

MONTANA-DAKOTA UTILITIES CO.
A Division of MDU Resources Group, Inc.

BEFORE THE NORTH DAKOTA PUBLIC SERVICE COMMISSION

Case No. PU-15-___

PREPARED DIRECT TESTIMONY OF

J. STEPHEN GASKE

1 **Q1. Please state your name, position and business address.**

2 A1. My name is J. Stephen Gaske and I am a Senior Vice President of Concentric
3 Energy Advisors, Inc., 1130 Connecticut Avenue NW, Suite 850, Washington, DC
4 20036.

5 **Q2. Would you please describe your educational and professional background?**

6 A2. I hold a B.A. degree from the University of Virginia and an M.B.A. degree with a
7 major in finance and investments from George Washington University. I also
8 earned a Ph.D. degree from Indiana University where my major field of study was
9 public utilities and my supporting fields were finance and economics.

10 From 1977 to 1980, I worked for H. Zinder & Associates ("HZA") as a research
11 assistant and later as supervisor of regulatory research. Subsequently, I spent a year
12 assisting in the preparation of cost of capital studies for presentation in regulatory
13 proceedings.

14 From 1982 to 1986, I undertook graduate studies in economics and finance at
15 Indiana University where I also taught courses in public utilities, transportation,
16 and physical distribution. During this time, I also was employed as an independent

1 consultant on a number of projects involving public utility regulation, rate design,
2 and cost of capital. From 1983 to 1986, I was coordinator for the Edison Electric
3 Institute Electric Rate Fundamentals course. In 1986, I accepted an appointment as
4 assistant professor at Trinity University in San Antonio, Texas, where I taught
5 courses in financial management, investments, corporate finance, and corporate
6 financial theory.

7 In 1988, I returned to HZA and was President of the company from 2000 to 2008.
8 In May 2008, HZA merged with Concentric Energy Advisors, Inc. ("Concentric")
9 and I became a Senior Vice President of Concentric.

10 **Q3. Have you presented expert testimony in other proceedings?**

11 A3. Yes. I have filed testimony on the cost of capital and capital structure issues for
12 electric and natural gas distribution and oil and natural gas pipeline operations
13 before 11 state and provincial regulatory bodies, including the North Dakota Public
14 Service Commission. I also have testified or filed testimony or affidavits before
15 various federal regulators, including the Federal Energy Regulatory Commission
16 on more than thirty occasions, the National Energy Board of Canada, and the
17 Comisión Reguladora de Energía of México. Topics covered in these submissions
18 have included rate of return, capital structure, cost allocation, rate design, revenue
19 requirements, and market power. In addition, I have testified or submitted
20 testimony on issues such as cost allocation, rate design, pricing and generating plant
21 economics before the U.S. Postal Rate Commission, regulators in five Canadian
22 provinces, and seven U.S. state public utility commissions. During the course of
23 my consulting career, I have conducted many studies on issues related to regulated

1 industries and have served as an advisor to numerous clients on economic,
2 competitive, and financial matters. I also have spoken and lectured before many
3 professional groups including the American Gas Association and the Edison
4 Electric Institute Rate Fundamentals courses. Finally, I am a member of the
5 American Economic Association, the Financial Management Association, and the
6 American Finance Association.

7 **I. INTRODUCTION**

8 A. Scope and Overview

9 **Q4. What is the scope of your testimony in this proceeding?**

10 A4. I have been asked by Montana-Dakota Utilities Co. ("Montana-Dakota" or the
11 "Company") to estimate the cost of common equity capital for the Company's
12 natural gas distribution operations in the state of North Dakota. In this testimony,
13 I calculate the cost of common equity capital for Montana-Dakota's North Dakota
14 natural gas distribution operations based on a Discounted Cash Flow ("DCF")
15 analysis of a group of proxy companies that have risks similar to those of Montana-
16 Dakota's North Dakota natural gas distribution operations. The results of this DCF
17 study are supported by various benchmark criteria that I have used to test the
18 reasonableness of the DCF study results.

19 **Q5. What rate of return is Montana-Dakota requesting in this proceeding?**

20 A5. Based on its test period capital structure, Montana-Dakota is requesting the
21 following rate of return:

1 **Table 1: Requested Rate of Return – North Dakota Natural Gas Operations (000s)¹**

Source	Amount	Percent	Cost	Overall Rate of Return
Long-Term Debt	\$505,460	41.135%	5.949%	2.447%
Short-Term Debt	99,624	8.108%	1.631%	0.132%
Preferred Stock	15,259	1.242%	4.579%	0.057%
Common Equity	608,435	49.515%	10.00%	4.952%
TOTAL	\$1,228,778	100.00%		7.588%

2

3 As my testimony discusses, an overall allowed rate of return of 7.588 percent, with
4 a 10.00 percent return on common equity, represents the cost of capital for
5 Montana-Dakota at this time.

6 **B. Company Background**

7 **Q6. Please describe Montana-Dakota's operations and those of its parent**
8 **company, MDU Resources Group, Inc.**

9 **A6.** Montana-Dakota is a wholly-owned division of MDU Resources Group, Inc.
10 ("MDU Resources") that is engaged in the generation, transmission, and
11 distribution of electricity, and the distribution of natural gas in the states of
12 Montana, North Dakota, South Dakota, and Wyoming. MDU Resources also owns
13 Cascade Natural Gas Corporation, which distributes natural gas in the states of
14 Oregon and Washington; Intermountain Gas Company, which distributes natural
15 gas in the state of Idaho; and Great Plains Natural Gas Co., which distributes natural
16 gas in western Minnesota and southeastern North Dakota. Through other
17 subsidiaries, MDU Resources is engaged in utility infrastructure construction,
18 natural gas and oil exploration and production, natural gas gathering and

¹ Pro forma capital structure for 2015.

1 transmission, and produces and markets aggregates and other construction
2 materials.

3 In 2013, the utility companies within MDU Resources provided natural gas
4 distribution service to over 876,000 residential, commercial, and industrial
5 customers in 334 communities across eight states.² In addition, Montana-Dakota
6 provided electric utility service to over 134,000 residential, commercial, industrial,
7 and municipal customers in 177 communities and adjacent rural areas across four
8 states.³ Natural gas distribution assets comprised 25.3 percent⁴ of MDU Resources'
9 total assets in 2013, and natural gas distribution revenues comprised 19.1 percent⁵
10 of total operating revenues. North Dakota accounted for 14.0 percent of the natural
11 gas distribution operating sales revenues, while Idaho (34.0 percent), Washington
12 (24.0 percent), Oregon (8.0 percent), Montana (8.0 percent), South Dakota (6.0
13 percent), Minnesota (4.0 percent) and Wyoming (2.0 percent), accounted for the
14 other 86 percent of natural gas distribution operating sales revenues.⁶

15 **Q7. Would you please describe Montana-Dakota's North Dakota natural gas**
16 **service territory?**

17 A7. Montana-Dakota provides natural gas distribution service to approximately
18 102,138 customers in 74 communities in North Dakota⁷, including Bismarck,

² MDU Resources Group, Inc., Form 10-K for the fiscal year ended December 31, 2013, at 13.

³ *Ibid.*, at 9.

⁴ *Ibid.*, at 95.

⁵ *Ibid.*, at 94.

⁶ *Ibid.*, at 13.

⁷ Montana-Dakota Annual Report, State of North Dakota, Gas Operations, December 31, 2013, at Section IV, page 1 of 1. Montana-Dakota Utilities Co., State of North Dakota Gas Rate Schedule, NDPSC Volume 7, 3rd Revised Sheet No. 2.

1 Mandan, Dickinson, Williston, Watford City, Minot and Jamestown, and many
2 small towns and rural areas.⁸ Although Montana-Dakota's North Dakota natural
3 gas distribution operations tend to be concentrated in cities and towns, a large
4 portion of the local economies are based on agricultural and minerals production.
5 Western North Dakota is experiencing a classic economic boom due to rapid
6 development of oil in the Bakken Shale formation and this activity is spurring rapid
7 growth in portions of Montana-Dakota's service territory. North Dakota also has
8 some manufacturing, particularly in food processing and farm equipment.

9 Montana-Dakota's North Dakota natural gas distribution operations have
10 experienced growth in recent years as a growing customer base has been partially
11 offset by declining average use per customer due to energy efficiency and
12 conservation. As discussed in the Direct Testimony of Montana-Dakota witness
13 Ms. Nicole Kivisto, most of the recent investment in this jurisdiction has been for
14 new distribution plant to accommodate customer growth and support reliability.
15 Significant investment will continue to be required in coming years to support
16 customer growth and to replace aging plant so that the Company can continue to
17 provide safe, reliable and efficient natural gas distribution service to its North
18 Dakota customers.

⁸ MDU Resources Group, Inc., Form 10-K for the fiscal year ended December 31, 2013, at 13.

1 II. FINANCIAL MARKET STUDIES

2 A. Criteria for a Fair Rate of Return

3 Q8. Please describe the criteria which should be applied in determining a fair rate
4 of return for a regulated company.

5 A8. The United States Supreme Court has provided general guidance regarding the level
6 of allowed rate of return that will meet constitutional requirements. In *Bluefield*
7 *Water Works & Improvement Company v. Public Service Commission of West*
8 *Virginia* (262 U.S. 679, 693 (1923)), the Court indicated that:

9 The return should be reasonably sufficient to assure confidence in
10 the financial soundness of the utility, and should be adequate, under
11 efficient and economical management, to maintain and support its
12 credit and enable it to raise the money necessary for the proper
13 discharge of its public duties. A rate of return may be reasonable at
14 one time and become too high or too low by changes affecting
15 opportunities for investment, the money market, and business
16 conditions generally.

17 The Court has further elaborated on this requirement in its decision in *Federal*
18 *Power Commission v. Hope Natural Gas Company* (320 U.S. 591, 603 (1944)).

19 There the Court described the relevant criteria as follows:

20 From the investor or company point of view, it is important that
21 there be enough revenue not only for operating expenses, but also
22 for the capital costs of the business. These include service on the
23 debt and dividends on the stock.... By that standard, the return to
24 the equity owner should be commensurate with returns on
25 investments in other enterprises having corresponding risks. That
26 return, moreover, should be sufficient to assure confidence in the
27 financial integrity of the enterprise, so as to maintain its credit and
28 to attract capital.

1 Thus, the standards established by the Court in Hope and Bluefield consist of three
2 requirements. These are that the allowed rate of return should be:

- 3 1. commensurate with returns on enterprises with corresponding
4 risks;
- 5 2. sufficient to maintain the financial integrity of the regulated
6 company; and
- 7 3. adequate to allow the company to attract capital on reasonable
8 terms.

9 These legal criteria will be satisfied best by employing the economic concept of the
10 "cost of capital" or "opportunity cost" in establishing the allowed rate of return on
11 common equity. For every investment alternative, investors consider the risks
12 attached to the investment and attempt to evaluate whether the return they expect
13 to earn is adequate for the risks undertaken. Investors also consider whether there
14 might be other investment opportunities that would provide a better return relative
15 to the risk involved. This weighing of alternatives and the highly competitive
16 nature of capital markets causes the prices of stocks and bonds to adjust in such a
17 way that investors can expect to earn a return that is just adequate for the risks
18 involved. Thus, for any given level of risk, there is a return that investors expect in
19 order to induce them to voluntarily undertake that risk and not invest their money
20 elsewhere. That return is referred to as the "opportunity cost" of capital or "investor
21 required" return.

22 **Q9. How should a fair rate of return be evaluated from the standpoint of**
23 **consumers and the public?**

24 **A9.** The same standards should apply. When an unregulated entity faces competition,
25 the pressure of that competition and consumer choices will combine to determine

1 the fair rate of return. However, when regulation is appropriate, consumers and the
2 public have a long-term interest in seeing that the regulated company has an
3 opportunity to earn returns that are not so high as to be excessive, but that also are
4 sufficient to encourage continued replacement and maintenance, as well as needed
5 expansions, extensions, and new services. Thus, both the consumer and the public
6 interest depend on establishing a return that will readily attract capital without being
7 excessive.

8 **Q10. How are the costs of preferred stock and long-term debt determined?**

9 A10. For purposes of setting regulated rates, the current embedded costs of preferred
10 stock and long-term debt are used in order to ensure that the company receives a
11 return that is sufficient to pay the fixed dividend and interest obligations that are
12 attached to these sources of capital.

13 **Q11. How is the cost of common equity determined?**

14 A11. The practice in setting a fair rate of return on common equity is to use the current
15 market cost of common equity in order to ensure that the return is adequate to attract
16 capital and is commensurate with returns available on other investments with
17 similar levels of risk. However, determining the market cost of common equity is
18 a relatively complicated task that requires analysis of many factors and some degree
19 of judgment by an analyst. The current market cost of capital for securities that pay
20 a fixed level of interest or dividends is relatively easy to determine. For example,
21 the current market cost of debt for publicly-traded bonds can be calculated as the
22 yield-to-maturity, adjusted for flotation costs, based on the current market price at
23 which the bonds are selling. In contrast, because common stockholders receive

1 only the residual earnings of the company, there are no fixed contractual payments
2 which can be observed. This uncertainty associated with the dividends that
3 eventually will be paid greatly complicates the task of estimating the cost of
4 common equity capital. For purposes of this testimony, I have relied on several
5 analytical approaches for estimating the cost of common equity. My primary
6 approach relies on three DCF analyses. In addition, I have conducted a risk
7 premium analysis and a market DCF analysis of the S&P 500 as benchmarks to
8 assess the reasonableness of the DCF results. Each of these approaches is described
9 later in this testimony.

10 B. Interest Rates and the Economy

11 **Q12. What are the general economic factors that affect the cost of capital?**

12 A12. Companies attempting to attract common equity must compete with a variety of
13 alternative investments. Prevailing interest rates and other measures of economic
14 trends influence investors' perceptions of the economic outlook and its implications
15 on both short- and long-term capital markets. Page 1 of Schedule 1 of Exhibit
16 No. ___(JSG-2) shows various general economic statistics. Real growth in the
17 Gross Domestic Product ("GDP") has averaged 2.9 percent annually during the past
18 30 years, 2.6 percent for the past 20 years, and 1.7 percent for the past 10 years.
19 After increasing at an annual rate of 4.6 percent in the second quarter of 2014, in
20 the third quarter, economic growth increased at an annual rate of 3.9 percent.⁹
21 According to Blue Chip Economic Indicators, the consensus forecast for expected

⁹ U.S. Department of Commerce, Bureau of Economic Analysis, News Release, November 25, 2014.

1 growth in real GDP is 2.3 percent in 2014¹⁰ and 3.0 percent in 2015.¹¹ Likewise,
2 the U.S. unemployment rate has improved in recent months to 5.8 percent as of
3 October 2014,¹² but the labor force participation rate for civilians 16 years and over
4 was 62.8 percent as of October 2014, the lowest rate since the late 1970s.¹³
5 Improvements in the U.S. unemployment rate are partly attributed to the reduced
6 U.S. labor force and are not fully explained by job growth. In light of these weak
7 economic conditions, the Federal Reserve has maintained its federal funds rate of
8 0.00 percent to 0.25 percent for overnight loans to banks in order to provide
9 continued liquidity to the U.S. financial markets.¹⁴

10 As pages 2 and 3 of Schedule 1 of Exhibit No. ___(JSG-2) show, interest rates on
11 longer-term public utility bonds have remained remarkably stable during the past
12 three years. For the first eleven months of 2014, the average yield on A-rated public
13 utility bonds was 4.31 percent and the average yield on Baa-rated public utility
14 bonds was 4.81 percent. Credit spreads, which measure the incremental cost of
15 corporate debt relative to U.S. Treasury bonds, have increased recently after
16 declining slightly during the past three years with the average spread of A-rated
17 utility bonds over 30-year U.S. Treasury bonds at 0.92 percent for the first eleven
18 months of 2014. Similarly, the average spread of Baa-rated utility bonds over 30-
19 year U.S. Treasury bonds was 1.42 percent in the first eleven months of 2014.

¹⁰ Blue Chip Economic Indicators, Vol. 39, No. 12, December 10, 2014, at 2.

¹¹ *Ibid.*, at 3.

¹² U.S. Department of Labor, Bureau of Labor Statistics, News Release, September 5, 2014.

¹³ U.S. Department of Labor, Bureau of Labor Statistics, civilian labor force participation rate, 16 years and over, seasonally adjusted.

¹⁴ Statement of the Federal Open Market Committee, December 17, 2014.

1 Investors also are influenced by both the historical and projected level of inflation.
2 During the past decade, the Consumer Price Index has increased at an average
3 annual rate of 2.4 percent and the GDP Implicit Price Deflator, a measure of price
4 changes for all goods produced in the United States, has increased at an average
5 rate of 2.1 percent. According to Blue Chip Economic Indicators, the Consumer
6 Price Index is forecasted to increase by 1.7 percent¹⁵ and 1.4 percent¹⁶ for 2014 and
7 2015, respectively. Over the intermediate and longer-term, however, investors can
8 expect higher inflation rates as the Federal Reserve's accommodative monetary
9 policy, which began in 2008, places upward pressure on consumer and producer
10 prices once economic growth returns to historical levels. According to Blue Chip
11 Financial Forecasts, the projected yield on 30-year U.S. Treasury bonds from 2016
12 to 2020 is 4.9 percent and from 2021 to 2025 it is 5.1 percent.¹⁷ These interest rates
13 are significantly higher than the current yield on the 30-year U.S. Treasury bond,
14 suggesting that investors expect a substantial increase in inflationary pressure over
15 the intermediate and long-term periods.

16 **Q13. How are current economic conditions reflected in the equity markets?**

17 A13. Although corporate bond yields are lower than pre-crisis levels and credit spreads
18 for public utility bonds have returned to pre-recession levels primarily due to
19 Federal Reserve monetary policy, investors remain risk averse and inflation fears
20 persist. The equity markets have recovered from the large stock market decline in
21 2008 and 2009, but the Federal Reserve's massive purchases of federal debt and

¹⁵ Blue Chip Economic Indicators, Vol. 39, No. 9, December 10, 2014, at 2.

¹⁶ *Ibid.*, at 3.

¹⁷ Blue Chip Financial Forecasts, Vol. 33, No. 6, December 1, 2014, at 14.

1 mortgage-backed securities have created artificially low interest rates and a
2 potential stock market valuation bubble that increases the risks in the equity market.

3 C. Discounted Cash Flow Method

4 **Q14. Please describe the DCF method of estimating the cost of common equity**
5 **capital.**

6 A14. The DCF method reflects the assumption that the market price of a share of
7 common stock represents the discounted present value of the stream of all future
8 dividends that investors expect the firm to pay. The DCF method suggests that
9 investors in common stocks expect to realize returns from two sources: a current
10 dividend yield plus expected growth in the value of their shares as a result of future
11 dividend increases. Estimating the cost of capital with the DCF method, therefore,
12 is a matter of calculating the current dividend yield and estimating the long-term
13 future growth rate in dividends that investors reasonably expect from a company.

14 The dividend yield portion of the DCF method utilizes readily-available
15 information regarding stock prices and dividends. The market price of a firm's
16 stock reflects investors' assessments of risks and potential earnings as well as their
17 assessments of alternative opportunities in the competitive financial markets. By
18 using the market price to calculate the dividend yield, the DCF method implicitly
19 recognizes investors' market assessments and alternatives. However, the other
20 component of the DCF formula, investors' expectations regarding the future long-
21 run growth rate of dividends, is not readily apparent from stock market data and
22 must be estimated using informed judgment.

