

October 26, 2015

Executive Secretary
North Dakota Public Service Commission
State Capitol Building
Bismarck, ND 58505-0480

Re: Application for Approval of an Update to
the Generation Resource Recovery
Rider Rate 56
Case No. PU-15-_____

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits for Commission approval an original and (7) copies of the Company's Application to update the Generation Resource Recovery Rider Rate 56 tariff to reflect the projected costs through 2016 for Heskett III and the Reciprocating Internal Combustion Engines (RICE) units at the Lewis & Clark Generation Station. Montana-Dakota is also requesting tariff revisions to revise Paragraph 2a of Rate 56 to reflect: (1) the allocation of the revenue requirement to the rate classes based on the AED Factor established in the Company's last general rate case and (2) the overall return component to include the authorized return on equity from the Company's last general rate case with the current or projected capital structure. Montana-Dakota requests approval of Generation Tracking Adjustment 1st Revised Sheet No. 40 and 2nd Revised Sheet No. 40.1 to be effective with service rendered on and after January 1, 2016:

On October 21, 2015 Montana-Dakota submitted to the Commission an Application for Approval of an Update to the Generation Resource Recovery Rider Rate 56 and for a Renewable Resource Cost Adjustment Rate 55 Tariff and Rates. Following that filing and pursuant to Staff's request, the Company is now submitting two separate applications for the aforementioned riders. The application included herein is for the update to the Generation Resource Recovery Rider rates.

The total cost to be recovered through the proposed rates is:

	Generation Rider
Heskett III	\$4,978,797
Lewis & Clark RICE Units	4,882,561
Total Costs to be Recovered	9,861,358
Increase from Authorized	\$4,591,350

A typical residential customer using 894 Kwh would see an increase of \$2.03 per month under the proposed residential rates. The GRRR rates, as proposed, are shown in below, along with the change from the current GRRR rates implemented January 9, 2015:

	<u>Proposed Rate</u>	<u>Current Rate</u>	<u>Change</u>
Residential Rate/Kwh	\$0.00510	\$0.00283	\$0.00227
Small General Rate/Kwh	\$0.00356	\$0.00223	\$0.00133
Large General/KW	\$1.47	\$0.75	\$0.72

If the Commission determines to investigate the Generation Resource Recovery Rider rates, and such investigation is not completed by January 1, 2016, Montana-Dakota requests the affected rates be allowed to become effective for service rendered on and after January 1, 2016 subject to refund upon issuance of a final order.

Montana-Dakota respectfully requests that the Generation Resource Recovery Rider proposed herein and the Resource Recovery Cost Adjustment Rate 55 filed in a separate application on this date be Noticed to consumers and the public under a single notice.

Please refer all inquiries regarding this filing to:

Tamie A. Aberle
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

Also, please send copies of all written inquiries, correspondence and pleadings to:

Daniel S. Kuntz
Associate General Counsel
MDU Resources Group, Inc.
P.O. Box 5650
Bismarck, ND 58506-5650

Montana-Dakota submits a check in the amount of \$10,000. In the event the Commission deems an additional deposit is required, Montana-Dakota will submit the required fees.

Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,



Tamie A. Aberle
Director of Regulatory Affairs

Attachments

cc: Daniel S. Kuntz
Garret Senger

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

In the Matter of the Application of)
MONTANA-DAKOTA UTILITIES CO., a)
Division of MDU Resources Group, Inc. for) Case No. PU-15-____
Approval to Update its Generation Resource)
Recovery Rider Rate 56 Tariff)

I. Summary of Application

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. (Montana-Dakota or Applicant), herewith submits this Application to update its Generation Resource Recovery Rider (GRRR) rates, in accordance with Paragraph 3 of the Company's Rate 56 tariff to reflect the projected costs through December 2016 for the Heskett III natural gas turbine currently recovered under Rate 56 and the Reciprocating Internal Combustion Engines (RICE) at the Lewis and Clark Generating Station.

The Company is also requesting to revise its Rate 56 tariff to reflect (1) the allocation of the revenue requirement to the classes based on the AED Factor established in the Company's last general rate case and (2) the return component reflect the authorized return on equity from the Company's last general rate case.

Montana-Dakota respectfully submits Generation Tracking Adjustment 1st Revised Sheet No. 40 and 2nd Revised Sheet No. 40.1, included herein as Exhibit 1, to be effective January 1, 2016.

