	0	0	0	0
Less: Total Accumulated Reserve for Depreciation		78,772	193	0	31	224
Net Gas Plant in Service		99,597	887	0	402	1,289
CWIP in Service	15	0	0	0	0	0
Total Gas Plant in Service		99,597	887	0	402	1,289
Additions						
Materials & Supplies	15	2,260	10	0	6	16
Fuel Stocks	10	35	0	0	0	0
Prepayments	25	193	1	0	0	1
Unamortized Loss on Debt	24	629	6	0	3	9
Gain on Sale of Williston Office	24	(282)	(3)	0	(1)	(4)
Total Additions		2,835	14	0	8	22
Total Before Deductions		102,432	901	0	410	1,311

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

	Allocation Factor	Total North Dakota	Minot Air Force Base Distribution			Total Minot Air Force
			Demand	Energy	Customer	
<b>Deductions</b>						
Accumulated Deferred Income Tax	24	(16,608)	(148)	0	(67)	(215)
Accumulated Investment Tax Credit	24	0	0	0	0	0
Customer Advances For Construction	Direct	(6,580)	0	0	0	0
Total Deductions		(23,188)	(148)	0	(67)	(215)
Total Rate Base		79,244	753	0	343	1,096
<b>Income Statement</b>						
<b>Gas Operating Revenues</b>						
<b>Retail Sales &amp; Transportation</b>						
Residential	Direct	57,715	0	0	0	0
Firm General	Direct	40,103	0	0	0	0
Air Force Delivery	Direct	2,305	0	0	0	0
Small Interruptible	Direct	5,550	0	0	0	0
Large Interruptible	Direct	1,416	0	0	0	0
Total Sales & Transportation Revenues		107,089	0	0	0	0
<b>Other Operating Revenue</b>						
<b>Miscellaneous</b>						
Reconnect Fees	6	1	0	0	0	0
Minot Maintenance Fee Rate 65	Direct	456	0	0	456	456
NSF Check Fees & Other	6	16	0	0	0	0
Miscellaneous	24	11	0	0	0	0
Rent From Gas Property	24	567	5	0	2	7
<b>Other Gas Revenues</b>						
Miscellaneous	31	185	2	0	0	2
Transport and Penalty Revenue - Net	24	11	0	0	0	0
Total Other Operating Revenue		1,247	7	0	458	465
		791	7	0	2	9
Unbilled Revenue	26	0	0	0	0	0
Total Operating Revenues		108,336	7	0	458	465
<b>Operation &amp; Maintenance Expenses</b>						
Cost of Purchased Gas	Direct	79,840	0	0	0	0
<b>Production Expense</b>						
Production Expense	39	284	0	0	0	0
Other Gas Supply Expenses	3	125	0	0	0	0
Total Production Expense		409	0	0	0	0

MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
Embedded Class Cost of Service Study  
Twelve Months Ended December 31, 2012  
Projected 2014

	Allocation Factor	Total North Dakota	Minot Air Force Base Distribution			Total Minot Air Force
			Demand	Energy	Customer	
Distribution Expenses						
Operation						
Load Dispatch	1	127	0	0	0	0
Mains and Services	22	2,148	11	0	6	17
Measuring Stations - General	18	60	0	0	0	0
Measuring Stations - Industrial	21	44	0	0	0	0
Measuring Stations - City Gate	19	2	0	0	0	0
Meters & House Regulators	16	499	0	0	1	1
Customer Installations	5	783	0	0	0	0
Other Gas Distribution	27	1,959	15	0	4	19
Rents	27	98	1	0	0	1
Supervision & Engineering	27	1,311	10	0	2	12
Direct -Minot AFB Distribution System	Direct	18	18	0	0	18
Total Operation Expense		7,049	55	0	13	68
Maintenance						
Structures & Improvements	13	4	0	0	0	0
Mains	13	136	1	0	0	1
Measuring Stations - General	18	35	0	0	0	0
Measuring Stations - Industrial	21	23	0	0	0	0
Measuring Stations - City Gate	19	0	0	0	0	0
Services	5	197	0	0	0	0
Meters & House Regulators	16	447	0	0	1	1
Other Equipment	28	91	3	0	0	3
Supervision & Engineering	28	155	5	0	0	5
Direct -Minot AFB Distribution System	Direct	27	27	0	0	27
Total Maintenance Expense		1,115	36	0	1	37
Total Distribution Expenses		8,164	91	0	14	105
Customer Accounts						
Customer Accounts	4	127	0	0	0	0
Meter Reading	5	310	0	0	0	0
Customer Records & Collection	4	1,536	0	0	0	0
Uncollectible Accounts	6	109	0	0	0	0
Miscellaneous Customer Accounts	4	229	0	0	0	0
Customer Service & Information	4	246	0	0	0	0
Sales Expenses	4	127	0	0	0	0
Administration & General Expenses	30	6,408	71	0	11	82
Total Gas O&M Expenses		97,505	162	0	25	187

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

	Allocation Factor	Total North Dakota	Minot Air Force Base Distribution			Total Minot Air Force
			Demand	Energy	Customer	
O&M Excl. Cost of Gas and A&G		11,257	91	0	14	105
O&M Excl. Cost of Gas		17,665	162	0	25	187
Depreciation Expense						
Production Plant	39	161	0	0	0	0
Distribution Plant						
Rights of Way	13	3	0	0	0	0
Structures & Improvements	23	7	0	0	0	0
Mains	40	1,870	0	0	0	0
Direct -Minot AFB Distribution System	Direct	14	14	0	0	14
Meas. & Reg. Equip. - General	18	43	0	0	0	0
Meas. & Reg. Equip. - City Gate	19	304	2	0	1	3
Services	17	2,448	0	0	0	0
Direct -Minot AFB Distribution System	Direct	5	5	0	0	5
Meters	5	855	0	0	0	0
Direct -Minot AFB Distribution System	Direct	2	2	0	0	2
Service Regulators	20	58	0	0	0	0
Ind. Meas. & Reg. Station Equipment	21	15	0	0	0	0
Cathodic Protection & Other Equipment	13	377	3	0	1	4
Total Distribution Plant		6,001	26	0	2	28
General Plant	38	154	0	0	0	0
Direct -Minot AFB Distribution System	Direct	7	7	0	0	7
Amort. of Intangible Plant - General	15	112	0	0	0	0
Common Plant	15	370	2	0	1	3
Amort. of Intangible Plant - Common	15	615	3	0	2	5
Acquisition Adjustment	15	3	0	0	0	0
Total Depreciation Expense		7,423	38	0	5	43
Taxes Other Than Income						
Ad Valorem Taxes-Production	39	127	0	0	0	0
Ad Valorem Taxes-Other	15	811	3	0	2	5
Other Taxes - Payroll, Franchise, Other	31	754	7	0	1	8
Other Taxes - Minot AFB Distribution- Direct	Direct	1	1	0	0	1
Other Taxes - Revenue	26	1	0	0	0	0
Total Taxes Other Than Income Taxes		1,694	11	0	3	14
Total Operating Expense		106,622	211	0	33	244
Interest Expense	36	2,173	0	0	0	0
Direct -Minot AFB Distribution System	Direct	28	28	0	0	28
Taxable Income		(487)	(232)	0	425	193