1 **Q15. What is the appropriate DCF formula to use in this proceeding?**

2 A15. There can be many different versions of the basic DCF formula, depending on the
 3 assumptions that are most reasonable regarding the timing of future dividend
 4 payments. In my opinion, it is most appropriate to use a model that is based on the
 5 assumptions that dividends are paid quarterly and that the next annual dividend
 6 increase is a half year away. One version of this quarterly model assumes that the
 7 next dividend payment will be received in three months, or one quarter. This model
 8 multiplies the dividend yield by $(1 + 0.75g)$. Another version assumes that the next
 9 dividend payment will be received today. This model multiplies the dividend yield
 10 by $(1 + 0.5g)$. Since, on average, the next dividend payment is a half quarter away,
 11 the average of the results of these two models is a reasonable approximation of the
 12 average timing of dividends and dividend increases that investors can expect from
 13 companies that pay dividends quarterly. The average of these two quarterly
 14 dividend models is:

$$15 \quad K = \frac{D_0(1 + 0.625g)}{P} + g$$

16

17 Where: K = the cost of capital, or total return that investors expect to
 18 receive;
 19 P = the current market price of the stock;
 20 D_0 = the current annual dividend rate; and
 21 g = the future annual growth rate that investors expect.

22 In my opinion, this is the DCF model that is most appropriate for estimating the
 23 cost of common equity capital for companies that pay dividends quarterly, such as
 24 those used in my analysis.

1 D. Flotation Cost Adjustment

2 **Q16. Does the investor return requirement that is estimated by a DCF analysis need**
3 **to be adjusted for flotation costs in order to estimate the cost of capital?**

4 A16. Yes. There are significant costs associated with issuing new common equity
5 capital, and these costs must be considered in determining the cost of capital.
6 Schedule 2 of Exhibit No.__(JSG-2) shows a representative sample of flotation
7 costs incurred with 50 new common stock issues by natural gas distribution
8 companies from January 2000 to November 2014. Flotation costs associated with
9 these new issues averaged 3.90 percent.

10 This indicates that in order to be able to issue new common stock on reasonable
11 terms, without diluting the value of the existing stockholders' investment,
12 Montana-Dakota must have an expected return that places a value on its equity that
13 is approximately 4.0 percent above book value. The cost of common equity capital
14 is therefore the investor return requirement multiplied by 1.04.

15 One purpose of a flotation cost adjustment is to compensate common equity
16 investors for past flotation costs by recognizing that their real investment in the
17 company exceeds the equity portion of the rate base by the amount of past flotation
18 costs. For example, the proxy companies generally have incurred flotation costs in
19 the past and, thus, the cost of capital invested in these companies is the investor
20 return requirement plus an adjustment for flotation costs. A more important
21 purpose of a flotation cost adjustment is to establish a return that is sufficient to
22 enable a company to attract capital on reasonable terms. This fundamental

1 requirement of a fair rate of return is analogous to the well-understood basic
2 principle that a firm, or an individual, should maintain a good credit rating even
3 when they do not expect to be borrowing money in the near future. Regardless of
4 whether a company can confidently predict its need to issue new common stock
5 several years in advance, it should be in a position to do so on reasonable terms at
6 all times without dilution of the book value of the existing investors' common
7 equity. This requires that the flotation cost adjustment be applied to the entire
8 common equity investment and not just a portion of it.

9 E. DCF Study of Natural Gas Utility Companies

10 **Q17. Would you please describe the overall approach used in your DCF analysis of**
11 **Montana-Dakota's cost of common equity for its North Dakota natural gas**
12 **distribution operations?**

13 A17. Because Montana-Dakota's North Dakota natural gas distribution business must
14 compete for capital with many other potential projects and investments, it is
15 essential that it have an allowed return that matches returns potentially available
16 from other similarly risky investments. The DCF method provides a good measure
17 of the returns required by investors in the financial markets. However, the DCF
18 method requires a market price of common stock to compute the dividend yield
19 component. Since Montana-Dakota is a division of MDU Resources and does not
20 have publicly-traded common stock, a direct, market-based DCF analysis of
21 Montana-Dakota's North Dakota natural gas distribution operations as a stand-
22 alone company is not possible. As an alternative, I have used a group of natural
23 gas distribution companies that have publicly-traded common stock as a proxy

1 group for purposes of estimating the cost of common equity for Montana-Dakota's
2 North Dakota natural gas distribution operations.

3 **Q18. How did you select a group of natural gas distribution proxy companies?**

4 A18. I started with the eleven companies that The Value Line Investment Survey ("Value
5 Line") classifies as Natural Gas Utilities to ensure that the companies are
6 considered to be primarily engaged in the natural gas distribution business and that
7 retention growth rate projections are available. From that group, I eliminated any
8 companies that did not have investment-grade credit ratings from either Standard
9 & Poor's ("S&P") or Moody's Investors Service ("Moody's") because such
10 companies are not sufficiently comparable in terms of business and financial risk
11 to Montana-Dakota. In addition, I excluded any companies that did not pay
12 dividends or that did not have future growth rate estimates provided by both Value
13 Line and Zacks Investment Research ("Zacks").¹⁸ Next, I excluded any companies
14 that are party to a transformative transaction which could have transitory effects on
15 a company's market valuation. In order to ensure that the companies are primarily
16 engaged in the natural gas distribution business, I eliminated any companies that
17 did not derive at least 70 percent of their operating income from regulated natural
18 gas distribution operations in 2013, or that did not have at least 70 percent of their
19 total assets devoted to the provision of natural gas distribution service in 2013. As
20 shown on page 1 of Schedule 3 of Exhibit No.__(JSG-2), nine companies met
21 these criteria for inclusion in the proxy group.

¹⁸ Zacks is a service that collects earnings growth estimates from professional investment analysts and publishes a summary of the consensus forecasts.

1 **Q19. How did you calculate the dividend yields for the companies in your proxy**
2 **group?**

3 A19. These calculations are shown on pages 1 and 2 of Schedule 4 of Exhibit
4 No. ___(JSG-2). For the price component of the calculation, I used the average of
5 the high and low stock prices for each month during the six-month period from June
6 2014 through November 2014. The average monthly dividend yields were
7 calculated for each company by dividing the prevailing annualized dividend for the
8 period by the average of the stock prices for each month. These dividend yields
9 were then multiplied by the quarterly DCF model factor $(1 + 0.625g)$ to arrive at
10 the projected dividend yield component of the DCF model.

11 **Q20. Please describe the method you used to estimate the future growth rate that**
12 **investors expect from this group of companies.**

13 A20. I developed three different DCF analyses of the proxy companies based on three
14 different growth rate estimation methods. There are many methods that reasonably
15 can be employed in formulating a growth rate estimate, but an analyst must attempt
16 to ensure that the end result is an estimate that fairly reflects the forward-looking
17 growth rate that investors expect.

18 In the first approach, I calculated retention growth (also known as “sustainable
19 growth”) forecasts from Value Line forecasts of dividends, earnings, and returns
20 on equity to derive the DCF rate of return estimate. As a second approach, I
21 conducted a Basic DCF analysis that relied on analysts’ earnings forecasts for the
22 growth rate component of the model. My third approach used a combination of the

1 Value Line retention growth forecasts and analysts' earnings growth projections to
2 produce a Blended Growth Rate Analysis.

3 F. Retention Growth Analysis

4 **Q21. What approach did you use in calculating the long-term growth rate in your**
5 **Retention Growth DCF analysis?**

6 A21. In the Retention Growth DCF analysis, the long-term growth rate component is
7 based on the calculation of retention growth rates using Value Line forecasts for
8 each company. This Retention Growth DCF analysis better reflects investors'
9 inflation expectations and the real requirements for long-term investments in plant
10 under current market conditions.

11 **Q22. Please describe the Retention Growth rate component of your analysis.**

12 A22. I have relied upon Value Line projections of the retention growth rates that the
13 proxy companies are expected to begin maintaining three to five years in the future.
14 Although companies may experience extended periods of growth for other reasons,
15 in the long-run, growth in earnings and dividends per share depends in part on the
16 amount of earnings that is being retained and reinvested in a company. Thus, the
17 primary determinants of growth for the proxy companies will be (i) their ability to
18 find and develop profitable opportunities; (ii) their ability to generate profits that
19 can be reinvested in order to sustain growth; and, (iii) their willingness and
20 inclination to reinvest available profits. Expected future retention rates provide a
21 general measure of these determinants of expected growth, particularly items (ii)
22 and (iii).

1 **Q23. How can a company's earnings retention rate affect its future growth?**

2 A23. Retention of earnings causes an increase in the book value per share and, other
3 factors being equal, increases the amount of earnings that is generated per share of
4 common stock. The retention growth rate can be estimated by multiplying the
5 expected retention rate (*b*) by the rate of return on common equity (*r*) that a
6 company is expected to earn in the future. For example, a company that is expected
7 to earn a return of 12 percent and retain 75 percent of its earnings might be expected
8 to have a growth rate of 9 percent, computed as follows:

9
$$0.75 \times 12\% = 9\%$$

10 On the other hand, another company that is also expected to earn 12 percent but
11 only retains 25 percent of its earnings might be expected to have a growth rate of
12 3.0 percent, computed as follows:

13
$$0.25 \times 12\% = 3\%$$

14 Thus, the rate of growth in a firm's book value per share is primarily determined
15 by the level of earnings and the proportion of earnings retained in the company.

16 **Q24. How did you calculate the expected future retention rates of the proxy**
17 **companies?**

18 A24. For most companies, Value Line publishes forecasts of data that can be used to
19 estimate the retention rates that its analysts expect individual companies to have
20 three to five years in the future. Since these retention rates are projected to occur
21 several years in the future, they should be indicative of a normal expectation for a

1 primary underlying determinant of growth that would be sustainable indefinitely
2 beyond the period covered by analysts' forecasts. While companies may have
3 either accelerating or decelerating growth rates for extended periods of time, the
4 retention growth rates expected to be in effect three to five years in the future
5 generally represent a minimum "cruising speed" that companies can be expected to
6 maintain indefinitely. The derivation of Value Line's retention growth rate
7 forecasts for each of the proxy companies is shown on page 3 of Schedule 4 of
8 Exhibit No.____(JSG-2). The projected earnings per share and projected dividends
9 per share can be used to calculate the percentage of earnings per share that is being
10 retained and reinvested in the company. This earnings retention rate is multiplied
11 by the projected return on common equity to arrive at the projected retention growth
12 rate. The average retention growth rate for the proxy companies is 5.05 percent.

13 **Q25. How did you calculate the cost of capital using the Retention Growth DCF**
14 **analysis?**

15 A25. These calculations are shown on page 5 of Schedule 4 of Exhibit No.____(JSG-2).
16 Again, the annual dividend yield is multiplied by the quarterly dividend adjustment
17 factor $(1 + 0.625g)$ and this product is added to the growth rate estimate to arrive
18 at the investor-required return. Then, the investor return requirement is multiplied
19 by the flotation cost adjustment factor, 1.04, to arrive at the Retention Growth DCF
20 estimate of the cost of common equity capital for the proxy companies. The
21 Retention Growth DCF analysis indicates a cost of common equity for the proxy
22 companies in a range from 7.83 percent to 10.53 percent. In this analysis, the
23 median for the group is 9.12 percent and the third quartile is 9.51 percent.

1 G. Basic DCF Analysis

2 **Q26. How did you estimate the expected future growth rate in your Basic DCF**
3 **analysis?**

4 A26. In my Basic DCF analysis, I have estimated expected future growth based on long-
5 term earnings per share growth rate forecasts of investment analysts, which are an
6 important source of information regarding investors' growth rate expectations.
7 This Basic DCF analysis assumes that the analysts' earnings growth forecasts
8 incorporate all information required to estimate a long-term expected growth rate
9 for a company. I have used consensus estimates of earnings growth forecasts
10 published by Zacks as the primary source for analysts' forecasts in my calculations.
11 As shown on page 4 of Schedule 4 of Exhibit No. ___(JSG-2), the average of the
12 analysts' long-term earnings growth rate estimates for the natural gas distribution
13 proxy companies is 5.12 percent.

14 **Q27. How did you calculate the cost of capital using the Basic DCF analysis?**

15 A27. These calculations are shown on page 6 of Schedule 4 of Exhibit No. ___(JSG-2).
16 Again, the annual dividend yield is multiplied by the quarterly dividend adjustment
17 factor $(1 + 0.625g)$ and this product is added to the growth rate estimate to arrive
18 at the investor-required return. Then, the investor return requirement is multiplied
19 by the flotation cost adjustment factor, 1.04, to arrive at the Basic DCF estimate of
20 the cost of common equity capital for the proxy companies. The Basic DCF
21 analysis indicates a cost of common equity for the proxy companies in a range from
22 7.60 percent to 10.48 percent. In this analysis, the median for the group is 8.99
23 percent and the third quartile is 9.84 percent.

1 H. Blended Growth Rate Analysis

2 **Q28. How did you use your Blended Growth Rate Analysis to estimate investors'**
3 **long-term growth rate expectations for the proxy companies?**

4 A28. The Blended Growth Rate approach combines: (i) Value Line retention growth
5 forecasts; and (ii) estimates of long-term earnings growth for each company that
6 are published by various investment analysts.

7 **Q29. How did you utilize the analysts' projected earnings growth rates and the**
8 **projected earnings retention growth rates in estimating expected growth for**
9 **the proxy companies in the Blended Growth Rate Analysis?**

10 A29. As shown on page 4 of Schedule 4 of Exhibit No. ___(JSG-2), I calculated a
11 weighted average of the analysts' projected earnings growth rates and the projected
12 retention growth rates to derive long-term growth rate estimates for each of the
13 proxy companies. In these calculations, I gave a one-half weighting to the analysts'
14 earnings growth rate projections and one-half weighting to the projected retention
15 growth rates. The average of the blended growth rates for the proxy companies is
16 5.09 percent and the median is 4.94 percent.

17 **Q30. How did you utilize these Blended Growth Rate estimates in estimating the**
18 **return on common equity capital that investors require from the proxy**
19 **companies?**

20 A30. These calculations are shown on page 7 of Schedule 4 of Exhibit No. ___(JSG-2).
21 Again, the annual dividend yield for each company is multiplied by the quarterly
22 dividend adjustment factor $(1 + 0.625g)$, and this product is added to the growth

1 rate estimate to arrive at the investor-required return. Finally, the investor return
2 requirement is multiplied by the flotation cost adjustment factor, 1.04, to arrive at
3 the cost of common equity capital for the proxy companies. This Blended Growth
4 Rate Analysis indicates that the cost of common equity capital for the natural gas
5 distribution proxy companies is in a range between 8.24 percent and 10.18 percent.
6 In this analysis, the median for the group is 9.00 percent and the third quartile is
7 9.15 percent.

8 I. Risk Premium Analysis

9 **Q31. Have you conducted additional analyses in determining the cost of equity**
10 **capital for Montana-Dakota?**

11 A31. Yes. The risk premium approach provides a general guideline for determining the
12 level of returns that investors expect from an investment in common stocks.
13 Investments in the common stocks of companies carry considerably greater risk
14 than investments in bonds of those companies since common stockholders receive
15 only the residual income that is left after the bondholders have been paid. In
16 addition, in the event of bankruptcy or liquidation of the company, the
17 stockholders' claims on the assets of a company are subordinate to the claims of
18 bondholders. This priority standing provides bondholders with greater assurances
19 that they will receive the return on investment that they expect and that they will
20 receive a return of their investment when the bonds mature. Accompanying the
21 greater risk associated with common stocks is a requirement by investors that they
22 can expect to earn, on average, a return that is greater than the return they could
23 earn by investing in less risky bonds. Thus, the risk premium approach estimates

1 the return investors require from common stocks by utilizing current market
2 information that is readily available in bond yields and adding to those yields a
3 premium for the added risk of investing in common stocks.

4 Investors' expectations for the future are influenced to a large extent by their
5 knowledge of past experience. Ibbotson Associates annually publishes extensive
6 data regarding the returns that have been earned on stocks, bonds and U.S. Treasury
7 bills since 1926. Historically, the annual return on large company common stocks
8 has exceeded the return on long-term corporate bonds by a premium of 580 basis
9 points (5.8 percent) per year from 1926-2013.¹⁹ When this premium is added to the
10 average yield on Moody's corporate bonds for the period from June 2014 through
11 November 2014 of 4.33 percent,²⁰ the result is an investor return requirement for
12 large company stocks of approximately 10.13 percent. However, investors in
13 smaller companies expect higher returns over the long-term, due to the additional
14 business and financial risks that smaller companies face. According to Ibbotson
15 Associates, companies in the same size range as Montana-Dakota's North Dakota
16 natural gas distribution operations have had a premium of 1,420 basis points (14.6
17 percent) over the average return on long-term corporate bonds.²¹ When added to
18 the recent average corporate bond yield, this size-related premium suggests an
19 expected return of 18.53 percent. This analysis indicates that the rate of return that

¹⁹ Ibbotson SBBI 2014 Classic Yearbook, at 91. Calculation: (12.1 percent – 6.3 percent = 5.8 percent)

²⁰ Exhibit No.__(JSG-2), Schedule 1, at 3.

²¹ Ibbotson SBBI 2014 Classic Yearbook, at 91 and 100. Calculation: (20.9 percent – 6.3 percent = 14.6 percent)

1 I am proposing in this proceeding would be low relative to the historic risk
2 premiums earned by similarly-sized unregulated companies.

3 J. Market DCF Analysis

4 **Q32. What other analysis did you conduct in determining the cost of equity capital
5 for Montana-Dakota?**

6 A32. For an additional benchmark of the reasonableness of my DCF results, I calculated
7 the current required return for the companies contained in the S&P 500. Using data
8 provided by the Bloomberg Professional service, I performed a market
9 capitalization-weighted DCF calculation on the S&P 500 companies based on the
10 current dividend yields and long-term growth rate estimates as of November 30,
11 2014. These calculations are shown in Schedule 5 of Exhibit No. ___(JSG-2). The
12 current secondary market required ROE for the S&P 500 is 12.72 percent. This
13 analysis indicates that the rate of return that I am proposing in this proceeding is
14 low relative to the return required by investors who invest in the S&P 500.

15 K. Relative Risk Analysis

16 **Q33. Have you compared the risks faced by Montana-Dakota's North Dakota
17 natural gas distribution operations with the risks faced by the proxy group of
18 companies?**

19 A33. Yes. There are four broad categories of risk that concern investors. These include:

- 20 1. Business Risk;
21 2. Regulatory Risk;
22 3. Financial Risk; and,
23 4. Market Risk.

1 **Q34. Please describe the business risks inherent in the natural gas distribution**
2 **industry.**

3 A34. Business risk refers to the ability of the firm to generate revenues that exceed its
4 cost of operations. Business risk exists because forecasts of both demand and costs
5 are inherently uncertain. Markets change and the level of demand for the firm's
6 output may be sufficient to cover its costs at one time and later become insufficient.
7 Sunk investments in long-lived natural gas distribution assets, for which cost
8 recovery occurs over a period of thirty years or more, are subject to enormous
9 uncertainties and risks that demand, costs, supply, and competition may change in
10 ways that adversely affect the value of the investment.