In support of the Company's application, Montana-Dakota is also including the following Exhibits:

- Exhibit 2 – Generation Resource Recovery Rider
- Exhibit 3 – Generation Resource Recovery Rider Balancing Account
- Exhibit 4 – Heskett III's Revenue Requirement for August 2014 through December 2016
- Exhibit 5 – L&C RICE Units Projected Revenue Requirement for December 2015 through December 2016
- Exhibit 6 – North Dakota Electric Returns

II. Description of Applicant

Montana-Dakota is a Division of MDU Resources Group, Inc., a Delaware corporation duly authorized to do business in the State of North Dakota as a foreign corporation, and doing business in the State of North Dakota as a public utility subject to the jurisdiction of and regulation by the North Dakota Public Service Commission (Commission) under NDCC Title 49. Montana-Dakota's Certificate of Incorporation and amendments thereto have been previously filed with the Commission and such Certificate and Amendments are hereby incorporated by reference as though fully set forth herein. Montana-Dakota provides electric service to approximately 91,000 customers in North Dakota as of September 30, 2015.

III. Background of Generation Resource Recovery Rider Rate 56

On February 27, 2014, Montana-Dakota filed an application with the Commission for approval of a Generation Resource Recovery Rider tariff and proposed rates in Case Nos. PU-14-108 and PU-14-109 in order to recover North Dakota's share of the Company's investment in the Heskett III Combustion Turbine Station (Heskett III). On May 20, 2014, Montana-Dakota filed a Settlement Agreement entered into by Montana-Dakota and the Advocacy Staff of the North Dakota Public Service Commission. The

Settlement Agreement filed would establish a mechanism to recover the costs of large generation resources incurred outside of a general rate case. The rate adjustments previously filed under PU-14-109 would be withdrawn and new rates would be filed at a later date. On July 24, 2014, an amended Settlement Agreement was submitted to the Commission revising the administration of the rates to exclude the lighting rate schedules and special contract customers. On August 20, 2014, the Commission approved the amended Settlement Agreement. On November 14, 2014, Montana-Dakota filed its first GRRR rates under Rate 56. The Commission approved the GRRR rates on January 7, 2015 and the Company's first GRRR rates were implemented on January 9, 2015, reflecting an annual Heskett III revenue requirement of \$5,270,008.

Montana-Dakota is now requesting to update its GRRR rates to reflect both the actual project costs and expenditures incurred through July 2015 for Heskett III and the projected capital costs and expenditures through December 2016 for Heskett III and the Reciprocating Internal Combustion Engines (RICE) units at the Company's Lewis & Clark Generating Station.

IV. Tariff Changes to Generation Resource Recovery Rider Rate 56 Tariff

In addition to the recovery of the generation project costs, Montana-Dakota is requesting to revise the allocator used in the allocation of costs to the rate classes. Paragraph 2a of the tariff provides for the allocation of costs based on the forecasted 12 month coincidental peak allocation factor for each class. The Company is proposing to change the allocation factor in order to be consistent with the demand allocator used in the Company's most recent general rate case, the AED Factor 2. The change in

allocator results in a slight increase in the proposed residential rate of \$0.00001 per Kwh, a decrease in the proposed small general rate of \$0.00053 per Kwh, and an increase in the large general rate of \$0.03 per Kw.

Montana-Dakota is also proposing to revise the return component to reflect the authorized return on equity from the Company's last general rate case, instead of the authorized rate of return as currently provided for in Paragraph 2a of the Company's Rate 56 tariff. The revision is being requested in order to incorporate changes in the Company's projected capital structure and reflect the lower cost of debt, while setting the return for its shareholders at the return on equity authorized in the Company's last general rate case.

V. Calculation of the Proposed GRRR Rates

The following exhibits are included herein in support of the Company's proposed GRRR rates and in accordance with the Company's Rate 56 tariff:

- *Exhibit 2* shows the proposed GRRR rates and the allocation of the total costs to each of the rate classes, excluding customers served under the lighting schedules and special contracts (per Paragraphs 2b of Rate 56). Total costs to be recovered include the projected GRRR balance as of December 31, 2015 and the projected 2016 revenue requirements for Heskett III and the Lewis & Clark RICE Units. Project costs are then allocated to the rate classes based on the AED allocation factor from the Company's last general rate case in 2010, and divided by the forecasted billing determinants for the same time period.
- *Exhibit 3* shows the GRRR Balancing Account (per Paragraph 2d of Rate 56)

through projected December 2016, including the December 2015 revenue requirement for the RICE units. Montana-Dakota maintains a balancing account where the actual monthly expenses are tracked against the revenue received through the GRRR rates. Any over or under recovery is assessed a carrying charge at the three month Treasury Bill rate as published monthly by the Federal Reserve Board. As shown in Exhibit 3, the Company is foregoing the under-recovery of costs through December 2014 and including only the under-recovered balance for 2015.