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**Embedded Class Cost of Service Study**  
**Twelve Months Ended December 31, 2012**  
**Projected 2014**

	Allocation Factor	Total North Dakota	Minot Air Force Base Distribution			Total Minot Air Force
			Demand	Energy	Customer	
Income Taxes	37.9445%	(185)	(88)	0	161	73
Full Normalization	24	(102)	(1)	0	0	(1)
Total Income Taxes		(287)	(89)	0	161	72
Total Operating Expense		106,335	122	0	194	316
Operating Income:		2,001	(115)	0	264	149

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
EMBEDDED CLASS COST OF SERVICE STUDY  
ALLOCATION FACTOR REPORT  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
PROJECTED AVERAGE PLANT**

	Total North Dakota	Residential			Small Firm General		
		Demand	Energy	Customer	Demand	Energy	Customer
1 Dk Throughput Projected	22,261,875 100.000000%	0 0.000000%	8,285,778 37.219588%	0 0.000000%	0 0.000000%	1,787,104 8.027644%	0 0.000000%
2 Peak Design Day @ Distribution	179,018 100.000000%	86,716 48.439822%	0 0.000000%	0 0.000000%	20,668 11.545208%	0 0.000000%	0 0.000000%
3 Dk Sales Projected	16,400,769 100.000000%	0 0.000000%	8,285,778 50.520669%	0 0.000000%	0 0.000000%	1,787,104 10.896465%	0 0.000000%
4 Average Customers	103,505 100.000000%	0 0.000000%	0 0.000000%	89,713 86.675040%	0 0.000000%	0 0.000000%	9,769 9.438191%
5 Total Weighted Customers	134,936 100.000000%	0 0.000000%	0 0.000000%	89,713 66.485593%	0 0.000000%	0 0.000000%	10,746 7.963775%
6 Average Res. & Firm General Cust.	103,344 100.000000%	0 0.000000%	0 0.000000%	89,713 86.810071%	0 0.000000%	0 0.000000%	9,769 9.452895%
7 Dk Throughput Excl Transmission	17,711,158 100.000000%	0 0.000000%	8,285,778 46.782813%	0 0.000000%	0 0.000000%	1,787,104 10.090272%	0 0.000000%
8 Average Customers @ Distribution	103,500 100.000000%	0 0.000000%	0 0.000000%	89,713 86.679227%	0 0.000000%	0 0.000000%	9,769 9.438647%
9 Total Weighted Customers Excluding Large IT - Transmission Customers	134,778 100.000000%	0 0.000000%	0 0.000000%	89,713 66.563534%	0 0.000000%	0 0.000000%	10,746 7.973111%
10 Residential & Firm General Propane Sales	44,348 100.000000%	0 0.000000%	18,037 40.671507%	0 0.000000%	0 0.000000%	10,755 24.251376%	0 0.000000%
13 Distribution Mains (000's)	64,704 100.000000%	22,599 34.926743%	0 0.000000%	13,479 20.831789%	5,386 8.324060%	0 0.000000%	1,468 2.268793%
15 Distribution Plant (000's)	138,276 100.000000%	27,089 19.590529%	0 0.000000%	60,584 43.813821%	6,457 4.669646%	0 0.000000%	8,007 5.790593%
16 Meters & Regulators (000's)	28,104 100.000000%	0 0.000000%	0 0.000000%	18,662 66.403358%	0 0.000000%	0 0.000000%	2,236 7.956163%

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - NORTH DAKOTA  
 EMBEDDED CLASS COST OF SERVICE STUDY  
 ALLOCATION FACTOR REPORT  
 TWELVE MONTHS ENDED DECEMBER 31, 2012  
 PROJECTED AVERAGE PLANT**

	Total North Dakota	Large Firm General			Air Force Delivery		
		Demand	Energy	Customer	Demand	Energy	Customer
1 Dk Throughput Projected	22,261,875 100.000000%	0 0.000000%	4,642,827 20.855507%	0 0.000000%	0 0.000000%	552,500 2.481821%	0 0.000000%
2 Peak Design Day @ Distribution	179,018 100.000000%	43,626 24.369616%	0 0.000000%	0 0.000000%	0 0.000000%	0 0.000000%	0 0.000000%
3 Dk Sales Projected	16,400,769 100.000000%	0 0.000000%	4,642,827 28.308593%	0 0.000000%	0 0.000000%	552,500 3.368744%	0 0.000000%
4 Average Customers	103,505 100.000000%	0 0.000000%	0 0.000000%	3,862 3.731221%	0 0.000000%	0 0.000000%	3 0.002898%
5 Total Weighted Customers	134,936 100.000000%	0 0.000000%	0 0.000000%	30,124 22.324658%	0 0.000000%	0 0.000000%	172 0.127468%
6 Average Res. & Firm General Cust.	103,344 100.000000%	0 0.000000%	0 0.000000%	3,862 3.737034%	0 0.000000%	0 0.000000%	0 0.000000%
7 Dk Throughput Excl Transmission	17,711,158 100.000000%	0 0.000000%	4,642,827 26.214136%	0 0.000000%	0 0.000000%	0 0.000000%	0 0.000000%
8 Average Customers @ Distribution	103,500 100.000000%	0 0.000000%	0 0.000000%	3,862 3.731401%	0 0.000000%	0 0.000000%	0 0.000000%
9 Total Weighted Customers Excluding Large IT - Transmission Customers	134,778 100.000000%	0 0.000000%	0 0.000000%	30,124 22.350829%	0 0.000000%	0 0.000000%	172 0.127617%
10 Residential & Firm General Propane Sales	44,348 100.000000%	0 0.000000%	15,556 35.077117%	0 0.000000%	0 0.000000%	0 0.000000%	0 0.000000%
13 Distribution Mains (000's)	64,704 100.000000%	11,369 17.570784%	0 0.000000%	580 0.896390%	0 0.000000%	0 0.000000%	0 0.000000%
15 Distribution Plant (000's)	138,276 100.000000%	13,628 9.855651%	0 0.000000%	9,056 6.549220%	22 0.015910%	0 0.000000%	130 0.094015%
16 Meters & Regulators (000's)	28,104 100.000000%	0 0.000000%	0 0.000000%	6,266 22.295759%	0 0.000000%	0 0.000000%	36 0.128096%