11 **Q35. What are some of the business risks faced by Montana-Dakota's North Dakota**
12 **natural gas distribution operations?**

13 A35. The Company's natural gas distribution operations in North Dakota face many of
14 the same business risks that are associated with other natural gas distribution
15 companies. However, Montana-Dakota's North Dakota natural gas distribution
16 operations face some particular risks that distinguish the Company from the proxy
17 group of distribution companies, including being substantially smaller than the
18 proxy group companies and providing service in a territory with a relatively
19 undiversified local economy that is heavily dependent on natural resources
20 extraction. In particular, the oil and natural gas production industry in North
21 Dakota has expanded rapidly in recent years. While this growth has had a positive
22 effect on the North Dakota economy, the oil and gas industry historically has been
23 prone to boom-and-bust cycles that pose greater potential risks to other businesses

1 operating in those local economies that depend heavily on the oil and gas industry.

2 As shown on page 1 of Schedule 3 of Exhibit No.____(JSG-2), Montana-Dakota's
3 North Dakota natural gas distribution operations are considerably smaller than the
4 operations of any of the proxy companies and a small fraction of the size of the
5 typical proxy company. For example, the total assets of Montana-Dakota's North
6 Dakota natural gas distribution operations are equal to only 1.58 percent of the total
7 assets of the median proxy company. Similarly, Montana-Dakota's North Dakota
8 natural gas distribution operating revenues and operating income are only 5.68
9 percent and 2.26 percent of the level for the median proxy company, respectively.
10 Thus, depending upon the measure of size, the typical proxy company is
11 somewhere between 18 and 63 times the size of Montana-Dakota's North Dakota
12 natural gas distribution operations. The Company's smaller size has significant
13 implications for business risks. Ibbotson Associates has documented the
14 significantly higher returns that generally have been associated with small
15 companies.

16 Montana-Dakota's relatively small natural gas distribution operations in North
17 Dakota are heavily dependent upon a relatively undiversified local economy. With
18 its small revenue base, Montana-Dakota's North Dakota natural gas distribution
19 operations are subject to slightly greater risk that a major employer or industry,
20 such as oil and gas production or coal mining, might experience a downturn that
21 would significantly affect demand for natural gas distribution in the service
22 territory.

1 In order to mitigate the high business risks currently associated with an expected
2 decline in oil and gas drilling activity in the next few years, and to increase the
3 likelihood of recovering its fixed costs from customers, Montana-Dakota is
4 proposing to implement a Rate Stabilization Mechanism applicable to its North
5 Dakota gas operations for a five year period starting in 2016. As discussed in more
6 detail in the Direct Testimony of Montana-Dakota witness Nicole A. Kivisto, a Rate
7 Stabilization Mechanism is a form of revenue decoupling that severs the link
8 between fixed cost recovery and variations in customer billing units. If approved,
9 the Rate Stabilization Mechanism will provide an annual review of actual results
10 and the resulting return on equity as compared to the return on equity authorized in
11 this rate case. For purposes of my recommended rate of return in this proceeding,
12 I have assumed that the Company's Rate Stabilization Mechanism proposal will be
13 approved. Because I have estimated the required rate of return on common equity
14 for Montana-Dakota's North Dakota natural gas distribution operations using a
15 proxy group of natural gas distribution companies, the business risks faced by
16 Montana-Dakota's North Dakota natural gas distribution operations cannot be
17 analyzed in isolation, but rather must be analyzed relative to the proxy group
18 companies. In particular, I reviewed the tariffs of each of the operating utilities
19 owned by the proxy group companies to determine whether the utility has
20 implemented a revenue decoupling mechanism or a rate stabilization mechanism.

21 As shown on Schedule 6 of Exhibit No. ____ (JSG-2), 62.6 percent of the customers
22 served by the proxy companies are located in jurisdictions that have revenue
23 decoupling mechanisms that allow their rate designs to reflect the fixed cost nature

1 of their operations, similar to Montana-Dakota's proposal for its North Dakota
2 natural gas distribution operations. Therefore, if Montana-Dakota's request to
3 implement a Rate Stabilization Mechanism in North Dakota is approved, all else
4 being equal, the Company will not be less risky than the proxy group companies
5 and no adjustment to the required rate of return on common equity is necessary
6 unless the proposed rate design is rejected.

7 In summary, given the Company's smaller size and the characteristics of the local
8 economy, Montana-Dakota's North Dakota natural gas distribution operations are
9 riskier than the operations of the proxy companies and require a return that is more
10 than 100 basis points higher than the return required for the typical proxy company.

11 **Q36. What are the regulatory risks faced by Montana-Dakota's North Dakota**
12 **natural gas utility operations?**

13 **A36.** Regulatory risk is closely related to business risk and might be considered just
14 another aspect of business risk. To the extent that the market demand for a natural
15 gas distribution company's services is sufficiently strong that the company could
16 conceivably recover all of its costs, regulators may nevertheless set the rates at a
17 level that will not allow for full cost recovery. In effect, the binding constraint on
18 natural gas distribution companies is often posed by regulation rather than by the
19 working of market forces. One purpose of regulation is to provide a substitute for
20 competition where markets are not workably competitive. As such, regulation often
21 attempts to replicate the type of cost discipline and risks that might typically be
22 found in highly competitive industries.

1 Moreover, there is the perceived risk that regulators may set allowed returns so low
2 as to effectively undermine investor confidence and jeopardize the ability of natural
3 gas distribution companies to finance their operations. Thus, in some instances,
4 regulation may substitute for competition and in other instances it may limit the
5 potential returns available to successful competitors. In either case, regulatory risk
6 is an important consideration for investors and has a significant effect on the cost
7 of capital for all firms in the natural gas distribution industry.

8 The regulatory environment can significantly affect both the access to, and cost of
9 capital in several ways. As noted by Moody's, "[f]or rate-regulated utilities, which
10 typically operate as a monopoly, the regulatory environment and how the utility
11 adapts to that environment are the most important credit considerations."²²

12 Moody's further noted that:

13 Utility rates are set in a political/regulatory process rather than a
14 competitive or free-market process; thus, the Regulatory Framework
15 is a key determinant of the success of utility. The Regulatory
16 Framework has many components: the governing body and the
17 utility legislation or decrees it enacts, the manner in which
18 regulators are appointed or elected, the rules and procedures
19 promulgated by those regulators, the judiciary that interprets the
20 laws and rules and that arbitrates disagreements, and the manner in
21 which the utility manages the political and regulatory process. In
22 many cases, utilities have experienced credit stress or default
23 primarily or at least secondarily because of a break-down or obstacle
24 in the Regulatory Framework – for instance, laws that prohibited
25 regulators from including investments in uncompleted power plants
26 or plants not deemed "used and useful" in rates, or a disagreement
27 about rate-making that could not be resolved until after the utility
28 had defaulted on its debts.²³

²² Moody's Investors Service, *Regulated Electric and Gas Utilities*, December 23, 2013, at 9.
²³ *Ibid.*

1 Regulatory Research Associates assigns a rating of Average / 1 to the North Dakota
2 Public Service Commission, its fifth highest rating.²⁴ This rating suggests average
3 regulatory risk for Montana-Dakota's North Dakota natural gas distribution
4 operations.

5 **Q37. Would you please describe Montana-Dakota's relative financial risks?**

6 A37. Financial risk exists to the extent that a company incurs fixed obligations in
7 financing its operations. These fixed obligations increase the level of income which
8 must be generated before common stockholders receive any return and serve to
9 magnify the effects of business and regulatory risks. Fixed financial obligations
10 also increase the probability of bankruptcy by reducing the company's financial
11 flexibility and ability to respond to adverse circumstances. One possible indicator
12 of investors' perceptions of relative financial risk in this case might be obtained
13 from credit ratings. Because Montana-Dakota, as a division of MDU Resources,
14 does not have its own bonds outstanding, it is difficult to make direct comparisons
15 between the ratings of Montana-Dakota and the proxy group. However, page 2 of
16 Schedule 3 of Exhibit No. ___(JSG-2) shows the credit ratings assigned by S&P and
17 Moody's to each of the companies in the comparison group and MDU Resources.

18 The median S&P credit rating for companies in the proxy group is A-. By
19 comparison, MDU Resources' long-term rating from S&P is BBB+. This suggests
20 that the perceived business and financial risk of MDU Resources' bonds is slightly
21 higher than that of the typical company in the comparison group.

²⁴ Regulatory Research Associates, North Dakota Regulatory Review, September 12, 2014.

1 The capital structure data on Schedule 7 of Exhibit No. ___(JSG-2) show that
2 Montana-Dakota's filed common equity ratio of 49.52 percent is fairly close to the
3 46.89 percent median for the proxy companies as of September 30, 2014. This
4 slightly above average common equity ratio, which is offset somewhat by the
5 Company's below-average credit rating, suggests average financial risk for
6 Montana-Dakota's North Dakota natural gas distribution operations.

7 **Q38. Would you please describe Montana-Dakota's market risks?**

8 A38. Market risk is associated with the changing value of all investments because of
9 business cycles, inflation, and fluctuations in the general cost of capital throughout
10 the economy. Different companies are subject to different degrees of market risk
11 largely as a result of differences in their business and financial risks. Overall, the
12 market risk of Montana-Dakota's North Dakota natural gas distribution business is
13 comparable to that of the companies in the natural gas distribution comparison
14 group.

15 **Q39. How do the overall risks of the proxy companies compare with the risks faced**
16 **by Montana-Dakota's North Dakota natural gas distribution operations?**

17 A39. Montana-Dakota's North Dakota natural gas distribution operations face overall
18 risks that are near the top of the range relative to those of the proxy companies.
19 Although it has financial risks that are average relative to the proxy companies,
20 Montana-Dakota's North Dakota natural gas distribution operations have business
21 risks that are above average. In addition to its exceptionally small size relative to
22 the proxy companies and its exposure to a relatively undiversified local economy
23 that is heavily dependent on volatile natural resources production, Montana-

1 Dakota's North Dakota natural gas distribution operations are faced with elevated
 2 capital expenditures to accommodate customer growth and to support system
 3 reliability. These considerations lead me to conclude that investors appraise the
 4 overall risks of Montana-Dakota's North Dakota natural gas distribution operations
 5 to be above average relative to those of the proxy companies. Consequently,
 6 Montana-Dakota's North Dakota natural gas distribution business requires an
 7 allowed rate of return that is at the high end of the range for the companies in the
 8 proxy group indicated by my DCF analyses.

9 **III. SUMMARY AND CONCLUSIONS**

10 **Q40. Please summarize the results of your cost of capital study.**

11 A40. I conducted three DCF analyses on a group of natural gas distribution companies
 12 that have a range of risks that is roughly comparable to those of Montana-Dakota's
 13 North Dakota natural gas distribution operations. These results are summarized as
 14 follows:

15 **Table 2: Summary of DCF Results**

	Retention Growth DCF Analysis	Basic DCF Analysis	Blended Growth Rate DCF Analysis
High	10.53%	10.48%	10.18%
3 rd Quartile	9.51%	9.84%	9.15%
Median	9.12%	8.99%	9.00%
1 st Quartile	8.13%	8.53%	8.76%
Low	7.83%	7.60%	8.24%

16

1 In addition, I conducted two risk premium analyses and a market DCF analysis of
 2 the S&P 500 to test the reasonableness of my DCF analyses. Those results are
 3 summarized as follows:

4 **Table 3: Benchmark Risk Premium and Market DCF Analyses**

	Return
Risk Premium (Long-Term Corporate Bonds)	
vs. Large Company Stocks	10.13%
vs. Small Company Stocks	18.53%
Market DCF (S&P 500)	12.72%

5
 6 My risk premium and market DCF analyses suggest that the DCF results generally
 7 are low relative to current market benchmarks. In particular, all of the DCF return
 8 estimates are considerably below the 18.53 percent risk premium return benchmark
 9 for companies in Montana-Dakota's relative size range. Similarly, the DCF
 10 estimates for the natural gas distribution proxy companies are well below the 12.72
 11 percent market DCF estimate for the S&P 500 companies.

12 **Q41. What rate of return on common equity do you recommend for Montana-**
 13 **Dakota's North Dakota natural gas distribution operations in this proceeding?**

14 **A41.** My analyses indicate that an appropriate rate of return on common equity for
 15 Montana-Dakota's North Dakota natural gas distribution operations at this time is
 16 10.00 percent, which is above the median, but below the top of the range for my
 17 three DCF analyses. This recommended return reflects my assessment that the
 18 overall risks of Montana-Dakota's North Dakota natural gas distribution operations
 19 are near the top of the range relative to those of the proxy companies. Although

1 the Company has financial risks that are average relative to the proxy companies,
2 it has business risks that are well above average. In addition to its exceptionally
3 small size relative to the proxy companies and its exposure to a relatively
4 undiversified local economy, Montana-Dakota's North Dakota natural gas
5 distribution operations are faced with elevated capital expenditures to
6 accommodate customer growth and to support system reliability. Thus, my
7 recommended return is appropriately positioned to reflect the risks faced by
8 Montana-Dakota's North Dakota natural gas distribution operations relative to the
9 risks faced by the proxy companies.

10 **Q42. Does this conclude your Prepared Direct Testimony?**

11 A42. Yes.

Montana-Dakota Utilities Co.

General Economic Statistics
 1983-2013

Year	[1]	[2]	[3]	[4]	[5]
	Percentage Price Changes		Real GDP Growth	Nominal GDP (\$ billions)	Nominal GDP Growth
	Consumer Price Index	GDP Implicit Price Deflator			
1983	3.2%	3.9%	4.6%	3,638.1	
1984	4.3%	3.5%	7.3%	4,040.7	11.1%
1985	3.6%	3.2%	4.2%	4,346.7	7.6%
1986	1.9%	2.0%	3.5%	4,590.2	5.6%
1987	3.6%	2.6%	3.5%	4,870.2	6.1%
1988	4.1%	3.5%	4.2%	5,252.6	7.9%
1989	4.8%	3.9%	3.7%	5,657.7	7.7%
1990	5.4%	3.7%	1.9%	5,979.6	5.7%
1991	4.2%	3.3%	-0.1%	6,174.0	3.3%
1992	3.0%	2.3%	3.6%	6,539.3	5.9%
1993	3.0%	2.4%	2.7%	6,878.7	5.2%
1994	2.6%	2.1%	4.0%	7,308.8	6.3%
1995	2.8%	2.1%	2.7%	7,664.1	4.9%
1996	3.0%	1.8%	3.8%	8,100.2	5.7%
1997	2.3%	1.7%	4.5%	8,608.5	6.3%
1998	1.6%	1.1%	4.5%	9,089.2	5.6%
1999	2.2%	1.5%	4.7%	9,660.6	6.3%
2000	3.4%	2.3%	4.1%	10,284.8	6.5%
2001	2.8%	2.3%	1.0%	10,621.8	3.3%
2002	1.6%	1.5%	1.8%	10,977.5	3.3%
2003	2.3%	2.0%	2.8%	11,510.7	4.9%
2004	2.7%	2.7%	3.8%	12,274.9	6.6%
2005	3.4%	3.2%	3.3%	13,093.7	6.7%
2006	3.2%	3.1%	2.7%	13,855.9	5.8%
2007	2.8%	2.7%	1.8%	14,477.6	4.5%
2008	3.8%	2.0%	-0.3%	14,718.6	1.7%
2009	-0.4%	0.8%	-2.8%	14,418.7	-2.0%
2010	1.6%	1.2%	2.5%	14,964.4	3.8%
2011	3.2%	2.1%	1.6%	15,517.9	3.7%
2012	2.1%	1.8%	2.3%	16,163.2	4.2%
2013	1.5%	1.5%	2.2%	16,768.1	3.7%
Average Rate of Change [6]:					
1984-2013	2.9%	2.3%	2.9%	5.2%	5.2%
1994-2013	2.4%	2.0%	2.6%	4.6%	4.6%
2004-2013	2.4%	2.1%	1.7%	3.8%	3.9%

Notes:

- [1] U.S. Department of Labor, Bureau of Labor Statistics;
U.S. city average, all urban consumers, all items, not seasonally adjusted
- [2] U.S. Department of Commerce, Bureau of Economic Analysis,
National Income and Product Accounts Tables, Table 1.1.9, Revised on August 28, 2014
- [3] U.S. Department of Commerce, Bureau of Economic Analysis,
National Income and Product Accounts Tables, Table 1.1.1, Revised on August 28, 2014
- [4] U.S. Department of Commerce, Bureau of Economic Analysis,
National Income and Product Accounts Tables, Table 1.1.5, Revised on August 28, 2014
- [5] Equals annual percent change of Column [4]
- [6] Nominal GDP growth rates based on geometric average rate of change

Montana-Dakota Utilities Co.

Bond Yield Averages
January 2010 - November 2014

		[1]	[2]	[3]	[4]	[5]	[6]
		30-year U.S. Treasury Bond		Public Utility Bonds		Credit Spreads	
		Average	Corporate	A-Rated	Baa-Rated	A-Rated	Baa-Rated
2010	JAN	4.60	5.76	5.77	6.16	1.17	1.55
	FEB	4.62	5.86	5.87	6.25	1.25	1.63
	MAR	4.64	5.81	5.84	6.22	1.20	1.58
	APR	4.69	5.80	5.81	6.19	1.12	1.49
	MAY	4.29	5.52	5.50	5.97	1.21	1.68
	JUN	4.13	5.52	5.46	6.18	1.34	2.05
	JUL	3.99	5.32	5.26	5.98	1.26	1.98
	AUG	3.80	5.05	5.01	5.55	1.20	1.74
	SEP	3.77	5.05	5.01	5.53	1.24	1.76
	OCT	3.87	5.15	5.10	5.62	1.23	1.75
	NOV	4.19	5.37	5.37	5.85	1.18	1.67
	DEC	4.42	5.55	5.56	6.04	1.14	1.62
2011	JAN	4.52	5.56	5.57	6.06	1.05	1.54
	FEB	4.65	5.66	5.68	6.10	1.03	1.45
	MAR	4.51	5.55	5.56	5.97	1.05	1.46
	APR	4.50	5.56	5.55	5.98	1.05	1.48
	MAY	4.29	5.33	5.32	5.74	1.03	1.45
	JUN	4.23	5.30	5.26	5.67	1.03	1.44
	JUL	4.27	5.30	5.27	5.70	0.99	1.43
	AUG	3.65	4.79	4.69	5.22	1.04	1.57
	SEP	3.18	4.60	4.48	5.11	1.30	1.93
	OCT	3.13	4.60	4.52	5.24	1.39	2.11
	NOV	3.02	4.39	4.25	4.93	1.23	1.92
	DEC	2.98	4.47	4.33	5.07	1.35	2.09
2012	JAN	3.03	4.45	4.34	5.06	1.31	2.04
	FEB	3.11	4.42	4.36	5.02	1.25	1.91
	MAR	3.28	4.54	4.48	5.13	1.20	1.85
	APR	3.18	4.49	4.40	5.11	1.21	1.93
	MAY	2.93	4.33	4.20	4.97	1.27	2.03
	JUN	2.70	4.22	4.08	4.91	1.38	2.21
	JUL	2.59	4.03	3.93	4.85	1.34	2.26
	AUG	2.77	4.09	4.00	4.88	1.23	2.11
	SEP	2.88	4.09	4.02	4.81	1.14	1.93
	OCT	2.90	3.97	3.91	4.54	1.01	1.64
	NOV	2.80	3.92	3.84	4.42	1.03	1.61
	DEC	2.88	4.05	4.00	4.56	1.12	1.67

Montana-Dakota Utilities Co.