Pursuant to the Settlement Agreement reached in the Company's application to implement a Generation Resource Recovery Rider Rate 56 tariff in Case Nos. PU-14-108 and PU-14-109, Montana-Dakota agreed to withdraw the rate adjustments under the proposed Generation Rider. The Company would be allowed to re-file rate adjustments at a later date upon a showing that the Company's current and projected earnings do not exceed a return level of 10.75 percent return on equity. In November 2014, the Company filed for its first GRRR rates, along with its projected earnings for 2014.

In April of 2015, the Company filed with the Commission its Earnings Sharing Provision pursuant to the Settlement Agreement in Case Nos. PU-14-108 and PU-14-109 whereby Montana-Dakota was to share revenues corresponding to 50 percent of the earnings above 10.75 percent. Montana-Dakota accomplished the refund through a bill credit in the months of June and July 2015.

In recognition of the Settlement Agreement's placeholder on re-filed

GRRR rates at a later date and the earnings sharing provision for 2014, the tracking adjustment does not include costs through December 2014 as related to Heskett III.

- *Exhibit 4* shows the actual monthly revenue requirements for Heskett III for its August 2014 in-service date through projected December 2016.
- *Exhibit 5* shows the projected monthly revenue requirements for the Lewis & Clark RICE units from the anticipated December 2015 in-service date through December 2016. The December 2015 revenue requirement is reflected in the GRRR balancing account provided in Exhibit 3.

VI. Heskett III

Heskett III is a natural gas-fired 88 MW simple cycle combustion turbine, located near Mandan, North Dakota, adjacent to the Company's R.M. Heskett Station. Heskett III is integrated into the Heskett Station operations utilizing existing plant personnel, land, water, and electric infrastructure. The project was provided an Advance Determination of Prudence (ADP) in Case No. PU-11-396 and became operational in August 2014.

This GRRR rate update reflects actual projects costs for the time period August 2014 through July 2015 and projected costs through December 2016. Heskett III's projected revenue requirement for the twelve months ending December 31, 2016 as allocated to North Dakota is \$4,733,658 as shown in Exhibit 4, page 3 reflecting a decrease in the revenue requirement of \$536,350 from that in current rates. The projected revenue requirement is comprised of:

- Average rate base of \$29,650,366
- Return: reflective of Company's Projected 2016 Capital Structure and Return on Equity as authorized in the Company's last electric rate case
- O&M: projected annual cost of operation of facility
- Depreciation Expense: annual average depreciation rate of 2.30%
- Taxes Other than Income: based on the effective tax rate paid for 2014 on Heskett III
- Income Taxes: current federal and state income tax rates

VII. Lewis & Clark RICE Project

The Lewis & Clark RICE project is an 18.6 MW natural gas-fired reciprocating engine project comprised of two 9.3 MW Wartsilla 20V34SG generating units. The project is located on land owned by the Company and adjacent to the Company's Lewis & Clark coal-fired generating station near Sidney, Montana. Construction of the project began in March of 2015 and is scheduled to be completed in December 2015 with an installed cost of \$43,334,606 of which North Dakota's allocation will be \$31,286,071.

The RICE units will interconnect into the existing Lewis & Clark 115kV substation and receive natural gas from the existing WBI Energy pipeline serving the Lewis & Clark Station.

The layout for the Lewis & Clark RICE project was designed for the potential expansion of two additional 9.3 MW Wartsilla 20V34SG generating units in the future. Co-locating the project at the existing Lewis & Clark Station provides many synergies and costs savings with the utilization of existing Company property and facilities

including land, natural gas pipeline, and electric transmission and substations. It also allows for the operation of the units with minimal employee additions.

The need for the RICE project was demonstrated as part of the Company's 2013 Integrated Resource Plan (IRP) and will be used to meet the Company's growing peak load requirements as well as provide another generating resource in the transmission constrained areas of northeastern Montana and northwestern North Dakota. The project will improve system reliability and offset the need to construct new, more expensive electric transmission facilities.

With the expiration of the We Energies capacity purchase agreement on May 31, 2015, Montana-Dakota will have a capacity deficit of 16.6 MW for the 2015-2016 MISO Planning Year and in need of additional capacity resources for the future.

The RICE project will be used as a rapid start generating resource to economically respond to customer energy needs and provide another system support resource if transmission outages and curtailments occur in the transmission constrained areas of eastern Montana and western North Dakota.

The Lewis & Clark RICE Units' revenue requirement for the thirteen months ending December 31, 2016 as allocated to North Dakota is \$4,882,561 as shown in Exhibit 5, pages 1 and 2. The revenue requirement is comprised of:

- Average rate base of \$29,994,681
- Return: reflective of Company's Projected 2016 Capital Structure and Return on Equity as authorized in the Company's last electric rate case
- Depreciation Expense: annual depreciation rate of 2.50% based on industry life estimates.