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
EMBEDDED CLASS COST OF SERVICE STUDY  
ALLOCATION FACTOR REPORT  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
PROJECTED AVERAGE PLANT**

	Total North Dakota	Small Interruptible			Large Interruptible		
		Demand	Energy	Customer	Demand	Energy	Customer
1 Dk Throughput Projected	22,261,875 100.000000%	0 0.000000%	2,158,468 9.695805%	0 0.000000%	0 0.000000%	4,835,198 21.719635%	0 0.000000%
2 Peak Design Day @ Distribution	179,018 100.000000%	21,866 12.214414%	0 0.000000%	0 0.000000%	6,142 3.430940%	0 0.000000%	0 0.000000%
3 Dk Sales Projected	16,400,769 100.000000%	0 0.000000%	1,107,934 6.755378%	0 0.000000%	0 0.000000%	24,626 0.150151%	0 0.000000%
4 Average Customers	103,505 100.000000%	0 0.000000%	0 0.000000%	150 0.144921%	0 0.000000%	0 0.000000%	8 0.007729%
5 Total Weighted Customers	134,936 100.000000%	0 0.000000%	0 0.000000%	3,554 2.633841%	0 0.000000%	0 0.000000%	627 0.464665%
6 Average Res. & Firm General Cust.	103,344 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%	0 0.000000%	0 0.000000%	0 0.000000%
7 Dk Throughput Excl Transmission	17,711,158 100.000000%	0 0.000000%	2,158,468 12.187052%	0 0.000000%	0 0.000000%	836,981 4.725727%	0 0.000000%
8 Average Customers @ Distribution	103,500 100.000000%	0 0.000000%	0 0.000000%	150 0.144928%	0 0.000000%	0 0.000000%	6 0.005797%
9 Total Weighted Customers Excluding Large IT - Transmission Customers	134,778 100.000000%	0 0.000000%	0 0.000000%	3,554 2.636929%	0 0.000000%	0 0.000000%	469 0.347980%
10 Residential & Firm General Propane Sales	44,348 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%	0 0.000000%	0 0.000000%	0 0.000000%
13 Distribution Mains (000's)	64,704 100.000000%	5,699 8.807802%	0 0.000000%	23 0.035546%	2,961 4.576224%	0 0.000000%	455 0.703202%
15 Distribution Plant (000's)	138,276 100.000000%	6,830 4.939397%	0 0.000000%	934 0.675461%	3,697 2.673638%	0 0.000000%	868 0.627730%
16 Meters & Regulators (000's)	28,104 100.000000%	0 0.000000%	0 0.000000%	740 2.633077%	0 0.000000%	0 0.000000%	98 0.348705%

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
EMBEDDED CLASS COST OF SERVICE STUDY  
ALLOCATION FACTOR REPORT  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
PROJECTED AVERAGE PLANT**

	Total North Dakota	Minot Air Force Base Distribution		
		Demand	Energy	Customer
1 Dk Throughput Projected	22,261,875 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
2 Peak Design Day @ Distribution	179,018 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
3 Dk Sales Projected	16,400,769 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
4 Average Customers	103,505 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
5 Total Weighted Customers	134,936 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
6 Average Res. & Firm General Cust.	103,344 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
7 Dk Throughput Excl Transmission	17,711,158 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
8 Average Customers @ Distribution	103,500 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
9 Total Weighted Customers Excluding Large IT - Transmission Customers	134,778 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
10 Residential & Firm General Propane Sales	44,348 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
13 Distribution Mains (000's)	64,704 100.000000%	514 0.794387%	0 0.000000%	171 0.264280%
15 Distribution Plant (000's)	138,276 100.000000%	595 0.430299%	0 0.000000%	379 0.274090%
16 Meters & Regulators (000's)	28,104 100.000000%	0 0.000000%	0 0.000000%	66 0.234842%

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
EMBEDDED CLASS COST OF SERVICE STUDY  
ALLOCATION FACTOR REPORT  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
PROJECTED AVERAGE PLANT**

	Total North Dakota	Residential			Small Firm General		
		Demand	Energy	Customer	Demand	Energy	Customer
17 Weighted Services	111,605 100.000000%	0 0.000000%	0 0.000000%	89,713 80.384391%	0 0.000000%	0 0.000000%	13,970 12.517360%
18 Meas. & Reg. Sta. Eqpt.- General (000's)	1,462 100.000000%	477 32.626540%	0 0.000000%	284 19.425445%	113 7.729138%	0 0.000000%	31 2.120383%
19 Meas. & Reg. Eqpt.- City Gate (000's)	9,593 100.000000%	3,351 34.931721%	0 0.000000%	1,998 20.827687%	799 8.328990%	0 0.000000%	218 2.272490%
20 Service Regulators (000's)	3,344 100.000000%	0 0.000000%	0 0.000000%	2,216 66.267943%	0 0.000000%	0 0.000000%	266 7.954545%
21 Ind. Meas. & Reg. Sta. Eqpt. (000's)	467 100.000000%	51 10.920770%	0 0.000000%	30 6.423983%	12 2.569593%	0 0.000000%	3 0.642398%
22 Mains & Services (000's)	96,873 100.000000%	22,599 23.328482%	0 0.000000%	39,244 40.510772%	5,386 5.559857%	0 0.000000%	5,480 5.656891%
23 Structures and Improvements	257 100.000000%	65 25.291829%	0 0.000000%	39 15.175097%	16 6.225681%	0 0.000000%	4 1.556420%
24 Net Gas Plant in Service (000's)	99,597 100.000000%	20,895 20.979548%	0 0.000000%	40,615 40.779340%	4,933 4.952960%	0 0.000000%	5,010 5.030272%
25 Total Gas Plant in Service (000's)	178,369 100.000000%	35,045 19.647472%	0 0.000000%	78,918 44.244237%	8,299 4.652714%	0 0.000000%	10,292 5.770061%
26 Projected Operating Revenue (000's)	107,089 100.000000%	9,690 9.048548%	38,231 35.700213%	9,794 9.145664%	2,401 2.242060%	7,544 7.044608%	1,854 1.731270%
27 All Other Dist. Operation Exp. (000's)	3,681 100.000000%	530 14.398261%	48 1.303993%	1,736 47.161100%	125 3.395816%	10 0.271665%	225 6.112469%
28 All Other Dist. Maintenance Exp. (000's)	869 100.000000%	65 7.479862%	0 0.000000%	463 53.279630%	15 1.726122%	0 0.000000%	56 6.444189%
29 O&M Excl. Cost of Gas and A&G (000's)	11,257 100.000000%	1,243 11.042018%	156 1.385804%	6,182 54.916940%	291 2.585058%	33 0.293151%	752 6.680288%