Bond Yield Averages
January 2010 - November 2014

		[1]	[2]	[3]	[4]	[5]	[6]
		30-year U.S. Treasury Bond		Public Utility Bonds		Credit Spreads	
			Average Corporate	A-Rated	Baa-Rated	A-Rated	Baa-Rated
2013	JAN	3.08	4.19	4.15	4.66	1.07	1.58
	FEB	3.17	4.27	4.18	4.74	1.02	1.58
	MAR	3.16	4.29	4.20	4.72	1.04	1.56
	APR	2.93	4.07	4.00	4.49	1.07	1.55
	MAY	3.11	4.23	4.17	4.65	1.05	1.54
	JUN	3.40	4.63	4.53	5.08	1.13	1.68
	JUL	3.61	4.76	4.68	5.21	1.08	1.60
	AUG	3.76	4.89	4.73	5.28	0.97	1.52
	SEP	3.79	4.95	4.80	5.31	1.02	1.52
	OCT	3.68	4.82	4.70	5.17	1.02	1.49
	NOV	3.80	4.91	4.77	5.24	0.97	1.44
	DEC	3.89	4.92	4.81	5.25	0.92	1.36
2014	JAN	3.77	4.76	4.63	5.09	0.86	1.32
	FEB	3.66	4.68	4.53	5.01	0.87	1.35
	MAR	3.62	4.65	4.51	5.00	0.89	1.37
	APR	3.52	4.52	4.41	4.85	0.89	1.33
	MAY	3.39	4.38	4.26	4.69	0.87	1.30
	JUN	3.42	4.44	4.29	4.73	0.87	1.31
	JUL	3.33	4.37	4.23	4.66	0.89	1.33
	AUG	3.20	4.29	4.13	4.65	0.93	1.45
	SEP	3.26	4.39	4.24	4.79	0.98	1.53
	OCT	3.04	4.22	4.06	4.67	1.02	1.63
	NOV	3.04	4.28	4.09	4.75	1.05	1.71
2014	AVG	3.39	4.45	4.31	4.81	0.92	1.42

Notes:

- [1] Bloomberg Finance L.P., 30-Year U.S. Treasury Bond
- [2] Bloomberg Finance L.P., Moody's Average Corporate Bond Index
- [3] Bloomberg Finance L.P., Moody's A-Rated Utility Bond Index
- [4] Bloomberg Finance L.P., Moody's Baa-Rated Utility Bond Index
- [5] Equals Column [3] - Column [1]
- [6] Equals Column [4] - Column [1]

Montana-Dakota Utilities Co.

**Common Equity Flotation Costs of
 Natural Gas Distribution Companies
 2000-2014**

Issuer	Date of Offering	Number of Shares	Issue Price	Net Proceeds Per Share	Financing Costs as a Percent of Net Proceeds
SEMCO Energy, Inc.	6/12/2000	9,000,000	\$10.000	\$9.600	4.17%
NiSource Inc.	11/30/2000	10,000,000	\$25.250	\$24.430	3.36%
Atmos Energy Corporation	12/14/2000	6,000,000	\$22.250	\$21.140	5.25%
Vectren Corporation	2/8/2001	5,500,000	\$21.270	\$20.530	3.60%
UtiliCorp United, Inc.	3/5/2001	10,000,000	\$29.760	\$28.940	2.83%
WGL Holdings, Inc.	6/20/2001	1,790,000	\$26.730	\$25.835	3.46%
UtiliCorp United, Inc.	1/25/2002	11,000,000	\$23.000	\$22.253	3.36%
NUI Corporation	3/14/2002	1,500,000	\$22.500	\$21.430	4.99%
Aquila, Inc.	6/27/2002	37,500,000	\$7.500	\$7.256	3.36%
NiSource Inc.	11/6/2002	36,000,000	\$18.300	\$17.751	3.09%
MDU Resources Group, Inc.	11/19/2002	2,100,000	\$24.000	\$23.280	3.09%
KeySpan Corporation	1/13/2003	13,900,000	\$34.500	\$34.070	1.26%
Cinergy Corporation	1/31/2003	5,700,000	\$31.100	\$30.850	0.81%
AGL Resources Inc.	2/11/2003	5,600,000	\$22.000	\$21.230	3.63%
Delta Natural Gas Company, Inc.	4/29/2003	525,000	\$21.600	\$20.650	4.60%
Southern Union Company	6/5/2003	9,500,000	\$16.000	\$15.440	3.63%
Atmos Energy Corporation	6/17/2003	4,000,000	\$25.310	\$24.298	4.17%
Vectren Corporation	8/7/2003	6,500,000	\$22.810	\$22.012	3.63%
Sempra Energy	10/8/2003	15,000,000	\$28.000	\$27.160	3.09%
Unitil Corporation	10/23/2003	624,000	\$25.400	\$24.130	5.26%
Piedmont Natural Gas Company, Inc.	1/20/2004	4,250,000	\$42.500	\$41.010	3.63%
MDU Resources Group, Inc.	2/4/2004	2,000,000	\$23.320	\$22.527	3.52%
UGI Corporation	3/18/2004	7,500,000	\$32.100	\$30.696	4.58%
Northwest Natural Gas Company	3/30/2004	1,200,000	\$31.000	\$29.990	3.37%
The Laclede Group, Inc.	5/25/2004	1,500,000	\$26.800	\$25.929	3.36%
Atmos Energy Corporation	7/13/2004	8,650,000	\$24.750	\$23.760	4.17%
Southern Union Company	7/26/2004	11,000,000	\$18.750	\$18.094	3.63%
Aquila, Inc.	8/18/2004	40,000,000	\$2.550	\$2.451	4.04%
Atmos Energy Corporation	10/21/2004	14,000,000	\$24.750	\$23.760	4.17%
AGL Resources Inc.	11/19/2004	9,600,000	\$31.010	\$30.080	3.09%
Cinergy Corporation	12/9/2004	6,100,000	\$41.000	\$40.510	1.21%
Southern Union Company	2/7/2005	14,910,000	\$23.000	\$22.300	3.14%
SEMCO Energy, Inc.	8/10/2005	4,300,000	\$6.320	\$6.067	4.17%
Chesapeake Utilities Corporation	11/16/2006	600,300	\$30.100	\$28.975	3.88%
Atmos Energy Corporation	12/7/2006	5,500,000	\$31.500	\$30.398	3.63%
Vectren Corporation	2/22/2007	4,600,000	\$28.330	\$27.338	3.63%
Unitil Corporation	12/10/2008	2,000,000	\$20.000	\$18.950	5.54%
Unitil Corporation	5/20/2009	2,400,000	\$20.000	\$18.950	5.54%
CenterPoint Energy, Inc.	9/10/2009	21,000,000	\$12.000	\$11.580	3.63%
CenterPoint Energy, Inc.	6/9/2010	22,000,000	\$12.900	\$12.449	3.63%

Montana-Dakota Utilities Co.

**Common Equity Flotation Costs of
 Natural Gas Distribution Companies
 2000-2014**

Issuer	Date of Offering	Number of Shares	Issue Price	Net Proceeds Per Share	Financing Costs as a Percent of Net Proceeds
NiSource Inc.	9/8/2010	21,100,000	\$16.500	\$15.964	3.36%
Gas Natural Inc.	11/10/2010	2,100,000	\$10.000	\$9.400	6.38%
Unitil Corporation	5/10/2012	2,400,000	\$25.250	\$23.988	5.26%
Gas Natural Inc.	6/27/2012	700,000	\$10.100	\$9.494	6.38%
Piedmont Natural Gas Company, Inc.	1/29/2013	4,000,000	\$32.000	\$30.880	3.63%
The Laclede Group, Inc.	5/22/2013	8,700,000	\$44.500	\$42.780	4.02%
Gas Natural Inc.	7/11/2013	1,500,000	\$10.000	\$9.425	6.10%
Gas Natural Inc.	10/31/2013	1,134,155	\$10.000	\$9.425	6.10%
Atmos Energy Corporation	2/11/2014	8,000,000	\$44.000	\$42.460	3.63%
The Laclede Group, Inc.	6/5/2014	9,000,000	\$46.250	\$44.539	3.84%
Average 2000-2014:					3.90%
Selected Flotation Costs for Cost of Equity:					4.00%

Sources: *Analysis of Public Utility Financing* and *Public Utility Financing Tracker*;
 Bloomberg Finance L.P.

Montana-Dakota Utilities Co.

**Selected Natural Gas Distribution Companies
 Fiscal Year 2013 Operating Data**

Company	Ticker	Total Assets (\$ millions)	Operating Revenues (\$ millions)	Operating Income (\$ millions)
AGL Resources Inc.	GAS	14,550.0	4,209.0	639.0 1/
Atmos Energy Corporation	ATO	8,594.7	4,940.9	611.3 2/
Laclede Group, Inc.	LG	5,074.0	1,627.2	166.4 2/
New Jersey Resources Corporation	NJR	3,158.8	3,738.1	201.2 2/
Northwest Natural Gas Company	NWN	2,970.9	777.5	142.7 1/
Piedmont Natural Gas Company, Inc	PNY	4,368.6	1,278.2	144.2 3/
South Jersey Industries, Inc.	SJI	2,924.9	731.4	69.6 1/
Southwest Gas Corporation	SWX	4,565.2	1,950.8	274.2 1/
WGL Holdings, Inc.	WGL	4,856.5	2,780.9	197.5 2/
High		14,550	4,941	639
Average		5,674	2,448	272
Median		4,565	1,951	198
Low		2,925	731	70
Montana-Dakota Utilities Co.				
- North Dakota Natural Gas Distribution		\$72.2	\$110.8	\$4.5 4/
Montana-Dakota North Dakota Natural Gas Distribution % of:				
- Proxy Company Median		1.58%	5.68%	2.26%

Notes:

1/ Source: SNL Financial LC; data as of December 31, 2013

2/ Source: SNL Financial LC; data as of September 30, 2014

3/ Source: SNL Financial LC; data as of October 31, 2013

4/ Source: Annual Report to the North Dakota Public Service Commission for the Year Ended December 31

Montana-Dakota Utilities Co.

**Selected Natural Gas Distribution Companies
 Credit Ratings**

Company	Ticker	Standard & Poor's	Moody's
AGL Resources Inc.	GAS	BBB+	Baa1
Atmos Energy Corporation	ATO	A-	A2
Laclede Group, Inc.	LG	A-	Baa2
New Jersey Resources Corporation	NJR	A	Aa2
Northwest Natural Gas Company	NWN	A+	A3
Piedmont Natural Gas Company, Inc	PNY	A	A2
South Jersey Industries, Inc.	SJI	BBB+	--
Southwest Gas Corporation	SWX	BBB+	A3
WGL Holdings, Inc.	WGL	A+	A3
Average		A-	A3
Median		A-	A3
MDU Resources Group, Inc.		BBB+	--

Notes:

Source: SNL Financial LC

New Jersey Resources Corporation rating is for New Jersey Natural Gas Company

Montana-Dakota Utilities Co.
Selected Natural Gas Distribution Companies
Dividend Yields
June 2014 - November 2014

Company	Ticker	Average Dividend Yield
AGL Resources Inc.	GAS	3.72%
Atmos Energy Corporation	ATO	2.94%
Laclede Group, Inc.	LG	3.65%
New Jersey Resources Corporation	NJR	3.23%
Northwest Natural Gas Company	NWN	4.10%
Piedmont Natural Gas Company, Inc	PNY	3.54%
South Jersey Industries, Inc.	SJI	3.34%
Southwest Gas Corporation	SWX	2.78%
WGL Holdings, Inc.	WGL	4.08%
Average		3.49%
Median		3.54%

			Price			Annualized Dividend	Dividend Yield
			Low	High	Average		
Piedmont Natural Gas Company, Inc	PNY	Jun-14	\$ 35.25	\$ 37.43	\$ 36.34	\$ 1.28	3.52%
		Jul-14	34.69	37.86	36.28	1.28	3.53%
		Aug-14	33.78	37.48	35.63	1.28	3.59%
		Sep-14	33.49	37.58	35.53	1.28	3.60%
		Oct-14	33.38	38.36	35.87	1.28	3.57%
		Nov-14	36.62	38.48	37.55	1.28	<u>3.41%</u>
						3.54%	
South Jersey Industries, Inc.	SJI	Jun-14	\$ 56.37	\$ 60.55	\$ 58.46	\$ 1.89	3.23%
		Jul-14	53.57	60.67	57.12	1.89	3.31%
		Aug-14	52.25	58.36	55.31	1.89	3.42%
		Sep-14	52.40	58.13	55.27	1.89	3.42%
		Oct-14	53.00	59.00	56.00	1.89	3.38%
		Nov-14	56.15	59.74	57.95	1.89	<u>3.26%</u>
						3.34%	
Southwest Gas Corporation	SWX	Jun-14	\$ 50.96	\$ 53.22	\$ 52.09	\$ 1.46	2.80%
		Jul-14	49.26	53.34	51.30	1.46	2.85%
		Aug-14	47.21	52.80	50.00	1.46	2.92%
		Sep-14	48.54	53.03	50.79	1.46	2.87%
		Oct-14	48.23	58.53	53.38	1.46	2.74%
		Nov-14	56.77	59.76	58.27	1.46	<u>2.51%</u>
						2.78%	
WGL Holdings, Inc.	WGL	Jun-14	\$ 40.13	\$ 43.12	\$ 41.63	\$ 1.76	4.23%
		Jul-14	38.96	43.65	41.31	1.76	4.26%
		Aug-14	37.77	43.56	40.67	1.76	4.33%
		Sep-14	41.37	44.71	43.04	1.76	4.09%
		Oct-14	42.04	47.61	44.82	1.76	3.93%
		Nov-14	46.99	50.00	48.50	1.76	<u>3.63%</u>
						4.08%	

Source: Bloomberg Finance L.P.

Montana-Dakota Utilities Co.

**Selected Natural Gas Distribution Companies
 Projected Earnings Retention Growth Rates**

Company	Ticker	Value Line Forecast 2017-19			Retention Rate	Retention Growth
		EPS	DPS	ROE		
AGL Resources Inc.	GAS	\$4.30	\$2.40	12.00%	44.19%	5.30%
Atmos Energy Corporation	ATO	\$3.50	\$1.75	9.00%	50.00%	4.50%
Laclede Group, Inc.	LG	\$4.05	\$2.20	10.00%	45.68%	4.57%
New Jersey Resources Corporation	NJR	\$3.80	\$1.92	12.50%	49.47%	6.18%
Northwest Natural Gas Company	NWN	\$3.30	\$2.10	9.50%	36.36%	3.45%
Piedmont Natural Gas Company, Inc	PNY	\$2.25	\$1.43	11.50%	36.44%	4.19%
South Jersey Industries, Inc.	SJI	\$4.80	\$2.60	14.50%	45.83%	6.65%
Southwest Gas Corporation	SWX	\$4.00	\$1.80	11.00%	55.00%	6.05%
WGL Holdings, Inc.	WGL	\$3.20	\$1.87	11.00%	41.56%	4.57%
Average						5.05%
Median						4.57%

Source: Value Line Investment Survey, December 5, 2014

Montana-Dakota Utilities Co.

**Selected Natural Gas Distribution Companies
 Blended Growth Rate Estimates**

Company	Ticker	1/2	1/2	Weighted Average
		Zacks 5-Yr Earnings Growth Est.	Retention Growth	
AGL Resources Inc.	GAS	4.00%	5.30%	4.65%
Atmos Energy Corporation	ATO	7.00%	4.50%	5.75%
Laclede Group, Inc.	LG	5.30%	4.57%	4.93%
New Jersey Resources Corporation	NJR	4.00%	6.18%	5.09%
Northwest Natural Gas Company	NWN	4.00%	3.45%	3.73%
Piedmont Natural Gas Company, Inc	PNY	5.00%	4.19%	4.60%
South Jersey Industries, Inc.	SJI	6.00%	6.65%	6.32%
Southwest Gas Corporation	SWX	5.50%	6.05%	5.78%
WGL Holdings, Inc.	WGL	5.30%	4.57%	4.94%
Average		5.12%	5.05%	5.09%
Median		5.30%	4.57%	4.94%

Source: Zacks Investment Research.

Montana-Dakota Utilities Co.

**Selected Natural Gas Distribution Companies
 Retention Growth DCF Calculation**

Company	Ticker	Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market:	Primary Market:	
					Investor Required Return	Flotation Cost Adjustment	Cost of Capital
AGL Resources Inc.	GAS	3.72%	3.84%	5.30%	9.14%	1.0400	9.51%
Atmos Energy Corporation	ATO	2.94%	3.03%	4.50%	7.53%	1.0400	7.83%
Laclede Group, Inc.	LG	3.65%	3.76%	4.57%	8.32%	1.0400	8.66%
New Jersey Resources Corporation	NJR	3.23%	3.35%	6.18%	9.54%	1.0400	9.92%
Northwest Natural Gas Company	NWN	4.10%	4.19%	3.45%	7.64%	1.0400	7.95%
Piedmont Natural Gas Company, Inc	PNY	3.54%	3.63%	4.19%	7.82%	1.0400	8.13%
South Jersey Industries, Inc.	SJI	3.34%	3.47%	6.65%	10.12%	1.0400	10.53%
Southwest Gas Corporation	SWX	2.78%	2.89%	6.05%	8.94%	1.0400	9.29%
WGL Holdings, Inc.	WGL	4.08%	4.19%	4.57%	8.77%	1.0400	9.12%
High					10.12%		10.53%
3 rd Quartile					9.14%		9.51%
2nd Quartile (Median)					8.77%		9.12%
1 st Quartile					7.82%		8.13%
Low					7.53%		7.83%

Montana-Dakota Utilities Co.

**Selected Natural Gas Distribution Companies
 Basic DCF Calculation**

Company	Ticker	Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market:	Primary Market:	
					Investor Required Return	Flotation Cost Adjustment	Cost of Capital
AGL Resources Inc.	GAS	3.72%	3.81%	4.00%	7.81%	1.0400	8.12%
Atmos Energy Corporation	ATO	2.94%	3.07%	7.00%	10.07%	1.0400	10.48%
Laclede Group, Inc.	LG	3.65%	3.77%	5.30%	9.07%	1.0400	9.44%
New Jersey Resources Corporation	NJR	3.23%	3.31%	4.00%	7.31%	1.0400	7.60%
Northwest Natural Gas Company	NWN	4.10%	4.20%	4.00%	8.20%	1.0400	8.53%
Piedmont Natural Gas Company, Inc	PNY	3.54%	3.65%	5.00%	8.65%	1.0400	8.99%
South Jersey Industries, Inc.	SJI	3.34%	3.46%	6.00%	9.46%	1.0400	9.84%
Southwest Gas Corporation	SWX	2.78%	2.88%	5.50%	8.38%	1.0400	8.71%
WGL Holdings, Inc.	WGL	4.08%	4.21%	5.30%	9.51%	1.0400	9.89%
High					10.07%		10.48%
3 rd Quartile					9.46%		9.84%
2nd Quartile (Median)					8.65%		8.99%
1 st Quartile					8.20%		8.53%
Low					7.31%		7.60%

Montana-Dakota Utilities Co.

Selected Natural Gas Distribution Companies
 Blended Growth Rate DCF Calculation

Company	Ticker	Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market:	Primary Market:	
					Investor Required Return	Flotation Cost Adjustment	Cost of Capital
AGL Resources Inc.	GAS	3.72%	3.82%	4.65%	8.48%	1.0400	8.81%
Atmos Energy Corporation	ATO	2.94%	3.05%	5.75%	8.80%	1.0400	9.15%
Laclede Group, Inc.	LG	3.65%	3.76%	4.93%	8.70%	1.0400	9.05%
New Jersey Resources Corporation	NJR	3.23%	3.33%	5.09%	8.42%	1.0400	8.76%
Northwest Natural Gas Company	NWN	4.10%	4.20%	3.73%	7.92%	1.0400	8.24%
Piedmont Natural Gas Company, Inc	PNY	3.54%	3.64%	4.60%	8.23%	1.0400	8.56%
South Jersey Industries, Inc.	SJI	3.34%	3.47%	6.32%	9.79%	1.0400	10.18%
Southwest Gas Corporation	SWX	2.78%	2.88%	5.78%	8.66%	1.0400	9.00%
WGL Holdings, Inc.	WGL	4.08%	4.20%	4.94%	9.14%	1.0400	9.50%
High					9.79%		10.18%
3 rd Quartile					8.80%		9.15%
2 nd Quartile (Median)					8.66%		9.00%
1 st Quartile					8.42%		8.76%
Low					7.92%		8.24%

Montana-Dakota Utilities Co.

Market DCF Calculation as of November 30, 2014

		[1]	[2]	[3]	[4]				
		Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return				
S&P 500		2.26%	2.41%	10.31%	12.72%				
		[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	Market Capitalization-Weighted BEst Long-Term Growth Estimate
3M Co	MMM	640.819	158.160	101,352	0.6260%	2.16%	9.33%	0.0135%	0.0584%
Abbott Laboratories	ABT	1,505.791	44.320	66,737	0.4122%	1.99%	10.94%	0.0082%	0.0451%
AbbVie Inc	ABBV	1,593.452	69.110	110,123	0.6802%	2.84%	8.83%	0.0193%	0.0601%
Accenture PLC	ACN	627.505	86.000	53,965	0.3333%	2.37%	10.45%	0.0079%	0.0348%
ACE Ltd	ACE	331.738	114.870	38,107	0.2354%	2.26%	7.13%	0.0053%	0.0168%
Actavis plc	ACT	265.061	263.070	69,730	0.0000%	n/a	18.80%	n/a	0.0000%
Adobe Systems Inc	ADBE	498.739	73.750	36,782	0.0000%	n/a	12.50%	n/a	0.0000%
ADT Corp/The	ADT	174.527	34.000	5,934	0.0367%	2.35%	6.55%	0.0009%	0.0024%
AES Corp/VA	AES	713.046	13.650	9,733	0.0601%	1.47%	8.00%	0.0009%	0.0048%
Aetna Inc	AET	351.700	87.540	30,788	0.1902%	1.14%	11.75%	0.0022%	0.0223%
Affiliated Managers Group Inc	AMG	55.573	201.940	11,222	0.0000%	n/a	14.51%	n/a	0.0000%
Aflac Inc	AFL	450.587	59.270	26,706	0.1650%	2.63%	8.35%	0.0043%	0.0138%
Agilent Technologies Inc	A	333.513	41.590	13,871	0.0857%	0.96%	9.10%	0.0008%	0.0078%
AGL Resources Inc	GAS	119.573	52.380	6,263	0.0387%	3.74%	5.50%	0.0014%	0.0021%
Air Products & Chemicals Inc	APD	213.711	144.090	30,794	0.1902%	2.14%	8.67%	0.0041%	0.0165%
Airgas Inc	ARG	74.702	114.000	8,516	0.0526%	1.93%	11.80%	0.0010%	0.0062%
Akamai Technologies Inc	AKAM	177.994	63.060	11,224	0.0000%	n/a	15.83%	n/a	0.0000%
Alcoa Inc	AA	1,178.823	17.140	20,205	0.1248%	0.70%	10.67%	0.0009%	0.0133%
Alexion Pharmaceuticals Inc	ALXN	198.287	192.510	38,172	0.0000%	n/a	37.07%	n/a	0.0000%
Allegheny Technologies Inc	ATI	108.703	32.810	3,567	0.0220%	2.19%	16.90%	0.0005%	0.0037%
Allegion PLC	ALLE	95.729	53.700	5,141	0.0318%	0.60%	17.40%	0.0002%	0.0055%
Allergan Inc/United States	AGN	297.899	210.650	62,752	0.3876%	0.09%	21.00%	0.0004%	0.0814%
Alliance Data Systems Corp	ADS	59.412	281.610	16,731	0.0000%	n/a	16.32%	n/a	0.0000%
Allstate Corp/The	ALL	419.433	67.610	28,358	0.1752%	1.66%	8.48%	0.0029%	0.0149%
Altera Corp	ALTR	304.817	37.050	11,293	0.0698%	1.94%	12.03%	0.0014%	0.0084%
Altria Group Inc	MO	1,976.470	50.300	99,416	0.6141%	4.14%	6.26%	0.0254%	0.0384%
Amazon.com Inc	AMZN	463.006	326.000	150,940	0.0000%	n/a	36.58%	n/a	0.0000%
Ameren Corp	AEE	242.635	43.200	10,482	0.0647%	3.80%	7.27%	0.0025%	0.0047%
American Electric Power Co Inc	AEP	489.240	58.010	28,381	0.1753%	3.65%	5.78%	0.0064%	0.0101%
American Express Co	AXP	1,034.677	92.140	95,335	0.5889%	1.13%	9.42%	0.0066%	0.0555%
American International Group Inc	AIG	1,399.912	54.430	76,197	0.4707%	0.92%	9.50%	0.0043%	0.0447%
American Tower Corp	AMT	396.463	103.490	41,030	0.2534%	1.39%	17.95%	0.0035%	0.0455%
Ameriprise Financial Inc	AMP	184.532	130.680	24,115	0.1490%	1.78%	18.10%	0.0026%	0.0270%
AmerisourceBergen Corp	ABC	218.692	90.840	19,866	0.1227%	1.28%	10.66%	0.0016%	0.0131%
AMETEK Inc	AME	245.933	50.650	12,457	0.0769%	0.71%	12.73%	0.0005%	0.0098%
Amgen Inc	AMGN	760.670	166.410	126,583	0.7819%	1.47%	8.83%	0.0115%	0.0690%
Amphenol Corp	APH	309.465	52.940	16,383	0.1012%	0.94%	11.45%	0.0010%	0.0116%
Anadarko Petroleum Corp	APC	506.450	78.730	39,873	0.2463%	1.37%	18.78%	0.0034%	0.0462%
Analog Devices Inc	ADI	314.213	54.650	17,172	0.1061%	2.71%	10.87%	0.0029%	0.0115%
Aon PLC	AON	285.137	92.420	26,352	0.1628%	1.08%	12.66%	0.0018%	0.0206%
Apache Corp	APA	376.482	63.810	24,023	0.1484%	1.57%	3.92%	0.0023%	0.0058%
Apartment Investment & Management Co	AIV	146.205	37.080	5,421	0.0335%	2.80%	7.28%	0.0009%	0.0024%
Apple Inc	AAPL	5,864.840	115.070	674,867	4.1685%	1.63%	15.97%	0.0681%	0.6656%
Applied Materials Inc	AMAT	1,217.401	23.740	28,901	0.1785%	1.68%	13.20%	0.0030%	0.0236%
Archer-Daniels-Midland Co	ADM	643.788	52.460	33,773	0.2086%	1.83%	10.03%	0.0038%	0.0209%
Assurant Inc	AIZ	70.255	67.350	4,732	0.0292%	1.60%	6.98%	0.0005%	0.0020%
AT&T Inc	T	5,187.000	35.060	181,856	1.1233%	5.25%	5.45%	0.0590%	0.0612%
Autodesk Inc	ADSK	227.200	60.510	13,748	0.0000%	n/a	11.65%	n/a	0.0000%

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Market DCF Calculation as of November 30, 2014

		[1]	[2]	[3]	[4]							
		Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return							
S&P 500		2.26%	2.41%	10.31%	12.72%							
		[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]			
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	Market Capitalization-Weighted BEst Long-Term Growth Estimate			
Automatic Data Processing Inc	ADP	482.057	86.070	41,491	0.2563%	2.28%	10.29%	0.0058%	0.0264%			
AutoNation Inc	AN	113.144	58.290	6,595	0.0000%	n/a	12.60%	n/a	0.0000%			
AutoZone Inc	AZO	32.041	575.720	18,447	0.0000%	n/a	13.39%	n/a	0.0000%			
Avago Technologies Ltd	AVGO	252.899	90.950	23,001	0.1421%	1.41%	20.63%	0.0020%	0.0293%			
AvalonBay Communities Inc	AVB	132.008	161.720	21,348	0.1319%	2.87%	6.55%	0.0038%	0.0086%			
Avery Dennison Corp	AVY	91.101	49.130	4,476	0.0276%	2.85%	11.70%	0.0008%	0.0032%			
Avon Products Inc	AVP	434.656	9.610	4,177	0.0258%	2.50%	6.52%	0.0006%	0.0017%			
Baker Hughes Inc	BHI	432.599	56.510	24,446	0.1510%	1.20%	25.18%	0.0018%	0.0380%			
Ball Corp	BLL	136.922	67.390	9,227	0.0570%	0.77%	10.03%	0.0004%	0.0057%			
Bank of America Corp	BAC	10,516.450	16.790	176,571	1.0906%	1.19%	10.83%	0.0130%	0.1181%			
Bank of New York Mellon Corp/The	BK	1,125.710	39.580	44,556	0.2752%	1.72%	9.83%	0.0047%	0.0270%			
Baxter International Inc	BAX	541.978	72.870	39,494	0.2439%	2.85%	9.47%	0.0070%	0.0231%			
BB&T Corp	BBT	720.298	37.050	26,687	0.1648%	2.59%	12.06%	0.0043%	0.0199%			
Becton Dickinson and Co	BDX	191.977	141.150	27,098	0.1674%	1.70%	9.28%	0.0028%	0.0155%			
Bed Bath & Beyond Inc	BBBY	185.239	72.950	13,513	0.0000%	n/a	7.78%	n/a	0.0000%			
Bemis Co Inc	BMS	99.881	40.070	4,002	0.0247%	2.70%	8.85%	0.0007%	0.0022%			
Berkshire Hathaway Inc	BRK/B	1,215.933	148.520	180,590	0.0000%	n/a	6.70%	n/a	0.0000%			
Best Buy Co Inc	BBY	349.616	37.260	13,027	0.0805%	2.04%	13.02%	0.0016%	0.0105%			
Biogen Idec Inc	BIIB	236.155	308.440	72,840	0.0000%	n/a	21.05%	n/a	0.0000%			
BlackRock Inc	BLK	165.214	355.030	58,656	0.3623%	2.17%	12.37%	0.0079%	0.0448%			
Boeing Co/The	BA	712.930	132.390	94,385	0.5830%	2.21%	11.15%	0.0129%	0.0650%			
BorgWarner Inc	BWA	227.374	56.820	12,919	0.0798%	0.92%	11.77%	0.0007%	0.0094%			
Boston Properties Inc	BXP	153.100	129.980	19,900	0.1229%	2.00%	5.44%	0.0025%	0.0067%			
Boston Scientific Corp	BSX	1,326.490	12.890	17,098	0.0000%	n/a	10.27%	n/a	0.0000%			
Bristol-Myers Squibb Co	BMY	1,658.776	59.050	97,951	0.6050%	2.44%	13.25%	0.0148%	0.0802%			
Broadcom Corp	BRCM	542.000	42.800	23,198	0.1433%	1.12%	10.51%	0.0016%	0.0151%			
Brown-Forman Corp	BF/B	128.970	95.580	12,327	0.0761%	1.32%	9.60%	0.0010%	0.0073%			
CA Inc	CA	444.906	30.890	13,743	0.0849%	3.24%	4.77%	0.0027%	0.0040%			
Cablevision Systems Corp	CVC	219.492	20.020	4,394	0.0000%	3.00%	-6.25%	0.0000%	0.0000%			
Cabot Oil & Gas Corp	COG	413.020	33.200	13,712	0.0847%	0.24%	42.81%	0.0002%	0.0363%			
Cameron International Corp	CAM	197.446	49.780	9,829	0.0000%	n/a	17.47%	n/a	0.0000%			
Campbell Soup Co	CPB	314.293	45.060	14,162	0.0875%	2.77%	4.59%	0.0024%	0.0040%			
Capital One Financial Corp	COF	555.971	82.310	45,762	0.2827%	1.46%	6.00%	0.0041%	0.0170%			
Cardinal Health Inc	CAH	330.962	82.000	27,139	0.1676%	1.67%	12.16%	0.0028%	0.0204%			
CareFusion Corp	CFN	203.918	59.190	12,070	0.0000%	n/a	11.91%	n/a	0.0000%			
CarMax Inc	KMX	215.395	56.140	12,092	0.0000%	n/a	13.76%	n/a	0.0000%			
Carnival Corp	CCL	592.649	42.390	25,122	0.1552%	2.36%	17.03%	0.0037%	0.0264%			
Caterpillar Inc	CAT	605.399	99.000	59,935	0.3702%	2.83%	9.48%	0.0105%	0.0351%			
CBRE Group Inc	CBG	332.867	33.310	11,088	0.0000%	n/a	12.17%	n/a	0.0000%			
CBS Corp	CBS	480.424	54.470	26,169	0.1616%	1.10%	14.47%	0.0018%	0.0234%			
Celgene Corp	CELG	798.704	113.430	90,597	0.0000%	n/a	25.66%	n/a	0.0000%			
CenterPoint Energy Inc	CNP	429.796	23.500	10,100	0.0624%	4.04%	6.00%	0.0025%	0.0037%			
CenturyLink Inc	CTL	570.705	41.100	23,456	0.0000%	5.26%	-0.72%	0.0000%	0.0000%			
Cerner Corp	CERN	341.472	64.310	21,960	0.0000%	n/a	16.82%	n/a	0.0000%			
CF Industries Holdings Inc	CF	49.735	267.110	13,285	0.0821%	2.25%	12.18%	0.0018%	0.0100%			
CH Robinson Worldwide Inc	CHRW	146.285	72.510	10,607	0.0655%	1.93%	11.40%	0.0013%	0.0075%			
Charles Schwab Corp/The	SCHW	1,305.769	27.660	36,118	0.2231%	0.87%	20.98%	0.0019%	0.0468%			
Chesapeake Energy Corp	CHK	665.111	20.070	13,349	0.0825%	1.74%	5.00%	0.0014%	0.0041%			

Montana-Dakota Utilities Co.

Market DCF Calculation as of November 30, 2014

		[1]	[2]	[3]	[4]				
		Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return				
S&P 500		2.26%	2.41%	10.31%	12.72%				

		[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	Market Capitalization-Weighted BEst Long-Term Growth Estimate
Chevron Corp	CVX	1,890.424	111.730	211,217	1.3046%	3.83%	6.08%	0.0500%	0.0793%
Chipotle Mexican Grill Inc	CMG	31.013	660.880	20,496	0.0000%	n/a	22.73%	n/a	0.0000%
Chubb Corp/The	CB	235.814	103.160	24,327	0.1503%	1.94%	9.00%	0.0029%	0.0135%
Cigna Corp	CI	261.579	102.560	26,828	0.1657%	0.04%	10.66%	0.0001%	0.0177%
Cimarex Energy Co	XEC	87.249	103.760	9,053	0.0559%	0.62%	12.85%	0.0003%	0.0072%
Cincinnati Financial Corp	CINF	163.490	50.810	8,307	0.0000%	3.46%	n/a	0.0000%	n/a
Cintas Corp	CTAS	116.979	71.800	8,399	0.0519%	1.18%	10.68%	0.0006%	0.0055%
Cisco Systems Inc	CSCO	5,113.588	27.590	141,084	0.8714%	2.75%	8.93%	0.0240%	0.0778%
Citigroup Inc	C	3,029.488	53.350	161,623	0.9983%	0.08%	11.05%	0.0007%	0.1103%
Citrix Systems Inc	CTXS	160.971	66.030	10,629	0.0000%	n/a	15.33%	n/a	0.0000%
Clorox Co/The	CLX	129.402	101.300	13,108	0.0810%	2.92%	6.70%	0.0024%	0.0054%
CME Group Inc/IL	CME	336.838	84.610	28,500	0.1760%	2.22%	14.05%	0.0039%	0.0247%
CMS Energy Corp	CMS	276.149	33.250	9,182	0.0567%	3.25%	5.83%	0.0018%	0.0033%
Coach Inc	COH	275.590	36.100	9,949	0.0615%	3.74%	8.03%	0.0023%	0.0049%
Coca-Cola Co/The	KO	4,380.113	44.550	195,134	1.2053%	2.74%	5.76%	0.0330%	0.0694%
Coca-Cola Enterprises Inc	CCE	241.734	43.510	10,518	0.0650%	2.30%	9.04%	0.0015%	0.0059%
Cognizant Technology Solutions Corp	CTSH	608.918	54.050	32,912	0.0000%	n/a	17.30%	n/a	0.0000%
Colgate-Palmolive Co	CL	911.398	69.400	63,251	0.3907%	2.07%	9.80%	0.0081%	0.0383%
Comcast Corp	CMCSA	2,150.369	56.600	121,711	0.7518%	1.59%	13.09%	0.0120%	0.0984%
Comerica Inc	CMA	179.687	45.230	8,127	0.0502%	1.77%	10.69%	0.0009%	0.0054%
Computer Sciences Corp	CSC	140.491	63.520	8,924	0.0551%	1.45%	9.45%	0.0008%	0.0052%
ConAgra Foods Inc	CAG	424.828	36.410	15,468	0.0955%	2.75%	9.37%	0.0026%	0.0089%
ConocoPhillips	COP	1,230.913	67.770	83,419	0.5153%	4.31%	6.13%	0.0222%	0.0316%
CONSOL Energy Inc	CNX	230.180	37.450	8,620	0.0532%	0.67%	9.70%	0.0004%	0.0052%
Consolidated Edison Inc	ED	292.888	63.830	18,695	0.1155%	3.95%	3.14%	0.0046%	0.0036%
Constellation Brands Inc	STZ	169.485	94.730	16,055	0.0000%	n/a	16.35%	n/a	0.0000%
Corning Inc	GLW	1,281.848	20.910	26,803	0.1656%	1.91%	8.35%	0.0032%	0.0138%
Costco Wholesale Corp	COST	437.762	141.980	62,153	0.3839%	1.00%	11.15%	0.0038%	0.0428%
Covidien PLC	COV	452.784	100.990	45,727	0.2824%	1.43%	8.50%	0.0040%	0.0240%
CR Bard Inc	BCR	74.899	170.040	12,736	0.0787%	0.52%	12.20%	0.0004%	0.0096%
Crown Castle International Corp	CCI	333.858	82.250	27,460	0.1696%	3.99%	27.43%	0.0068%	0.0465%
CSX Corp	CSX	999.572	35.060	35,045	0.2165%	1.83%	11.88%	0.0040%	0.0257%
Cummins Inc	CMI	182.692	145.340	26,552	0.1640%	2.15%	14.62%	0.0035%	0.0240%
CVS Health Corp	CVS	1,146.383	90.160	103,358	0.6384%	1.22%	14.14%	0.0078%	0.0903%
Danaher Corp	DHR	702.692	83.070	58,373	0.3606%	0.48%	11.25%	0.0017%	0.0406%
Darden Restaurants Inc	DRI	132.647	57.520	7,630	0.0471%	3.82%	12.93%	0.0018%	0.0061%
DaVita HealthCare Partners Inc	DVA	214.900	76.010	16,335	0.0000%	n/a	8.66%	n/a	0.0000%
Deere & Co	DE	358.420	89.580	32,107	0.1983%	2.68%	6.38%	0.0053%	0.0127%
Delphi Automotive PLC	DLPH	296.079	72.900	21,584	0.1333%	1.37%	14.01%	0.0018%	0.0187%
Delta Air Lines Inc	DAL	836.941	45.620	38,181	0.2358%	0.79%	17.02%	0.0019%	0.0401%
Denbury Resources Inc	DNR	352.563	8.010	2,824	0.0174%	3.12%	3.90%	0.0005%	0.0007%
DENTSPLY International Inc	XRAY	141.530	54.740	7,747	0.0479%	0.48%	10.38%	0.0002%	0.0050%
Devon Energy Corp	DVN	409.100	59.940	24,521	0.1515%	1.60%	11.47%	0.0024%	0.0174%
Diamond Offshore Drilling Inc	DO	137.148	30.500	4,183	0.0000%	11.48%	-12.67%	0.0000%	0.0000%
DIRECTV	DTV	502.237	87.730	44,061	0.0000%	n/a	6.00%	n/a	0.0000%
Discover Financial Services	DFS	453.480	65.250	29,590	0.1828%	1.47%	9.73%	0.0027%	0.0178%
Discovery Communications Inc	DISCA	148.491	34.690	5,151	0.0000%	n/a	20.53%	n/a	0.0000%
Discovery Communications Inc	DISCK	287.302	33.980	9,763	0.0000%	n/a	20.53%	n/a	0.0000%

Montana-Dakota Utilities Co.