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
EMBEDDED CLASS COST OF SERVICE STUDY  
ALLOCATION FACTOR REPORT  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
PROJECTED AVERAGE PLANT**

	Total North Dakota	Large Firm General			Air Force Delivery		
		Demand	Energy	Customer	Demand	Energy	Customer
17 Weighted Services	111,605 100.000000%	0 0.000000%	0 0.000000%	7,299 6.540030%	0 0.000000%	0 0.000000%	0 0.000000%
18 Meas. & Reg. Sta. Eqpt.- General (000's)	1,462 100.000000%	239 16.347469%	0 0.000000%	12 0.820793%	0 0.000000%	0 0.000000%	0 0.000000%
19 Meas. & Reg. Eqpt.- City Gate (000's)	9,593 100.000000%	1,686 17.575315%	0 0.000000%	86 0.896487%	0 0.000000%	0 0.000000%	0 0.000000%
20 Service Regulators (000's)	3,344 100.000000%	0 0.000000%	0 0.000000%	744 22.248804%	0 0.000000%	0 0.000000%	4 0.119617%
21 Ind. Meas. & Reg. Sta. Eqpt. (000's)	467 100.000000%	26 5.567452%	0 0.000000%	1 0.214133%	0 0.000000%	0 0.000000%	94 20.128480%
22 Mains & Services (000's)	96,873 100.000000%	11,369 11.735984%	0 0.000000%	2,676 2.762380%	0 0.000000%	0 0.000000%	0 0.000000%
23 Structures and Improvements	257 100.000000%	33 12.840467%	0 0.000000%	2 0.778210%	22 8.560311%	0 0.000000%	0 0.000000%
24 Net Gas Plant in Service (000's)	99,597 100.000000%	10,636 10.679037%	0 0.000000%	6,399 6.424892%	154 0.154623%	0 0.000000%	76 0.076308%
25 Total Gas Plant in Service (000's)	178,369 100.000000%	17,771 9.963054%	0 0.000000%	11,159 6.256132%	188 0.105399%	0 0.000000%	149 0.083535%
26 Projected Operating Revenue (000's)	107,089 100.000000%	5,570 5.201281%	20,267 18.925380%	2,467 2.303691%	165 0.154077%	2,125 1.984331%	15 0.014007%
27 All Other Dist. Operation Exp. (000's)	3,681 100.000000%	264 7.171964%	26 0.706330%	345 9.372453%	0 0.000000%	3 0.081500%	11 0.298832%
28 All Other Dist. Maintenance Exp. (000's)	869 100.000000%	32 3.682394%	0 0.000000%	145 16.685846%	0 0.000000%	0 0.000000%	6 0.690449%
29 O&M Excl. Cost of Gas and A&G (000's)	11,257 100.000000%	626 5.560984%	85 0.755086%	1,005 8.927778%	10 0.088834%	10 0.088834%	29 0.257617%

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
EMBEDDED CLASS COST OF SERVICE STUDY  
ALLOCATION FACTOR REPORT  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
PROJECTED AVERAGE PLANT**

	Total North Dakota	Small Interruptible			Large Interruptible		
		Demand	Energy	Customer	Demand	Energy	Customer
17 Weighted Services	111,605 100.000000%	0 0.000000%	0 0.000000%	586 0.525066%	0 0.000000%	0 0.000000%	31 0.027777%
18 Meas. & Reg. Sta. Eqpt.- General (000's)	1,462 100.000000%	120 8.207934%	0 0.000000%	0 0.000000%	186 12.722298%	0 0.000000%	0 0.000000%
19 Meas. & Reg. Eqpt.- City Gate (000's)	9,593 100.000000%	845 8.808506%	0 0.000000%	3 0.031273%	439 4.576254%	0 0.000000%	67 0.698426%
20 Service Regulators (000's)	3,344 100.000000%	0 0.000000%	0 0.000000%	88 2.631579%	0 0.000000%	0 0.000000%	12 0.358852%
21 Ind. Meas. & Reg. Sta. Eqpt. (000's)	467 100.000000%	13 2.783726%	0 0.000000%	0 0.000000%	4 0.856531%	0 0.000000%	233 49.892934%
22 Mains & Services (000's)	96,873 100.000000%	5,699 5.882960%	0 0.000000%	191 0.197165%	2,961 3.056579%	0 0.000000%	467 0.482074%
23 Structures and Improvements	257 100.000000%	16 6.225681%	0 0.000000%	0 0.000000%	60 23.346304%	0 0.000000%	0 0.000000%
24 Net Gas Plant in Service (000's)	99,597 100.000000%	5,012 5.032280%	0 0.000000%	670 0.672711%	3,144 3.156722%	0 0.000000%	764 0.767091%
25 Total Gas Plant in Service (000's)	178,369 100.000000%	8,547 4.791752%	0 0.000000%	1,135 0.636321%	4,353 2.440446%	0 0.000000%	1,000 0.560636%
26 Projected Operating Revenue (000's)	107,089 100.000000%	372 0.347375%	4,960 4.631662%	218 0.203569%	8 0.007470%	1,339 1.250362%	69 0.064432%
27 All Other Dist. Operation Exp. (000's)	3,681 100.000000%	132 3.585982%	12 0.325998%	38 1.032328%	74 2.010323%	28 0.760663%	38 1.032328%
28 All Other Dist. Maintenance Exp. (000's)	869 100.000000%	16 1.841197%	0 0.000000%	17 1.956272%	10 1.150748%	0 0.000000%	15 1.726122%
29 O&M Excl. Cost of Gas and A&G (000's)	11,257 100.000000%	293 2.602825%	30 0.266501%	105 0.932753%	154 1.368038%	54 0.479702%	94 0.835036%

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
EMBEDDED CLASS COST OF SERVICE STUDY  
ALLOCATION FACTOR REPORT  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
PROJECTED AVERAGE PLANT**