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S&P 500		2.26%	2.41%	10.31%	12.72%				

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Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEST Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	Market Capitalization-Weighted BEST Long-Term Growth Estimate
Dollar General Corp	DG	303.397	66.320	20,121	0.0000%	n/a	13.34%	n/a	0.0000%
Dollar Tree Inc	DLTR	205.654	67.940	13,972	0.0000%	n/a	15.27%	n/a	0.0000%
Dominion Resources Inc/VA	D	583.911	72.280	42,205	0.2607%	3.32%	6.00%	0.0087%	0.0156%
Dover Corp	DOV	165.362	75.030	12,407	0.0766%	2.13%	11.88%	0.0016%	0.0091%
Dow Chemical Co/The	DOW	1,178.561	48.120	56,712	0.3503%	3.49%	6.68%	0.0122%	0.0234%
DR Horton Inc	DHI	364.587	25.100	9,151	0.0565%	1.00%	11.43%	0.0006%	0.0065%
Dr Pepper Snapple Group Inc	DPS	194.409	73.030	14,198	0.0877%	2.25%	8.43%	0.0020%	0.0074%
DTE Energy Co	DTE	176.991	81.540	14,432	0.0891%	3.38%	4.85%	0.0030%	0.0043%
Duke Energy Corp	DUK	707.291	82.000	57,998	0.3582%	3.88%	4.91%	0.0139%	0.0176%
Dun & Bradstreet Corp/The	DNB	35.910	125.070	4,491	0.0277%	1.41%	10.70%	0.0004%	0.0030%
E*TRADE Financial Corp	ETFC	289.161	22.060	6,379	0.0000%	n/a	40.00%	n/a	0.0000%
Eastman Chemical Co	EMN	148.527	82.160	12,203	0.0754%	1.70%	7.53%	0.0013%	0.0057%
Eaton Corp PLC	ETN	474.600	67.190	31,888	0.1970%	2.92%	9.12%	0.0057%	0.0180%
eBay Inc	EBAY	1,242.367	54.870	68,169	0.0000%	n/a	12.45%	n/a	0.0000%
Ecolab Inc	ECL	300.116	104.300	31,302	0.1933%	1.05%	13.64%	0.0020%	0.0264%
Edison International	EIX	325.811	63.600	20,722	0.1280%	2.23%	5.06%	0.0029%	0.0065%
Edwards Lifesciences Corp	EW	106.974	129.390	13,841	0.0000%	n/a	12.54%	n/a	0.0000%
El du Pont de Nemours & Co	DD	905.947	71.080	64,395	0.3978%	2.64%	7.68%	0.0105%	0.0305%
Electronic Arts Inc	EA	310.936	43.150	13,417	0.0000%	n/a	9.90%	n/a	0.0000%
Eli Lilly & Co	LLY	1,113.430	68.510	76,281	0.4712%	2.86%	9.13%	0.0135%	0.0430%
EMC Corp/MA	EMC	2,034.909	30.290	61,637	0.3807%	1.52%	11.00%	0.0058%	0.0419%
Emerson Electric Co	EMR	693.635	62.810	43,567	0.2691%	2.99%	9.19%	0.0081%	0.0247%
Enseo PLC	ESV	234.258	33.870	7,934	0.0490%	8.86%	2.27%	0.0043%	0.0011%
Entergy Corp	ETR	180.481	83.830	15,130	0.0935%	3.96%	3.10%	0.0037%	0.0029%
EOG Resources Inc	EOG	548.009	87.240	47,808	0.2953%	0.77%	12.82%	0.0023%	0.0378%
EQT Corp	EQT	151.506	91.480	13,860	0.0856%	0.13%	30.00%	0.0001%	0.0257%
Equifax Inc	EFX	120.587	79.400	9,575	0.0591%	1.26%	11.90%	0.0007%	0.0070%
Equity Residential	EQR	362.363	70.640	25,597	0.1581%	2.83%	6.80%	0.0045%	0.0107%
Essex Property Trust Inc	ESS	63.942	201.530	12,886	0.0796%	2.58%	6.16%	0.0021%	0.0049%
Estee Lauder Cos Inc/The	EL	231.418	73.740	17,065	0.1054%	1.30%	11.26%	0.0014%	0.0119%
Exelon Corp	EXC	859.465	36.240	31,147	0.1924%	3.42%	5.00%	0.0066%	0.0096%
Expedia Inc	EXPE	113.748	86.490	9,838	0.0608%	0.83%	18.28%	0.0005%	0.0111%
Expeditors International of Washington Inc	EXPD	193.031	45.420	8,767	0.0542%	1.41%	7.54%	0.0008%	0.0041%
Express Scripts Holding Co	ESRX	733.910	83.650	61,392	0.0000%	n/a	13.50%	n/a	0.0000%
Exxon Mobil Corp	XOM	4,234.529	92.350	391,059	2.4155%	2.99%	13.28%	0.0722%	0.3208%
F5 Networks Inc	FFIV	73.783	128.070	9,449	0.0000%	n/a	16.95%	n/a	0.0000%
Facebook Inc	FB	2,223.936	75.100	167,018	0.0000%	n/a	36.91%	n/a	0.0000%
Family Dollar Stores Inc	FDO	114.351	79.420	9,082	0.0561%	1.56%	4.13%	0.0009%	0.0023%
Fastenal Co	FAST	296.441	44.420	13,168	0.0813%	2.25%	16.47%	0.0018%	0.0134%
FedEx Corp	FDX	283.246	177.700	50,333	0.3109%	0.45%	14.80%	0.0014%	0.0460%
Fidelity National Information Services Inc	FIS	283.751	61.430	17,431	0.1077%	1.56%	12.00%	0.0017%	0.0129%
Fifth Third Bancorp	FITB	824.007	19.750	16,274	0.1005%	2.63%	8.15%	0.0026%	0.0082%
First Solar Inc	FSLR	100.211	45.760	4,586	0.0000%	n/a	-2.83%	n/a	0.0000%
FirstEnergy Corp	FE	420.793	37.040	15,586	0.0963%	3.89%	1.82%	0.0037%	0.0017%
Fiserv Inc	FISV	243.966	71.210	17,373	0.0000%	n/a	11.75%	n/a	0.0000%
FLIR Systems Inc	FLIR	140.892	30.965	4,363	0.0269%	1.29%	14.33%	0.0003%	0.0039%
Flowserve Corp	FLS	136.308	58.890	8,027	0.0496%	1.09%	12.38%	0.0005%	0.0061%
Fluor Corp	FLR	156.221	60.250	9,412	0.0581%	1.39%	10.40%	0.0008%	0.0060%

Montana-Dakota Utilities Co.

Market DCF Calculation as of November 30, 2014

		[1]	[2]	[3]	[4]				
		Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return				
S&P 500		2.26%	2.41%	10.31%	12.72%				
		[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	Market Capitalization-Weighted BEst Long-Term Growth Estimate
FMC Corp	FMC	133.267	53.750	7,163	0.0442%	1.12%	9.00%	0.0005%	0.0040%
FMC Technologies Inc	FTI	233.846	47.620	11,136	0.0000%	n/a	18.15%	n/a	0.0000%
Ford Motor Co	F	3,777.835	15.770	59,576	0.3680%	3.17%	9.31%	0.0117%	0.0342%
Fossil Group Inc	FOSL	51.084	109.970	5,618	0.0000%	n/a	14.18%	n/a	0.0000%
Franklin Resources Inc	BEN	622.372	57.060	35,513	0.2194%	0.84%	12.44%	0.0018%	0.0273%
Freeport-McMoRan Inc	FCX	1,039.000	26.200	27,222	0.1681%	4.77%	9.34%	0.0080%	0.0157%
Frontier Communications Corp	FTR	1,002.081	6.950	6,964	0.0430%	5.76%	3.00%	0.0025%	0.0013%
GameStop Corp	GME	112.667	35.830	4,037	0.0249%	3.68%	14.27%	0.0009%	0.0036%
Gannett Co Inc	GCI	225.831	32.650	7,373	0.0455%	2.45%	12.10%	0.0011%	0.0055%
Gap Inc/The	GPS	434.866	39.430	17,147	0.1059%	2.23%	11.73%	0.0024%	0.0124%
Garmin Ltd	GRMN	191.227	56.240	10,755	0.0664%	3.41%	8.22%	0.0023%	0.0055%
General Dynamics Corp	GD	331.390	143.760	47,641	0.2943%	1.73%	7.94%	0.0051%	0.0234%
General Electric Co	GE	10,042.192	26.020	261,298	1.6140%	3.38%	8.92%	0.0546%	0.1440%
General Growth Properties Inc	GGP	884.107	26.840	23,729	0.1466%	2.53%	6.22%	0.0037%	0.0091%
General Mills Inc	GIS	603.748	52.630	31,775	0.1963%	3.12%	7.02%	0.0061%	0.0138%
General Motors Co	GM	1,606.696	32.940	52,925	0.3269%	3.64%	10.55%	0.0119%	0.0345%
Genuine Parts Co	GPC	153.089	101.760	15,578	0.0962%	2.26%	7.18%	0.0022%	0.0069%
Genworth Financial Inc	GNW	496.660	9.190	4,564	0.0000%	n/a	5.00%	n/a	0.0000%
Gilead Sciences Inc	GILD	1,508.664	100.550	151,696	0.0000%	n/a	24.58%	n/a	0.0000%
Goldman Sachs Group Inc/The	GS	435.546	188.200	81,970	0.5063%	1.28%	17.53%	0.0065%	0.0888%
Goodyear Tire & Rubber Co/The	GT	274.563	26.910	7,388	0.0456%	0.89%	7.00%	0.0004%	0.0032%
Google Inc	GOOGL	284.816	539.650	153,701	0.0000%	n/a	18.02%	n/a	0.0000%
Google Inc	GOOG	339.339	533.800	181,139	0.0000%	n/a	18.02%	n/a	0.0000%
H&R Block Inc	HRB	275.088	33.480	9,210	0.0569%	2.39%	11.00%	0.0014%	0.0063%
Halliburton Co	HAL	847.460	41.210	34,924	0.2157%	1.75%	17.25%	0.0038%	0.0372%
Harley-Davidson Inc	HOG	214.268	68.740	14,729	0.0910%	1.60%	11.73%	0.0015%	0.0107%
Harman International Industries Inc	HAR	68.516	107.060	7,335	0.0453%	1.23%	16.95%	0.0006%	0.0077%
Harris Corp	HRS	104.592	71.720	7,501	0.0000%	2.62%	n/a	0.0000%	n/a
Hartford Financial Services Group Inc/The	HIG	431.481	41.010	17,695	0.1093%	1.76%	9.50%	0.0019%	0.0104%
Hasbro Inc	HAS	125.682	57.460	7,222	0.0446%	2.99%	11.20%	0.0013%	0.0050%
HCP Inc	HCP	459.263	45.420	20,860	0.1288%	4.80%	3.01%	0.0062%	0.0039%
Health Care REIT Inc	HCN	327.674	74.510	24,415	0.1508%	4.43%	5.68%	0.0067%	0.0086%
Helmerich & Payne Inc	HP	108.256	69.070	7,477	0.0462%	3.98%	12.30%	0.0018%	0.0057%
Hershey Co/The	HSY	160.250	100.200	16,057	0.0992%	2.14%	9.64%	0.0021%	0.0096%
Hess Corp	HES	298.969	73.970	22,115	0.1366%	1.35%	6.00%	0.0018%	0.0082%
Hewlett-Packard Co	HPQ	1,866.275	38.560	71,964	0.4445%	1.66%	5.65%	0.0074%	0.0251%
Home Depot Inc/The	HD	1,317.827	98.880	130,307	0.8049%	1.90%	15.42%	0.0153%	0.1241%
Honeywell International Inc	HON	782.810	97.400	76,246	0.4710%	2.13%	10.05%	0.0100%	0.0473%
Hormel Foods Corp	HRL	263.457	52.840	13,921	0.0860%	1.89%	8.10%	0.0016%	0.0070%
Hospira Inc	HSP	169.202	59.940	10,142	0.0000%	n/a	12.70%	n/a	0.0000%
Host Hotels & Resorts Inc	HST	757.319	23.160	17,540	0.1083%	3.45%	6.00%	0.0037%	0.0065%
Hudson City Bancorp Inc	HCBK	528.765	9.650	5,103	0.0000%	1.66%	n/a	0.0000%	n/a
Humana Inc	HUM	153.335	139.080	21,326	0.1317%	0.81%	9.62%	0.0011%	0.0127%
Huntington Bancshares Inc/OH	HBAN	814.454	9.980	8,128	0.0502%	2.40%	5.70%	0.0012%	0.0029%
Illinois Tool Works Inc	ITW	390.934	94.310	36,869	0.2277%	2.06%	11.78%	0.0047%	0.0268%
Ingersoll-Rand PLC	IR	265.472	62.120	16,491	0.1019%	1.61%	13.21%	0.0016%	0.0135%
Integrus Energy Group Inc	TEG	79.963	73.570	5,883	0.0363%	3.70%	5.00%	0.0013%	0.0018%
Intel Corp	INTC	4,835.000	37.170	179,717	1.1101%	2.58%	8.34%	0.0287%	0.0926%

Montana-Dakota Utilities Co.

Market DCF Calculation as of November 30, 2014

		[1]	[2]	[3]	[4]				
		Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return				
S&P 500		2.26%	2.41%	10.31%	12.72%				
		[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	Market Capitalization-Weighted BEst Long-Term Growth Estimate
Intercontinental Exchange Inc	ICE	112.707	223.820	25,226	0.1558%	1.16%	15.78%	0.0018%	0.0246%
International Business Machines Corp	IBM	989.660	161.540	159,870	0.9875%	2.72%	8.80%	0.0269%	0.0869%
International Flavors & Fragrances Inc	IFF	80.972	101.460	8,215	0.0507%	1.85%	10.63%	0.0009%	0.0054%
International Paper Co	IP	423.614	52.950	22,430	0.1385%	3.02%	8.40%	0.0042%	0.0116%
Interpublic Group of Cos Inc/The	IPG	418.229	20.250	8,469	0.0523%	1.88%	9.97%	0.0010%	0.0052%
Intuit Inc	INTU	285.496	94.120	26,871	0.1660%	1.06%	14.87%	0.0018%	0.0247%
Intuitive Surgical Inc	ISRG	36.252	513.730	18,624	0.0000%	n/a	8.90%	n/a	0.0000%
Invesco Ltd	IVZ	430.828	40.290	17,358	0.1072%	2.48%	13.26%	0.0027%	0.0142%
Iron Mountain Inc	IRM	193.704	38.830	7,522	0.0465%	4.89%	11.00%	0.0023%	0.0051%
Jacobs Engineering Group Inc	JEC	130.553	45.970	6,002	0.0000%	n/a	10.52%	n/a	0.0000%
JM Smucker Co/The	SJM	101.817	102.780	10,465	0.0646%	2.49%	5.10%	0.0016%	0.0033%
Johnson & Johnson	JNJ	2,799.110	108.030	302,388	1.8678%	2.59%	6.89%	0.0484%	0.1287%
Johnson Controls Inc	JCI	666.189	49.180	32,763	0.2024%	2.11%	12.86%	0.0043%	0.0260%
Joy Global Inc	JOY	98.176	50.290	4,937	0.0305%	1.59%	9.65%	0.0005%	0.0029%
JPMorgan Chase & Co	JPM	3,738.189	60.000	224,291	1.3854%	2.67%	5.95%	0.0369%	0.0824%
Juniper Networks Inc	JNPR	432.569	21.760	9,413	0.0581%	1.84%	10.02%	0.0011%	0.0058%
Kansas City Southern	KSU	110.360	115.470	12,743	0.0787%	0.97%	19.42%	0.0008%	0.0153%
Kellogg Co	K	355.034	66.090	23,464	0.1449%	2.97%	6.10%	0.0043%	0.0088%
Keurig Green Mountain Inc	GMCR	162.010	139.010	22,521	0.1391%	0.83%	15.83%	0.0012%	0.0220%
KeyCorp	KEY	866.325	13.180	11,418	0.0705%	1.97%	6.98%	0.0014%	0.0049%
Kimberly-Clark Corp	KMB	372.455	115.910	43,171	0.2667%	2.90%	7.49%	0.0077%	0.0200%
Kimco Realty Corp	KIM	411.425	25.640	10,549	0.0652%	3.74%	3.99%	0.0024%	0.0026%
Kinder Morgan Inc/DE	KMI	1,028.230	40.940	42,096	0.2600%	4.30%	9.00%	0.0112%	0.0234%
KLA-Tencor Corp	KLAC	164.477	68.860	11,326	0.0700%	2.90%	4.53%	0.0020%	0.0032%
Kohl's Corp	KSS	204.668	57.530	11,775	0.0727%	2.71%	6.65%	0.0020%	0.0048%
Kraft Foods Group Inc	KRFT	588.824	59.920	35,282	0.2179%	3.67%	7.39%	0.0080%	0.0161%
Kroger Co/The	KR	491.091	59.820	29,377	0.1815%	1.24%	11.07%	0.0022%	0.0201%
L Brands Inc	LB	292.351	80.790	23,619	0.1459%	1.68%	12.07%	0.0025%	0.0176%
L-3 Communications Holdings Inc	LLL	85.133	123.900	10,548	0.0652%	1.94%	5.39%	0.0013%	0.0035%
Laboratory Corp of America Holdings	LH	84.500	104.040	8,791	0.0000%	n/a	10.07%	n/a	0.0000%
Lam Research Corp	LRCX	158.960	81.710	12,989	0.0802%	0.88%	5.24%	0.0007%	0.0042%
Legg Mason Inc	LM	114.110	56.040	6,395	0.0395%	1.14%	17.32%	0.0005%	0.0068%
Leggett & Platt Inc	LEG	137.625	41.690	5,738	0.0000%	2.97%	n/a	0.0000%	n/a
Lennar Corp	LEN	173.942	46.270	8,048	0.0497%	0.35%	16.50%	0.0002%	0.0082%
Leucadia National Corp	LUK	368.429	22.600	8,326	0.0000%	1.11%	n/a	0.0000%	n/a
Level 3 Communications Inc	LVLT	335.961	48.730	16,371	0.0000%	n/a	30.94%	n/a	0.0000%
Lincoln National Corp	LNC	259.790	55.610	14,447	0.0892%	1.44%	11.52%	0.0013%	0.0103%
Linear Technology Corp	LLTC	238.532	45.450	10,841	0.0670%	2.38%	9.51%	0.0016%	0.0064%
Lockheed Martin Corp	LMT	315.925	191.100	60,373	0.3729%	3.14%	8.38%	0.0117%	0.0313%
Loews Corp	L	374.144	41.230	15,426	0.0000%	0.61%	n/a	0.0000%	n/a
Lorillard Inc	LO	360.020	63.250	22,771	0.1407%	3.89%	9.26%	0.0055%	0.0130%
Lowe's Cos Inc	LOW	987.110	63.160	62,346	0.3851%	1.46%	16.34%	0.0056%	0.0629%
LyondellBasell Industries NV	LYB	500.668	76.810	38,456	0.2375%	3.65%	6.50%	0.0087%	0.0154%
M&T Bank Corp	MTB	132.112	124.200	16,408	0.1014%	2.25%	5.45%	0.0023%	0.0055%
Macerich Co/The	MAC	140.716	79.000	11,117	0.0687%	3.29%	4.36%	0.0023%	0.0030%
Macy's Inc	M	353.127	63.190	22,314	0.1378%	1.98%	9.58%	0.0027%	0.0132%
Mallinckrodt PLC	MNK	116.279	88.220	10,258	0.0000%	n/a	23.99%	n/a	0.0000%
Marathon Oil Corp	MRO	674.897	28.990	19,565	0.1208%	2.90%	10.84%	0.0035%	0.0131%

Montana-Dakota Utilities Co.

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S&P 500		2.26%	2.41%	10.31%	12.72%				

		[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	Market Capitalization-Weighted BEst Long-Term Growth Estimate
Marathon Petroleum Corp	MPC	280.193	90.790	25,439	0.1571%	2.20%	12.60%	0.0035%	0.0198%
Marriott International Inc/DE	MAR	283.361	77.450	21,946	0.1356%	1.03%	10.63%	0.0014%	0.0144%
Marsh & McLennan Cos Inc	MMC	540.899	56.480	30,550	0.1887%	1.98%	12.70%	0.0037%	0.0240%
Martin Marietta Materials Inc	MLM	67.270	115.670	7,781	0.0481%	1.38%	19.34%	0.0007%	0.0093%
Masco Corp	MAS	356.260	23.940	8,529	0.0527%	1.50%	11.23%	0.0008%	0.0059%
MasterCard Inc	MA	1,112.920	87.460	97,336	0.6012%	0.50%	17.07%	0.0030%	0.1026%
Mattel Inc	MAT	338.827	30.570	10,358	0.0640%	4.97%	7.50%	0.0032%	0.0048%
McCormick & Co Inc/MD	MKC	117.110	73.910	8,656	0.0535%	2.16%	7.60%	0.0012%	0.0041%
McDonald's Corp	MCD	973.204	95.780	93,213	0.5758%	3.55%	7.49%	0.0204%	0.0431%
McGraw Hill Financial Inc	MHFI	271.500	92.920	25,228	0.1558%	1.29%	12.50%	0.0020%	0.0195%
McKesson Corp	MCK	231.882	208.800	48,417	0.2991%	0.46%	15.10%	0.0014%	0.0452%
Mead Johnson Nutrition Co	MJN	202.030	103.920	20,995	0.1297%	1.44%	10.38%	0.0019%	0.0135%
MeadWestvaco Corp	MWV	166.717	44.310	7,387	0.0456%	2.26%	8.10%	0.0010%	0.0037%
Medtronic Inc	MDT	984.317	73.870	72,711	0.4491%	1.65%	7.78%	0.0074%	0.0349%
Merck & Co Inc	MRK	2,850.873	60.520	172,535	1.0657%	2.97%	6.60%	0.0317%	0.0703%
MetLife Inc	MET	1,136.042	54.400	61,801	0.3817%	2.57%	11.14%	0.0098%	0.0425%
Michael Kors Holdings Ltd	KORS	205.911	73.320	15,097	0.0000%	n/a	21.53%	n/a	0.0000%
Microchip Technology Inc	MCHP	200.966	44.730	8,989	0.0555%	3.19%	10.70%	0.0018%	0.0059%
Micron Technology Inc	MU	1,073.455	34.990	37,560	0.0000%	n/a	12.54%	n/a	0.0000%
Microsoft Corp	MSFT	8,242.853	48.620	400,768	2.4754%	2.55%	9.22%	0.0631%	0.2281%
Mohawk Industries Inc	MHK	72.897	151.990	11,080	0.0000%	n/a	9.35%	n/a	0.0000%
Molson Coors Brewing Co	TAP	161.684	75.850	12,264	0.0758%	1.95%	4.62%	0.0015%	0.0035%
Mondelez International Inc	MDLZ	1,679.923	38.980	65,483	0.4045%	1.54%	9.80%	0.0062%	0.0396%
Monsanto Co	MON	484.073	118.850	57,532	0.3554%	1.65%	10.78%	0.0059%	0.0383%
Monster Beverage Corp	MNST	167.638	111.300	18,658	0.0000%	n/a	24.20%	n/a	0.0000%
Moody's Corp	MCO	208.600	99.670	20,791	0.1284%	1.12%	13.50%	0.0014%	0.0173%
Morgan Stanley	MS	1,957.403	35.100	68,705	0.4244%	1.14%	27.53%	0.0048%	0.1168%
Mosaic Co/The	MOS	336.965	44.720	15,069	0.0931%	2.24%	10.60%	0.0021%	0.0099%
Motorola Solutions Inc	MSI	240.722	65.440	15,753	0.0973%	2.08%	4.43%	0.0020%	0.0043%
Murphy Oil Corp	MUR	177.495	49.030	8,703	0.0538%	2.86%	7.37%	0.0015%	0.0040%
Mylan Inc/PA	MYL	374.274	57.790	21,629	0.0000%	n/a	13.15%	n/a	0.0000%
Nabors Industries Ltd	NBR	289.439	12.910	3,737	0.0231%	1.86%	37.42%	0.0004%	0.0086%
NASDAQ OMX Group Inc/The	NDAQ	167.665	44.270	7,423	0.0458%	1.36%	9.91%	0.0006%	0.0045%
National Oilwell Varco Inc	NOV	430.574	66.460	28,616	0.1768%	2.77%	9.36%	0.0049%	0.0165%
Navient Corp	NAVI	410.219	20.910	8,578	0.0000%	2.87%	n/a	0.0000%	n/a
NetApp Inc	NTAP	311.693	41.980	13,085	0.0808%	1.57%	12.80%	0.0013%	0.0103%
Netflix Inc	NFLX	60.246	341.810	20,593	0.0000%	n/a	30.80%	n/a	0.0000%
Newell Rubbermaid Inc	NWL	271.100	36.020	9,765	0.0603%	1.89%	9.98%	0.0011%	0.0060%
Newfield Exploration Co	NFX	137.229	26.110	3,583	0.0000%	n/a	11.00%	n/a	0.0000%
Newmont Mining Corp	NEM	498.796	19.660	9,806	0.0000%	0.51%	-2.00%	0.0000%	0.0000%
News Corp	NWSA	380.446	15.560	5,920	0.0000%	n/a	8.30%	n/a	0.0000%
NextEra Energy Inc	NEE	436.482	104.810	45,748	0.2826%	2.77%	6.21%	0.0078%	0.0175%
Nielsen NV	NLSN	381.074	42.260	16,104	0.0995%	2.37%	16.17%	0.0024%	0.0161%
NIKE Inc	NKE	683.951	97.690	66,815	0.4127%	1.15%	13.00%	0.0047%	0.0537%
NiSource Inc	NI	315.700	41.510	13,105	0.0809%	2.51%	4.08%	0.0020%	0.0033%
Noble Corp plc	NE	252.259	17.900	4,515	0.0279%	8.38%	1.80%	0.0023%	0.0005%
Noble Energy Inc	NBL	361.857	49.700	17,984	0.1111%	1.45%	11.15%	0.0016%	0.0124%
Nordstrom Inc	JWN	192.611	75.650	14,571	0.0900%	1.74%	9.89%	0.0016%	0.0089%

Montana-Dakota Utilities Co.

Market DCF Calculation as of November 30, 2014

	[1]	[2]	[3]	[4]
	Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return
S&P 500	2.26%	2.41%	10.31%	12.72%

Company	Ticker	[5] Shares Outstanding (million)	[6] Price	[7] Market Capitalization (\$million)	[8] Percent of Total Market Capitalization	[9] Current Dividend Yield	[10] BEst Long-Term Growth Estimate	[11] Market Capitalization-Weighted Dividend Yield	[12] Market Capitalization-Weighted BEst Long-Term Growth Estimate
Norfolk Southern Corp	NSC	309.442	106.360	32,912	0.2033%	2.14%	12.93%	0.0044%	0.0263%
Northeast Utilities	NU	316.799	50.690	16,059	0.0992%	3.10%	6.50%	0.0031%	0.0064%
Northern Trust Corp	NTRS	235.505	66.780	15,727	0.0971%	1.98%	9.27%	0.0019%	0.0090%
Northrop Grumman Corp	NOC	201.999	138.760	28,029	0.1731%	2.02%	6.22%	0.0035%	0.0108%
NRG Energy Inc	NRG	338.109	30.860	10,434	0.0644%	1.81%	39.14%	0.0012%	0.0252%
Nucor Corp	NUE	319.000	53.280	16,996	0.1050%	2.78%	7.33%	0.0029%	0.0077%
NVIDIA Corp	NVDA	543.537	20.580	11,186	0.0691%	1.65%	10.59%	0.0011%	0.0073%
O'Reilly Automotive Inc	ORLY	101.445	181.520	18,414	0.0000%	n/a	19.19%	n/a	0.0000%
Occidental Petroleum Corp	OXY	775.428	79.450	61,608	0.3805%	3.62%	8.00%	0.0138%	0.0304%
Omnicom Group Inc	OMC	248.180	77.210	19,162	0.1184%	2.59%	7.85%	0.0031%	0.0093%
ONEOK Inc	OKE	208.198	51.950	10,816	0.0668%	4.54%	13.55%	0.0030%	0.0091%
Oracle Corp	ORCL	4,431.304	42.080	186,469	1.1518%	1.14%	9.67%	0.0131%	0.1113%
Owens-Illinois Inc	OI	164.910	25.650	4,230	0.0000%	n/a	4.22%	n/a	0.0000%
PACCAR Inc	PCAR	354.104	67.490	23,898	0.1476%	1.30%	9.30%	0.0019%	0.0137%
Pall Corp	PLL	106.835	95.960	10,252	0.0633%	1.27%	11.56%	0.0008%	0.0073%
Parker-Hannifin Corp	PH	148.645	127.660	18,976	0.1172%	1.97%	9.19%	0.0023%	0.0108%
Patterson Cos Inc	PDCO	104.260	47.960	5,000	0.0309%	1.67%	11.33%	0.0005%	0.0035%
Paychex Inc	PAYX	362.828	47.300	17,162	0.1060%	3.21%	9.90%	0.0034%	0.0105%
Pentair PLC	PNR	186.794	62.750	11,721	0.0724%	1.91%	14.35%	0.0014%	0.0104%
People's United Financial Inc	PBCT	307.970	14.680	4,521	0.0279%	4.50%	11.57%	0.0013%	0.0032%
Pepco Holdings Inc	POM	251.907	27.470	6,920	0.0427%	3.93%	6.96%	0.0017%	0.0030%
PepsiCo Inc	PEP	1,496.606	99.670	149,167	0.9214%	2.63%	7.83%	0.0242%	0.0722%
PerkinElmer Inc	PKI	112.963	45.380	5,126	0.0317%	0.62%	11.81%	0.0002%	0.0037%
Perrigo Co PLC	PRGO	140.777	158.190	22,270	0.1376%	0.27%	12.15%	0.0004%	0.0167%
PetSmart Inc	PETM	99.411	78.610	7,815	0.0483%	0.99%	13.91%	0.0005%	0.0067%
Pfizer Inc	PFE	6,300.657	31.260	196,959	1.2166%	3.33%	2.30%	0.0405%	0.0280%
PG&E Corp	PCG	475.088	50.620	24,049	0.1485%	3.60%	7.00%	0.0053%	0.0104%
Phillip Morris International Inc	PM	1,553.715	86.500	134,396	0.8301%	4.62%	6.50%	0.0384%	0.0540%
Phillips 66	PSX	553.513	71.860	39,775	0.2457%	2.78%	7.73%	0.0068%	0.0190%
Pinnacle West Capital Corp	PNW	110.450	63.600	7,025	0.0434%	3.74%	4.64%	0.0016%	0.0020%
Pioneer Natural Resources Co	PXD	148.898	144.840	21,566	0.1332%	0.06%	18.00%	0.0001%	0.0240%
Pitney Bowes Inc	PBI	200.990	24.060	4,836	0.0000%	3.12%	n/a	0.0000%	n/a
Plum Creek Timber Co Inc	PCL	175.892	41.600	7,317	0.0452%	4.23%	6.60%	0.0019%	0.0030%
PNC Financial Services Group Inc/The	PNC	526.210	86.590	45,565	0.2814%	2.22%	5.21%	0.0062%	0.0147%
PPG Industries Inc	PPG	137.235	219.870	30,174	0.1864%	1.22%	8.13%	0.0023%	0.0151%
PPL Corp	PPL	665.072	35.600	23,677	0.1462%	4.19%	4.40%	0.0061%	0.0064%
Praxair Inc	PX	291.373	127.560	37,168	0.2296%	2.04%	9.45%	0.0047%	0.0217%
Precision Castparts Corp	PCP	142.533	235.970	33,634	0.2077%	0.05%	10.10%	0.0001%	0.0210%
Priceline Group Inc/The	PCLN	52.356	1,153.200	60,377	0.0000%	n/a	22.80%	n/a	0.0000%
Principal Financial Group Inc	PFG	293.667	52.660	15,465	0.0955%	2.58%	13.50%	0.0025%	0.0129%
Procter & Gamble Co/The	PG	2,702.119	90.080	243,407	1.5035%	2.86%	8.53%	0.0430%	0.1282%
Progressive Corp/The	PGR	589.207	27.100	15,968	0.0986%	1.82%	8.25%	0.0018%	0.0081%
Prologis Inc	PLD	499.989	42.310	21,155	0.1307%	3.12%	7.00%	0.0041%	0.0091%
Prudential Financial Inc	PRU	456.000	83.710	38,172	0.2358%	2.77%	10.67%	0.0065%	0.0252%
Public Service Enterprise Group Inc	PEG	506.044	41.630	21,067	0.1301%	3.56%	3.56%	0.0046%	0.0046%
Public Storage	PSA	172.726	186.260	32,172	0.1987%	3.01%	4.41%	0.0060%	0.0088%
PulteGroup Inc	PHM	370.768	21.680	8,038	0.0497%	1.48%	6.92%	0.0007%	0.0034%
PVH Corp	PVH	82.393	122.090	10,059	0.0621%	0.12%	10.05%	0.0001%	0.0062%

Montana-Dakota Utilities Co.

Market DCF Calculation as of November 30, 2014

		[1]	[2]	[3]	[4]						
		Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return						
S&P 500		2.26%	2.41%	10.31%	12.72%						
		[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]		
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted	BEst Long-Term Growth
QEP Resources Inc	QEP	180.149	21.090	3,799	0.0235%	0.38%	15.00%	0.0001%	0.0035%		
QUALCOMM Inc	QCOM	1,662.601	71.790	119,358	0.7372%	2.34%	13.37%	0.0173%	0.0985%		
Quanta Services Inc	PWR	212.464	28.500	6,055	0.0000%	n/a	10.58%	n/a	0.0000%		
Quest Diagnostics Inc	DGX	144.534	64.680	9,348	0.0577%	2.04%	8.87%	0.0012%	0.0051%		
Ralph Lauren Corp	RL	61.424	181.280	11,135	0.0688%	0.99%	12.58%	0.0007%	0.0086%		
Range Resources Corp	RRC	168.701	65.350	11,025	0.0681%	0.24%	29.65%	0.0002%	0.0202%		
Raytheon Co	RTN	308.368	106.280	32,773	0.2024%	2.28%	8.00%	0.0046%	0.0162%		
Red Hat Inc	RHT	187.822	61.510	11,553	0.0000%	n/a	16.72%	n/a	0.0000%		
Regeneron Pharmaceuticals Inc	REGN	99.692	408.720	40,746	0.0000%	n/a	18.91%	n/a	0.0000%		
Regions Financial Corp	RF	1,376.475	9.770	13,448	0.0831%	2.05%	4.45%	0.0017%	0.0037%		
Republic Services Inc	RSG	355.539	39.240	13,951	0.0862%	2.85%	4.35%	0.0025%	0.0037%		
Reynolds American Inc	RAI	531.284	65.650	34,879	0.2154%	4.08%	6.85%	0.0088%	0.0148%		
Robert Half International Inc	RHI	135.958	55.830	7,591	0.0469%	1.29%	16.49%	0.0006%	0.0077%		
Rockwell Automation Inc	ROK	135.771	111.620	15,155	0.0936%	2.33%	10.35%	0.0022%	0.0097%		
Rockwell Collins Inc	COL	132.946	84.880	11,284	0.0697%	1.41%	9.96%	0.0010%	0.0069%		
Roper Industries Inc	ROP	100.158	155.790	15,604	0.0964%	0.51%	12.13%	0.0005%	0.0117%		
Ross Stores Inc	ROST	209.832	90.160	18,918	0.1169%	0.89%	11.28%	0.0010%	0.0132%		
Ryder System Inc	R	53.040	91.980	4,879	0.0301%	1.61%	13.20%	0.0005%	0.0040%		
Safeway Inc	SWY	230.500	34.790	8,019	0.0495%	2.64%	9.33%	0.0013%	0.0046%		
salesforce.com inc	CRM	631.000	59.080	37,279	0.0000%	n/a	22.26%	n/a	0.0000%		
SanDisk Corp	SNDK	220.649	102.860	22,696	0.1402%	1.17%	12.10%	0.0016%	0.0170%		
SCANA Corp	SCG	142.550	57.410	8,184	0.0505%	3.66%	6.25%	0.0018%	0.0032%		
Schlumberger Ltd	SLB	1,286.794	84.840	109,172	0.6743%	1.89%	14.36%	0.0127%	0.0968%		
Scripps Networks Interactive Inc	SNI	102.795	77.910	8,009	0.0495%	1.03%	11.80%	0.0005%	0.0058%		
Seagate Technology PLC	STX	327.239	65.945	21,580	0.1333%	3.28%	9.00%	0.0044%	0.0120%		
Sealed Air Corp	SEE	211.158	38.610	8,153	0.0504%	1.35%	12.27%	0.0007%	0.0062%		
Sempra Energy	SRE	246.218	109.270	26,904	0.1662%	2.42%	7.65%	0.0040%	0.0127%		
Sherwin-Williams Co/The	SHW	95.998	243.070	23,334	0.1441%	0.91%	10.00%	0.0013%	0.0144%		
Sigma-Aldrich Corp	SIAL	119.085	136.110	16,209	0.1001%	0.68%	8.50%	0.0007%	0.0085%		
Simon Property Group Inc	SPG	314.315	180.380	56,696	0.3502%	2.88%	5.46%	0.0101%	0.0191%		
Snap-on Inc	SNA	58.108	133.470	7,756	0.0479%	1.59%	4.40%	0.0008%	0.0021%		
Southern Co/The	SO	899.813	47.690	42,912	0.2651%	4.40%	4.10%	0.0117%	0.0109%		
Southwest Airlines Co	LUV	678.744	40.500	27,489	0.1698%	0.59%	20.37%	0.0010%	0.0346%		
Southwestern Energy Co	SWN	353.115	31.200	11,017	0.0000%	n/a	17.13%	n/a	0.0000%		
Spectra Energy Corp	SE	671.000	37.040	24,854	0.1535%	4.00%	8.30%	0.0061%	0.0127%		
St Jude Medical Inc	STJ	285.913	67.330	19,251	0.1189%	1.60%	11.61%	0.0019%	0.0138%		
Stanley Black & Decker Inc	SWK	156.652	93.550	14,655	0.0905%	2.22%	10.33%	0.0020%	0.0094%		
Staples Inc	SPLS	639.802	13.890	8,887	0.0549%	3.46%	2.32%	0.0019%	0.0013%		
Starbucks Corp	SBUX	748.300	80.850	60,500	0.3737%	1.58%	18.06%	0.0059%	0.0675%		
Starwood Hotels & Resorts Worldwide Inc	HOT	178.575	77.400	13,822	0.0854%	1.81%	9.63%	0.0015%	0.0082%		
State Street Corp	STT	417.495	76.020	31,738	0.1960%	1.58%	9.80%	0.0031%	0.0192%		
Stericycle Inc	SRCL	84.924	129.610	11,007	0.0000%	n/a	14.92%	n/a	0.0000%		
Stryker Corp	SYK	378.321	92.960	35,169	0.2172%	1.31%	10.43%	0.0029%	0.0227%		
SunTrust Banks Inc	STI	521.456	38.850	20,259	0.1251%	2.06%	8.16%	0.0026%	0.0102%		
Symantec Corp	SYMC	690.147	26.350	18,185	0.1123%	2.28%	7.65%	0.0026%	0.0086%		
Sysco Corp	SYT	587.884	40.240	23,656	0.1461%	2.98%	9.84%	0.0044%	0.0144%		
T Rowe Price Group Inc	TROW	259.388	82.610	21,428	0.1324%	2.13%	12.36%	0.0028%	0.0164%		
Target Corp	TGT	636.964	72.750	46,339	0.2862%	2.86%	11.21%	0.0082%	0.0321%		