	Total North Dakota	Minot Air Force Base Distribution		
		Demand	Energy	Customer
17 Weighted Services	111,605 100.000000%	0 0.000000%	0 0.000000%	6 0.005376%
18 Meas. & Reg. Sta. Eqpt.- General (000's)	1,462 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
19 Meas. & Reg. Eqpt.- City Gate (000's)	9,593 100.000000%	76 0.792244%	0 0.000000%	25 0.260607%
20 Service Regulators (000's)	3,344 100.000000%	0 0.000000%	0 0.000000%	14 0.418660%
21 Ind. Meas. & Reg. Sta. Eqpt. (000's)	467 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
22 Mains & Services (000's)	96,873 100.000000%	514 0.530592%	0 0.000000%	287 0.296264%
23 Structures and Improvements	257 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
24 Net Gas Plant in Service (000's)	99,597 100.000000%	887 0.890589%	0 0.000000%	402 0.403627%
25 Total Gas Plant in Service (000's)	178,369 100.000000%	1,080 0.605486%	0 0.000000%	433 0.242755%
26 Projected Operating Revenue (000's)	107,089 100.000000%	0 0.000000%	0 0.000000%	0 0.000000%
27 All Other Dist. Operation Exp. (000's)	3,681 100.000000%	29 0.787829%	0 0.000000%	7 0.190166%
28 All Other Dist. Maintenance Exp. (000's)	869 100.000000%	28 3.222094%	0 0.000000%	1 0.115075%
29 O&M Excl. Cost of Gas and A&G (000's)	11,257 100.000000%	91 0.808386%	0 0.000000%	14 0.124367%

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
EMBEDDED CLASS COST OF SERVICE STUDY  
ALLOCATION FACTOR REPORT  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
PROJECTED AVERAGE PLANT**

	Total North Dakota	Residential			Small Firm General		
		Demand	Energy	Customer	Demand	Energy	Customer
	8,164	1,099	92	3,916	260	19	503
30 Distribution O&M (000's)	100.000000%	13.461538%	1.126899%	47.966685%	3.184713%	0.232729%	6.161195%
	17,665	2,106	228	9,255	495	48	1,147
31 O&M Excl. Cost of Gas (000's)	100.000000%	11.921879%	1.290688%	52.391735%	2.802151%	0.271724%	6.493065%
	79,840	9,695	31,471	0	2,403	6,475	0
33 Cost of Gas (000's)	100.000000%	12.143036%	39.417586%	0.000000%	3.009770%	8.109970%	0.000000%
	(487)	(4,008)	6,523	(4,448)	(942)	1,020	33
35 Taxable Income (000's)	100.000000%	822.997947%	-1339.425051%	913.347023%	193.429158%	-209.445585%	-6.776181%
	98,308	20,895	0	40,615	4,933	0	5,010
36 Net Gas Plant in Service (000's) Excluding Minot AFB	100.000000%	21.254628%	0.000000%	41.314033%	5.017903%	0.000000%	5.096228%
	111,592	0	0	89,713	0	0	13,970
37 Weighted Services Excluding Transmission Level Customers	100.000000%	0.000000%	0.000000%	80.393756%	0.000000%	0.000000%	12.518819%
	135,032	27,089	0	60,584	6,457	0	8,007
38 Distribution Plant Less Direct Assignment (000's)	100.000000%	20.061171%	0.000000%	44.866402%	4.781829%	0.000000%	5.929706%
	4,833	2,442	0	0	527	0	0
39 Production Plant	100.000000%	50.527623%	0.000000%	0.000000%	10.904200%	0.000000%	0.000000%
	62,205	22,599	0	13,479	5,386	0	1,468
40 Distribution Mains (000) Excluding Transmission Level Customer-Direct Assigned	100.000000%	36.329877%	0.000000%	21.668675%	8.658468%	0.000000%	2.359939%

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
EMBEDDED CLASS COST OF SERVICE STUDY  
ALLOCATION FACTOR REPORT  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
PROJECTED AVERAGE PLANT**

	Total North Dakota	Large Firm General			Air Force Delivery		
		Demand	Energy	Customer	Demand	Energy	Customer
	8,164	546	50	847	0	6	29
30 Distribution O&M (000's)	100.000000%	6.687898%	0.612445%	10.374816%	0.000000%	0.073493%	0.355218%
	17,665	1,055	124	1,670	10	15	52
31 O&M Excl. Cost of Gas (000's)	100.000000%	5.972262%	0.701953%	9.453722%	0.056609%	0.084914%	0.294367%
	79,840	5,573	17,495	0	175	2,044	0
33 Cost of Gas (000's)	100.000000%	6.980210%	21.912575%	0.000000%	0.219188%	2.560120%	0.000000%
	(487)	(2,021)	2,644	120	(32)	65	(44)
35 Taxable Income (000's)	100.000000%	414.989733%	-542.915811%	-24.640657%	6.570842%	-13.347023%	9.034908%
	98,308	10,636	0	6,399	154	0	76
36 Net Gas Plant in Service (000's) Excluding Minot AFB	100.000000%	10.819058%	0.000000%	6.509135%	0.156651%	0.000000%	0.077308%
	111,592	0	0	7,299	0	0	0
37 Weighted Services Excluding Transmission Level Customers	100.000000%	0.000000%	0.000000%	6.540791%	0.000000%	0.000000%	0.000000%
	135,032	13,628	0	9,056	0	0	36
38 Distribution Plant Less Direct Assignment (000's)	100.000000%	10.092423%	0.000000%	6.706558%	0.000000%	0.000000%	0.026660%
	4,833	1,368	0	0	163	0	0
39 Production Plant	100.000000%	28.305400%	0.000000%	0.000000%	3.372646%	0.000000%	0.000000%
	62,205	11,369	0	580	0	0	0
40 Distribution Mains (000) Excluding Transmission Level Customer-Direct Assigned	100.000000%	18.276666%	0.000000%	0.932401%	0.000000%	0.000000%	0.000000%

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
EMBEDDED CLASS COST OF SERVICE STUDY  
ALLOCATION FACTOR REPORT  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
PROJECTED AVERAGE PLANT**

	Total North Dakota	Small Interruptible			Large Interruptible		
		Demand	Energy	Customer	Demand	Energy	Customer
30 Distribution O&M (000's)	8,164	274	22	95	154	54	93
	100.000000%	3.356198%	0.269476%	1.163645%	1.886330%	0.661440%	1.139147%
31 O&M Excl. Cost of Gas (000's)	17,665	508	47	180	275	96	167
	100.000000%	2.875743%	0.266063%	1.018964%	1.556751%	0.543447%	0.945372%
33 Cost of Gas (000's)	79,840	352	4,058	0	8	91	0
	100.000000%	0.440882%	5.082665%	0.000000%	0.010020%	0.113978%	0.000000%
35 Taxable Income (000's)	(487)	(942)	853	(31)	(474)	1,149	(145)
	100.000000%	193.429158%	-175.154004%	6.365503%	97.330595%	-235.934292%	29.774127%
36 Net Gas Plant in Service (000's) Excluding Minot AFB	98,308	5,012	0	670	3,144	0	764
	100.000000%	5.098263%	0.000000%	0.681532%	3.198112%	0.000000%	0.777149%
37 Weighted Services Excluding Transmission Level Customers	111,592	0	0	586	0	0	24
	100.000000%	0.000000%	0.000000%	0.525127%	0.000000%	0.000000%	0.021507%
38 Distribution Plant Less Direct Assignment (000's)	135,032	6,830	0	934	2,130	0	176
	100.000000%	5.058060%	0.000000%	0.691688%	1.577404%	0.000000%	0.130339%
39 Production Plant	4,833	326	0	0	7	0	0
	100.000000%	6.745293%	0.000000%	0.000000%	0.144838%	0.000000%	0.000000%
40 Distribution Mains (000) Excluding Transmission Level Customer-Direct Assigned	62,205	5,699	0	23	1,601	0	1
	100.000000%	9.161643%	0.000000%	0.036975%	2.573748%	0.000000%	0.001608%

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - NORTH DAKOTA  
 EMBEDDED CLASS COST OF SERVICE STUDY  
 ALLOCATION FACTOR REPORT  
 TWELVE MONTHS ENDED DECEMBER 31, 2012  
 PROJECTED AVERAGE PLANT**

	Total North Dakota	Minot Air Force Base Distribution		
		Demand	Energy	Customer
	8,164	91	0	14
30 Distribution O&M (000's)	100.000000%	1.114650%	0.000000%	0.171485%
	17,665	162	0	25
31 O&M Excl. Cost of Gas (000's)	100.000000%	0.917068%	0.000000%	0.141523%
	79,840	0	0	0
33 Cost of Gas (000's)	100.000000%	0.000000%	0.000000%	0.000000%
	(487)	(232)	0	425
35 Taxable Income (000's)	100.000000%	47.638604%	0.000000%	-87.268994%
	98,308	0	0	0
36 Net Gas Plant in Service (000's) Excluding Minot AFB	100.000000%	0.000000%	0.000000%	0.000000%
	111,592	0	0	0
37 Weighted Services Excluding Transmission Level Customers	100.000000%	0.000000%	0.000000%	0.000000%
	135,032	79	0	26
38 Distribution Plant Less Direct Assignment (000's)	100.000000%	0.058505%	0.000000%	0.019255%
	4,833	0	0	0
39 Production Plant	100.000000%	0.000000%	0.000000%	0.000000%
	62,205	0	0	0
40 Distribution Mains (000) Excluding Transmission Level Customer-Direct Assigned	100.000000%	0.000000%	0.000000%	0.000000%

**MONTANA-DAKOTA UTILITIES CO.**  
**REVENUES UNDER CURRENT AND PROPOSED RATES**  
**GAS UTILITY - NORTH DAKOTA**  
*Proposed Final Rates*

Customer Class/Rate	Projected 2014			Total Proposed Revenue	Proposed Revenue Increase	Percent Increase
	Customers	Dk	Revenue			
<b>Residential - Rate 60</b>	89,713	8,285,778	\$57,715,371	\$63,207,844	\$5,492,473	9.5%
<b>Firm General Service - Rate 70</b>	13,631	6,429,931	40,103,576	40,978,470	874,894	2.2%
<b>Air Force - Rate 64</b>						
Firm	1	32,291	166,498	168,464	1,966	1.2%
Interruptible	2	520,209	2,138,280	2,163,806	25,526	1.2%
<b>Total Air Force</b>	<u>3</u>	<u>552,500</u>	<u>2,304,778</u>	<u>2,332,270</u>	<u>27,492</u>	<u>1.2%</u>
<b>Small Interruptible</b>						
Sales - Rate 71	86	1,107,934	4,985,865			0.0%
Transport - Rate 81	64	1,050,534	563,778			0.0%
<b>Total Small Interruptible</b>	<u>150</u>	<u>2,158,468</u>	<u>5,549,643</u>	<u>5,998,593</u>	<u>448,950</u>	<u>8.1%</u>
<b>Large Interruptible</b>						
Sales - Rate 85	1	24,626	113,450			
Transport - Rate 82	7	4,810,572	1,302,628			
<b>Total Large Interruptible</b>	<u>8</u>	<u>4,835,198</u>	<u>1,416,078</u>	<u>1,415,140</u>	<u>(938)</u>	<u>-0.1%</u>
<b>Total North Dakota</b>	<u>103,505</u>	<u>22,261,875</u>	<u>\$107,089,446</u>	<u>\$113,932,317</u>	<u>\$6,842,871</u>	<u>6.4%</u>

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
ALLOCATION OF REVENUES  
Projected 2014**

RATE CLASS	Billing Determinants 1/					Embedded COS Before Increase 2/			Increase Required @ Overall Return		
	Customers	Dk	Distribution Revenues	Gas Costs	Total Revenues	Operating Income	Rate Base	Rate Of Return	Income	Revenues	% Increase
Residential	89,713	8,285,778	\$16,551,626	\$41,163,745	\$57,715,371	\$225,000	\$48,868,000	0.460%	\$3,626,000	\$5,843,157	10.12%
Firm General Service	13,631	6,429,931	8,159,679	31,943,897	40,103,576	1,153,000	21,485,000	5.367%	541,000	871,800	2.17%
Air Force											
Firm	1	32,291	6,076	160,422	166,498						
Interruptible	2	520,209	76,045	2,062,235	2,138,280						
Total Air Force	3	552,500	82,121	2,222,657	2,304,778	(2,000)	194,000	-1.031%	17,000	27,395	1.19%
Small Interruptible											
Sales	86	1,107,934	576,288	4,409,577	4,985,865						
Transportation	64	1,050,534	563,778	0	563,778						
Total Small IT	150	2,158,468	1,140,066	4,409,577	5,549,643	57,000	4,250,000	1.341%	278,000	447,986	8.07%
Large Interruptible											
Sales	1	24,626	15,439	98,011	113,450						
Transportation	7	4,810,572	1,302,628	0	1,302,628						
Total Large IT	8	4,835,198	1,318,067	98,011	1,416,078	419,000	3,351,000	12.504%	(155,000)	(249,776)	-17.64%
MAFB Distribution 3/					456,000	149,000	1,096,000	13.595%	(63,000)	(101,522)	-22.26%
Total North Dakota	103,505	22,261,875	\$27,251,559	\$79,837,887	\$107,545,446	\$2,001,000	\$79,244,000	2.525%	\$4,244,000	\$6,839,040	6.36%