Montana-Dakota Utilities Co.

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	[1]	[2]	[3]	[4]							
	Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return							
S&P 500	2.26%	2.41%	10.31%	12.72%							
	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]			
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	Market Capitalization-Weighted BEst Long-Term Growth Estimate		
TE Connectivity Ltd	TEL	406.676	63.580	25,856	0.1597%	1.82%	11.20%	0.0029%	0.0179%		
TECO Energy Inc	TE	234.692	19.770	4,640	0.0287%	4.45%	5.77%	0.0013%	0.0017%		
Tenet Healthcare Corp	THC	98.280	46.760	4,596	0.0000%	n/a	14.42%	n/a	0.0000%		
Teradata Corp	TDC	153.000	44.430	6,798	0.0000%	n/a	10.01%	n/a	0.0000%		
Tesoro Corp	TSO	126.245	75.310	9,508	0.0587%	1.59%	18.67%	0.0009%	0.0110%		
Texas Instruments Inc	TXN	1,056.300	54.250	57,304	0.3540%	2.51%	10.58%	0.0089%	0.0374%		
Textron Inc	TXT	276.049	42.530	11,740	0.0725%	0.19%	17.08%	0.0001%	0.0124%		
Thermo Fisher Scientific Inc	TMO	400.025	127.960	51,187	0.3162%	0.47%	11.69%	0.0015%	0.0370%		
Tiffany & Co	TIF	129.354	106.800	13,815	0.0853%	1.42%	12.49%	0.0012%	0.0107%		
Time Warner Cable Inc	TWC	280.494	148.220	41,575	0.2568%	2.02%	9.16%	0.0052%	0.0235%		
Time Warner Inc	TWX	838.486	83.960	70,399	0.4348%	1.51%	11.61%	0.0066%	0.0505%		
TJX Cos Inc/The	TJX	692.942	65.230	45,201	0.2792%	1.07%	11.62%	0.0030%	0.0324%		
Torchmark Corp	TMK	128.643	53.300	6,857	0.0424%	0.95%	8.05%	0.0004%	0.0034%		
Total System Services Inc	TSS	185.898	32.970	6,129	0.0379%	1.21%	11.80%	0.0005%	0.0045%		
Tractor Supply Co	TSCO	135.939	76.420	10,388	0.0642%	0.84%	16.53%	0.0005%	0.0106%		
Transocean Ltd	RIG	362.242	19.990	7,241	0.0000%	15.01%	-21.00%	0.0000%	0.0000%		
Travelers Cos Inc/The	TRV	331.396	104.440	34,611	0.2138%	2.11%	6.44%	0.0045%	0.0138%		
TripAdvisor Inc	TRIP	130.124	71.050	9,245	0.0000%	n/a	24.41%	n/a	0.0000%		
Twenty-First Century Fox Inc	FOXA	1,357.602	37.280	50,611	0.3126%	0.67%	15.05%	0.0021%	0.0470%		
Tyco International Plc	TYC	418.466	42.870	17,940	0.1108%	1.68%	11.50%	0.0019%	0.0127%		
Tyson Foods Inc	TSN	305.657	41.310	12,627	0.0780%	0.97%	19.00%	0.0008%	0.0148%		
Under Armour Inc	UA	176.022	69.780	12,283	0.0000%	n/a	23.37%	n/a	0.0000%		
Union Pacific Corp	UNP	889.099	114.630	101,917	0.6295%	1.74%	13.72%	0.0110%	0.0864%		
United Parcel Service Inc	UPS	702.344	109.790	77,110	0.4763%	2.44%	10.71%	0.0116%	0.0510%		
United Rentals Inc	URI	99.808	106.370	10,617	0.0000%	n/a	23.71%	n/a	0.0000%		
United Technologies Corp	UTX	911.658	109.690	100,000	0.6177%	2.15%	10.77%	0.0133%	0.0665%		
UnitedHealth Group Inc	UNH	959.791	99.060	95,077	0.5873%	1.51%	10.49%	0.0089%	0.0616%		
Universal Health Services Inc	UHS	91.681	103.880	9,524	0.0588%	0.39%	9.41%	0.0002%	0.0055%		
Unum Group	UNM	251.992	32.930	8,298	0.0513%	2.00%	9.00%	0.0010%	0.0046%		
Urban Outfitters Inc	URBN	134.336	31.240	4,197	0.0000%	n/a	15.26%	n/a	0.0000%		
US Bancorp/MN	USB	1,789.386	43.620	78,053	0.4821%	2.25%	8.25%	0.0108%	0.0398%		
Valero Energy Corp	VLO	521.245	48.900	25,489	0.1574%	2.25%	8.07%	0.0035%	0.0127%		
Varian Medical Systems Inc	VAR	99.979	88.270	8,825	0.0000%	n/a	9.90%	n/a	0.0000%		
Ventas Inc	VTR	294.318	72.420	21,315	0.1317%	4.00%	4.08%	0.0053%	0.0054%		
VeriSign Inc	VRSN	121.090	58.710	7,109	0.0000%	n/a	11.00%	n/a	0.0000%		
Verizon Communications Inc	VZ	4,149.724	50.030	207,611	1.2824%	4.40%	6.45%	0.0564%	0.0827%		
Vertex Pharmaceuticals Inc	VRTX	240.522	116.850	28,105	0.0000%	n/a	22.00%	n/a	0.0000%		
VF Corp	VFC	431.872	73.700	31,829	0.1966%	1.74%	13.23%	0.0034%	0.0260%		
Viacom Inc	VIAB	359.591	74.160	26,667	0.1647%	1.78%	11.59%	0.0029%	0.0191%		
Visa Inc	V	493.202	258.150	127,320	0.7864%	0.74%	17.83%	0.0058%	0.1402%		
Vornado Realty Trust	VNO	187.735	112.110	21,047	0.1300%	2.60%	10.86%	0.0034%	0.0141%		
Vulcan Materials Co	VMC	131.703	64.500	8,495	0.0525%	0.37%	6.67%	0.0002%	0.0035%		
Wal-Mart Stores Inc	WMT	3,223.190	86.220	277,903	1.7165%	2.23%	7.20%	0.0382%	0.1235%		
Walgreen Co	WAG	945.496	67.770	64,076	0.3958%	1.99%	14.14%	0.0079%	0.0560%		
Walt Disney Co/The	DIS	1,695.711	92.700	157,192	0.9709%	0.93%	10.41%	0.0090%	0.1011%		
Waste Management Inc	WM	457.921	48.490	22,205	0.1372%	3.09%	7.25%	0.0042%	0.0099%		
Waters Corp	WAT	83.276	115.900	9,652	0.0000%	n/a	9.88%	n/a	0.0000%		
WellPoint Inc	WLP	269.941	127.770	34,490	0.2130%	1.37%	9.47%	0.0029%	0.0202%		

Montana-Dakota Utilities Co.

Market DCF Calculation as of November 30, 2014

		[1]	[2]	[3]	[4]					
		Dividend Yield	Dividend Yield x (1 + 0.625g)	Expected Growth Rate (g)	Secondary Market Investor Required Return					
		[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	
Company	Ticker	Shares Outstanding (million)	Price	Market Capitalization (\$million)	Percent of Total Market Capitalization	Current Dividend Yield	BEst Long-Term Growth Estimate	Market Capitalization-Weighted Dividend Yield	Market Capitalization-Weighted BEst Long-Term Growth Estimate	
S&P 500										
		2.26%	2.41%	10.31%						
						2.14%	10.40%			
Wells Fargo & Co	WFC	5,187.624	53.820	279,198	1.7245%	2.60%	12.36%	0.0449%	0.2132%	
Western Digital Corp	WDC	232.230	102.150	23,722	0.1465%	1.57%	5.00%	0.0023%	0.0073%	
Western Union Co/The	WU	522.627	18.150	9,486	0.0586%	2.75%	8.29%	0.0016%	0.0049%	
Weyerhaeuser Co	WY	524.364	35.160	18,437	0.1139%	3.30%	4.00%	0.0038%	0.0046%	
Whirlpool Corp	WHR	77.871	185.450	14,441	0.0892%	1.62%	23.47%	0.0014%	0.0209%	
Whole Foods Market Inc	WFM	359.747	48.700	17,520	0.1082%	1.07%	13.66%	0.0012%	0.0148%	
Williams Cos Inc/The	WMB	747.463	50.140	37,478	0.2315%	4.55%	14.00%	0.0105%	0.0324%	
Windstream Holdings Inc	WIN	602.763	10.040	6,052	0.0000%	9.96%	-1.00%	0.0000%	0.0000%	
Wisconsin Energy Corp	WEC	225.517	49.680	11,204	0.0692%	3.14%	5.10%	0.0022%	0.0035%	
WW Grainger Inc	GWV	68.183	242.460	16,532	0.1021%	1.78%	12.88%	0.0018%	0.0132%	
Wyndham Worldwide Corp	WYN	123.263	82.460	10,164	0.0628%	1.70%	10.00%	0.0011%	0.0063%	
Wynn Resorts Ltd	WYNN	101.350	174.500	17,686	0.1092%	3.44%	13.95%	0.0038%	0.0152%	
Xcel Energy Inc	XEL	505.686	34.270	17,330	0.1070%	3.50%	5.25%	0.0037%	0.0056%	
Xerox Corp	XRX	1,141.556	13.830	15,788	0.0975%	1.81%	8.65%	0.0018%	0.0084%	
Xilinx Inc	XLNX	264.455	45.290	11,977	0.0740%	2.56%	8.66%	0.0019%	0.0064%	
XL Group PLC	XL	258.054	35.370	9,127	0.0564%	1.81%	1.12%	0.0010%	0.0006%	
Xylem Inc/NY	XYL	181.875	38.440	6,991	0.0432%	1.33%	11.37%	0.0006%	0.0049%	
Yahoo! Inc	YHOO	947.351	50.100	47,462	0.0000%	n/a	1.94%	n/a	0.0000%	
Yum! Brands Inc	YUM	437.493	77.380	33,853	0.2091%	2.12%	12.26%	0.0044%	0.0256%	
Zimmer Holdings Inc	ZMH	169.354	111.470	18,878	0.1166%	0.79%	9.92%	0.0009%	0.0116%	
Zions Bancorporation	ZION	202.932	27.260	5,532	0.0342%	0.59%	10.00%	0.0002%	0.0034%	
Zoetis Inc	ZTS	501.325	44.370	22,244	0.1374%	0.65%	11.88%	0.0009%	0.0163%	
Average for Companies Paying Dividends with Positive BEst Long-Term Growth Estimates						2.14%	10.40%			

Notes:

- [1] Equals sum of Column [1]
- [2] Equals Column [1] x (1 + 0.625 x Column [3])
- [3] Equals sum of Column [2]
- [4] Equals Column [2] + Column [3]
- [5] Source: Bloomberg Finance L.P.
- [6] Source: Bloomberg Finance L.P.
- [7] Equals Column [5] x Column [6]
- [8] Equals percent of sum of Column [7] if Current Dividend Yield does not equal "n/a" and BEst Long-Term Growth Estimate does not equal "n/a" and is greater than 0%
- [9] Source: Bloomberg Finance L.P.
- [10] Source: Bloomberg Finance L.P.
- [11] Equals Column [8] x Column [9]
- [12] Equals Column [8] x Column [10]

Montana-Dakota Utilities Co.

**Selected Natural Gas Distribution Companies
 Decoupling Mechanisms**

Company	Ticker	Utility	State	Decoupling	# of Customers	% of Total Customers
AGL Resources Inc.	GAS	Atlanta Gas Light Company	GA	Y	1,541,000	11.3%
AGL Resources Inc.	GAS	Northern Illinois Gas Company	IL	N	2,188,000	16.0%
AGL Resources Inc.	GAS	Elizabethtown Gas	NJ	N	277,000	2.0%
AGL Resources Inc.	GAS	Florida City Gas	FL	N	104,000	0.8%
AGL Resources Inc.	GAS	Elkton Gas	MD	Y	6,000	0.0%
AGL Resources Inc.	GAS	Chattanooga Gas Company	TN	Y	62,000	0.5%
AGL Resources Inc.	GAS	Virginia Natural Gas, Inc.	VA	Y	281,000	2.1%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	CO	N	111,354	0.8%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	KS	N	129,468	0.9%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	KY	N	170,608	1.3%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	LA	Y	352,766	2.6%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	MS	Y	263,302	1.9%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	TN	Y	134,927	1.0%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	TX	Y	1,867,122	13.7%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	VA	N	23,335	0.2%
Atmos Energy Corp.	ATO	Atmos Energy Corp.	MO	Y	642,703	4.7%
Laclede Group, Inc.	LG	Laclede Gas Company	MO	Y	497,073	3.6%
New Jersey Resources Corp.	NJR	New Jersey Natural Gas Company	NJ	Y	611,997	4.5%
Northwest Natural Gas Company	NWN	Northwest Natural Gas Company	OR	Y	70,730	0.5%
Northwest Natural Gas Company	NWN	Northwest Natural Gas Company	WA	N	675,088	5.0%
Piedmont Natural Gas Company, Inc.	PNY	Piedmont Natural Gas Company, Inc.	NC	Y	133,548	1.0%
Piedmont Natural Gas Company, Inc.	PNY	Piedmont Natural Gas Company, Inc.	SC	Y	167,617	1.2%
Piedmont Natural Gas Company, Inc.	PNY	Piedmont Natural Gas Company, Inc.	TN	Y	357,306	2.6%
South Jersey Industries, Inc.	SJI	South Jersey Gas Company	NJ	Y	1,010,000	7.4%
Southwest Gas Corp.	SWX	Southwest Gas Corp.	AZ	Y	185,000	1.4%
Southwest Gas Corp.	SWX	Southwest Gas Corp.	CA	Y	681,000	5.0%
Southwest Gas Corp.	SWX	Southwest Gas Corp.	NV	Y	154,818	1.1%
WGL Holdings, Inc.	WGL	WGL Holdings, Inc.	DC	N	443,201	3.2%
WGL Holdings, Inc.	WGL	WGL Holdings, Inc.	MD	Y	496,090	3.6%
WGL Holdings, Inc.	WGL	WGL Holdings, Inc.	VA	Y		

Total Number of Customers 13,638,053
Percent with Decoupling 62.6%

Montana-Dakota Utilities Co.

**Selected Natural Gas Distribution Companies
 Capital Structures as of September 30, 2014**
\$ millions

Company	Ticker	Short-Term		Long-Term		Preferred		Common		Total Capital
		Debt	%	Debt	%	Stock	%	Equity	%	
AGL Resources Inc.	GAS	\$ 681.0	8.46%	\$ 3,805.0	47.24%	\$ -	0.00%	3,568.0	44.30%	\$ 8,054.0
Atmos Energy Corporation	ATO	196.7	3.43%	2,456.5	42.80%	-	0.00%	3,086.2	53.77%	5,739.4
Laclede Group, Inc.	LG	287.1	7.87%	1,851.1	50.76%	-	0.00%	1,508.4	41.36%	3,646.6
New Jersey Resources Corporation	NJR	301.0	15.84%	632.7	33.30%	-	0.00%	966.2	50.85%	1,899.9
Northwest Natural Gas Company	NWN	190.0	11.85%	661.7	41.26%	-	0.00%	751.9	46.89%	1,603.6
Piedmont Natural Gas Company, Inc	PNY	490.0	17.17%	1,174.9	41.17%	-	0.00%	1,188.6	41.65%	2,853.5
South Jersey Industries, Inc.	SJI	149.4	7.52%	1,009.4	50.83%	-	0.00%	827.0	41.65%	1,985.8
Southwest Gas Corporation	SWX	-	0.00%	1,449.0	50.60%	-	0.00%	1,414.5	49.40%	2,863.5
WGL Holdings, Inc.	WGL	453.5	18.90%	699.2	29.14%	-	0.00%	1,246.6	51.96%	2,399.3
Median			8.46%		42.80%		0.00%		46.89%	
Montana-Dakota Utilities Co.										
- North Dakota Natural Gas Dist. Operations		99.6	8.11%	505.5	41.14%	15.3	1.24%	608.4	49.52%	1,228.8

1/ Source: SNL Financial LC; data as of September 30, 2014

2/ Source: SNL Financial LC; data as of October 31, 2014

3/ Source: Montana-Dakota Utilities Co. Requested Rate of Return - North Dakota Natural Gas Operations