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
ALLOCATION OF REVENUES  
Projected 2014**

RATE CLASS	Target Rate Design				Rate Design Results			
	Increase In Revenue	% Increase	Operating Income	Rate Of Return	Increase In Revenue	Total Revenues	% Incr	Rate Of Return
Residential	\$5,491,787	9.52%	\$3,632,956	7.434%	\$5,492,473	\$63,207,844	9.52%	7.435%
Firm General Service	871,800	2.17%	1,694,000	7.885%	874,894	40,978,470	2.18%	7.894%
Air Force								
Firm	1,981	1.19%			1,966	168,464	1.18%	
Interruptible	25,446	1.19%			25,526	2,163,806	1.19%	
Total Air Force	27,427	1.19%	15,020	7.742%	27,492	2,332,270	1.19%	7.763%
Small Interruptible								
Sales								
Transportation								
Total Small IT	447,986	8.07%	335,000	7.882%	448,950	5,998,593	8.09%	7.896%
Large Interruptible								
Sales								
Transportation								
Total Large IT	0	0.00%	419,000	12.504%	(938)	1,415,140	-0.07%	12.486%
MAFB Distribution	0	0.00%	149,000	13.595%				
Total North Dakota	\$6,839,000	6.36%	\$6,244,976	7.881%	\$6,842,871	\$113,932,317	6.36%	7.884%

Requested Return on Rate Base	7.881% 4/	Cost of Gas (Adjusted for Losses)	
Proposed Increase	6,839,000 4/	Projected	COG
% Increase (Excl Flex)	6.369795%	Firm	\$4.968
Inverse Of Tax Rate	62.0555%	Interruptible	3.980
		MAFB	3.962

1/ Statement M, Page 4.

2/ Statement O.

3/ Recorded as Other Revenues

4/ Statement L, Page 3.

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - NORTH DAKOTA  
 RATE RECONCILIATION  
 RESIDENTIAL GAS SERVICE - RATES 60 & 90  
 Projected 2014**

	Billing Units	Current		Proposed	
		Rate	Amount	Rate	Amount
<b>Residential Rates 60 &amp; 90</b>					
Basic Service Charge (600 & 900)	89,713 Cust	\$0.30	\$9,823,574	\$0.6732	\$22,044,099
Distribution Charge	8,285,778 dk	0.812	6,728,052	0.000	0
Cost of Gas	8,285,778 dk	4.968	<u>41,163,745</u>	4.968	<u>41,163,745</u>
Total Revenue Rates 60 & 90			\$57,715,371	\$63,207,844	

Total Distribution Revenues Per Design	\$22,044,099
Target Distribution Revenues	<u>22,043,413</u>
Difference	<u>\$686</u>

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
RESIDENTIAL GAS SERVICE - RATES 60 & 90  
Projected 2014**

Current Non-Gas Revenues	\$16,551,626
Proposed Revenue Increase	<u>5,491,787</u>
Total Revenue Requirement	\$22,043,413
Less:	
Proposed Base Rate Revenues	22,044,099
Remaining Revenues To Be Collected	<u>(686)</u>
Total Rates 60 & 90 (Res) Consumption	8,285,778
Base Distribution Charge	\$0.000
Fixed Rate Charge	\$0.67320

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
AIR FORCE FIRM SERVICE - RATE 64  
Projected 2014**

	Billing Units	Current		Proposed	
		Rate	Amount	Rate	Amount
<b>Air Force Rate 64</b>					
Basic Service Charge	1 Cust	\$135.00	\$1,620	\$175.00	\$2,100
Distribution Charge	32,291 dk	0.138	4,456	0.184	5,942
Cost of Gas	32,291 dk	4.968	<u>160,422</u>	4.968	<u>160,422</u>
Total Revenue Rate 64			\$166,498	\$168,464	

Total Distribution Revenues Per Design	\$8,042
Target Distribution Revenues	<u>8,057</u>
Difference	<u><u>(\$15)</u></u>

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
PROPOSED RATE DESIGN  
AIR FORCE FIRM SERVICE - RATE 64  
Projected 2014**

Air Force Firm Revenue Requirement	\$6,076
Proposed Revenue Increase	<u>1,981</u>
Total Revenue Requirement	\$8,057
Less: Proposed Base Rate Revenues	<u>2,100</u>
Remaining Revenues To Be Collected	\$5,957
Total Rate 64 Firm Consumption	32,291
Non-Gas Commodity Charge	\$0.184

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**AIR FORCE INTERRUPTIBLE SERVICE - RATE 64**  
**Projected 2014**

	<u>Billing Units</u>		<u>Current</u>		<u>Proposed</u>	
			Rate	Amount	Rate	Amount
<b><u>Air Force Interruptible</u></b>						
Basic Service Charge						
Minot Air Force	1	Cust	\$1,000.00	\$12,000	\$2,000.00	\$24,000
PAR Site	1	Cust	135.00	1,620	135.00	1,620
Subtotal	2			13,620		25,620
Distribution Delivery						
	520,209	dk	\$0.120	62,425	\$0.146	75,951
Cost of Gas						
MAFB	455,392	dk	3.962	1,804,263	3.962	1,804,263
PAR Site	64,817	dk	3.980	257,972	3.980	257,972
Total Revenue				\$2,138,280		\$2,163,806
Total Distribution Revenues Per Design				\$101,571		
Target Distribution Revenue				101,491		
Difference				\$80		

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
PROPOSED RATE DESIGN  
AIR FORCE INTERRUPTIBLE SERVICE - RATE 64  
Projected 2014**

Air Force Interruptible Revenue Requirement	\$76,045
Proposed Revenue Increase	<u>25,446</u>
Total Revenue Requirement	\$101,491
Less: Base Rate Revenues	<u>25,620</u>
Remaining Revenues To Be Collected	\$75,871
Total Rate 64 IT Consumption	520,209
Non-Gas Commodity Charge	\$0.146

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**RATE RECONCILIATION**  
**FIRM GENERAL GAS SERVICE - RATE 70**  
**Projected 2014**

	<u>Billing Units</u>	<u>Current</u>		<u>Proposed</u>		
		<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	
<b><u>Firm General Rate 70</u></b>						
Basic Service Chg Rates 700, 720 & 920	9,769 Cust	\$0.52	\$1,854,156	\$0.67	\$2,389,009	
Basic Service Chg Rates 701, 721 & 921	3,862 Cust	1.75	2,466,853	1.90	2,678,297	
Subtotal	13,631		\$4,321,009		\$5,067,306	
Distribution Delivery	6,429,931 Dk	0.597	3,838,669	0.617	3,967,267	
Cost of Gas	6,429,931 Dk	4.968	31,943,897	4.968	31,943,897	
Total Revenue			\$40,103,575		\$40,978,470	

Total Distribution Revenues Per Design	\$9,034,573
Target Distribution Revenues	9,031,479
Difference	<u>\$3,094</u>

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
FIRM GENERAL GAS SERVICE - RATE 70  
Projected 2014**

Current Non-Gas Revenues	\$8,159,679
Proposed Revenue Increase	871,800
Total Revenue Requirement	<u>\$9,031,479</u>
Less:	
Base Rate Revenues	5,067,306
Remaining Revenues To Be Collected	<u>3,964,173</u>
Total Rates 70, 72 and 90 (Firm) Consumption	6,429,931
Base Commodity Charge	\$0.617

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
SMALL INTERRUPTIBLE - RATE 71  
Projected 2014**

	Billing Units	Current		Proposed	
		Rate	Amount	Rate	Amount
Basic Service Charge					
Rate 71 Sales	86 Cust	\$100.00	\$103,200	\$300.00	\$309,600
Rate 81 Transport	64 Cust	150.00	115,200	300.00	230,400
Subtotal	150		218,400		\$540,000
Distribution Delivery					
Rate 71 Sales	1,107,934 dk	\$0.427	473,088	\$0.486	538,456
Rate 81 Transport	1,050,534 dk	0.427	448,578	\$0.486	510,560
Cost of Gas	1,107,934 dk	3.980	4,409,577	3.980	4,409,577
Total Revenue			5,549,643		5,998,593
Total Small Interruptible Revenues			\$1,589,016		
Target Revenues			1,588,052		
Difference			\$964		

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
PROPOSED RATE DESIGN  
SMALL INTERRUPTIBLE SERVICE - RATE 71  
Projected 2014**

Small Interruptible Revenue Requirement	\$1,140,066
Less: Flexed Contracts	0
Proposed Revenue Increase	<u>447,986</u>
Proposed Revenue Requirement	1,588,052
Less:	
Basic Service Charge Revenue	540,000
	<u>                    </u>
Remaining Revenues To Be Collected	\$1,048,052
Total Throughput Rates 71 & 81 (Excluding Flexed Contracts)	2,158,468
Commodity Charge	\$0.486

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**REVENUE RECONCILIATION**  
**SMALL INTERRUPTIBLE SERVICE - RATES 71 & 81**  
**Projected 2014**

Small Interruptible Sales	
Base Rate Revenues	\$309,600
Energy Revenues	538,456
Cost of Gas	4,409,577
Total Sales Revenues	\$5,257,633
Small Interruptible Transportation	
Base Rate Revenues	\$230,400
Transportation Revenues @ Ceiling	510,560
Transportation Revenue - Flexed	0
Base Rate Revenues - Flexed	0
Total Transportation Revenue	\$740,960
Total Small Interruptible Revenues Per Design	\$5,998,593
Total Small Interruptible Target Revenues	<u>5,997,629</u>
Difference	<u><u>\$964</u></u>

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - NORTH DAKOTA**  
**LARGE INTERRUPTIBLE SERVICE - RATES 82 & 85**  
**Projected 2014**  
**Excluding Flexed Contracts**

CLASS	Billing Units	Current		Proposed	
		Rate	Amount	Rate	Amount
Basic Service Charge					
Rate 85 Sales	1 Cust	\$675.00	\$675	\$2,200.00	\$26,400
Rate 82 Transport	5 Cust	725.00	<u>3,625</u>	2,200.00	<u>132,000</u>
Subtotal			4,300		158,400
Distribution Delivery					
Rate 85 Sales	24,626 dk	0.298	\$7,339	0.260	\$6,403
Rate 82 Transport	3,742,175 dk	0.298	1,115,168	0.260	972,966
Cost of Gas	0 dk	3.980	<u>0</u>	3.980	<u>0</u>
Total Revenue			\$1,126,807		\$1,137,769
Total Rate 85 Distribution Revenue			\$1,137,769		
Target Distribution Revenue			<u>1,138,707</u>		
Difference			<u><u>(\$938)</u></u>		

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
PROPOSED RATE DESIGN  
LARGE INTERRUPTIBLE SERVICE - RATES 82 & 85  
Projected 2014**

Current Non-Gas Revenues	\$1,318,067
Less: Flexed Contracts	(179,360)
Proposed Revenue Increase	<u>0</u>
Total Revenue Requirement	\$1,138,707
Less: Base Service Charge Revenues	<u>158,400</u>
Total Revenue Requirement	\$980,307
Total Throughput Rates 82 & 85 (Excluding Flexed Contracts)	3,766,801
Commodity Charge	\$0.260

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - NORTH DAKOTA  
REVENUE RECONCILIATION  
LARGE INTERRUPTIBLE SERVICE - RATES 82 & 85  
Projected 2014**

Large Interruptible Sales & Transportation	
Base Rate Revenues	\$211,200
Distribution Revenues - @ Ceiling	979,369
Transportation Revenues - Flexed	<u>126,560</u>
 Total Distribution Revenues	 \$1,317,129
 Total Large Interruptible Revenues Per Design	 \$1,317,129
Total Large Interruptible Target Revenues	<u>1,318,067</u>
 Difference	 <u><u>(938)</u></u>

**Flexed Contracts**

Customer ID	Cusi	Base Rev	Dk	Rate	Dist Rev	Total Rev
1	1	\$26,400	222,260		\$55,061	\$81,461
2	1	26,400	846,137		71,499	97,899
 Total	 2	 <u>\$52,800</u>	 <u>1,068,397</u>		 <u>\$126,560</u>	 <u>\$179,360</u>

**Montana-Dakota Utilities Co.  
North Dakota Margin Sharing  
Interruptible Sales Rates**

**Authorized PU-399-94-352**

	<u>Rate 71</u>	<u>Rate 85</u>
Ceiling Rate	\$3.500	\$3.290
Base Cost of Gas	2.548	2.548
Effective Margin	0.952	0.742
Floor Rate	\$3.056	\$2.869
Base Cost of Gas	2.548	2.548
Effective Margin	0.508	0.321
Margin Shared	\$0.444	\$0.421

**PU-13-\_\_\_\_  
Distribution Delivery Charges Only**

	<u>Rate 71</u>	<u>Rate 85</u>
Proposed Floor	\$0.486	\$0.260
Margin Shared	0.300	0.421
Effective Ceiling Rate	\$0.786	\$0.681