- Taxes Other than Income: effective property tax rate for the RICE units
- Income Taxes: current federal and state income tax rates

Construction of the Lewis & Clark Unit 2 Reciprocating Internal Combustion Engine (RICE) generation project began on March 23, 2015. Progress to date includes the installation of foundations and all underground equipment, setting all major equipment, installation of the transmission interconnect equipment, and completion of the engine hall / service building erection. The piping installation is complete except for a portion of the urea and lube oil systems, as well as some modifications to the natural gas system at the point of interconnection with the transmission pipeline. The insulation and lagging of the SCR and exhaust ductwork and final site grading are nearly complete. The project is advancing into the pre-commissioning testing and inspection, and commissioning phases with backfeed of power from the transmission system to the medium voltage switchgear occurred October 13th. The commercial operation is anticipated to occur by early December.

VIII. Estimated Impact by Customer Class

As shown in Exhibit 2, Montana-Dakota's projected 2016 costs to be recovered under the GRRR rates are \$9,861,358 of which \$4,733,658 is related to Heskett III, \$4,560,978 is related to the Lewis and Clark RICE units, and an under-recovered balance for 2015 of \$566,722. The typical residential customer using 894 Kwh would see an increase of \$2.03 per month.

Montana-Dakota requests approval of the following GRRR rates to be effective

January 1, 2016:

	<u>Proposed Rate</u>	<u>Current Rate</u>	<u>Change</u>
Residential Rate/Kwh	\$0.00510	\$0.00283	\$0.00227
Small General Rate/Kwh	\$0.00356	\$0.00223	\$0.00133
Large General/KW	\$1.47	\$0.75	\$0.72

IX. North Dakota Electric Returns

Exhibit 6 provides the Company's North Dakota electric returns for the twelve months ended August 31, 2015, along with the expected returns when the Lewis & Clark RICE Units and the Company's Thunder Spirit Wind Project come on-line in December 2015 without any change in rates and finally the expected return reflecting the proposed cost recovery being requested in this application and in the Company's Application for a Renewable Resource Cost Adjustment Tariff and Rates.

As shown on Exhibit 6, page 1, Montana-Dakota anticipates a return on equity of 10.65 percent for its North Dakota electric operations when including the proposed cost recovery for the generation resources additions of Lewis and Clark RICE units and the Thunder Spirit Wind Project to the twelve months ended August 31, 2015 results.

Page 2 of Exhibit 6 provides the Company's rate base for August 31, 2015, along with the rate base reflecting the generation resource additions for 2016. Page 3 shows the adjustments made to the actual results as of August 31, 2015. Page 4 contains the Company's actual capital structure for August 31, 2015 and the Projected 2016 capital structure.

X. Conclusion

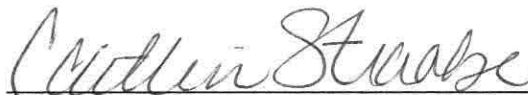
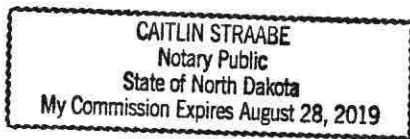
Montana-Dakota respectfully requests that the Commission approve its revision to the Generation Resource Recovery Rider Rate 56 tariff to be effective with service rendered on and after January 1, 2016.

Dated this 26th day of October, 2015.



Tamie A. Aberle
Director of Regulatory Affairs

Subscribed and sworn to before me this 26th day of October, 2015.



Caitlin Straabe, Notary Public
Burleigh County, North Dakota
My Commission Expires: 08/28/2019

Of Counsel:

Daniel S. Kuntz
Associate General Counsel
MDU Resources Group, Inc.
P.O. Box 5650
Bismarck, ND 58506-5650

Exhibit 1



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
1st Revised Sheet No. 40
Canceling Original Sheet No. 40

Generation Resource Recovery Rider Rate 56

Page 1 of 2

Applicability:

This rate schedule represents a Generation Resource Recovery Rider (GRRR) and specifies the procedure to be utilized to recover the jurisdictional costs associated with generation resource additions approved by the Commission but not recovered through retail rates. Costs to be recovered may include operations and maintenance expenditures, depreciation, taxes, and a current return on the project costs during construction. Costs being recovered under this tariff are currently not included in the rates established at the time of the Company's last general rate case.

1. Generation Resource Recovery Rider:

- a. The North Dakota jurisdictional GRRR revenue requirement will be allocated to the customer classes based on the Company's AED Factor No. 2 established in the Company's most recent general rate case. The adjustment applied to the Residential and Small General Service Classes will be calculated based on the customer class revenue requirement and the forecasted Kwh for the forecasted period. The adjustment applied to the Large General Service Class will be calculated based on the customer class revenue requirement and the forecasted demand for the forecasted period and expressed as a KW charge. The return component of the revenue requirement calculation will include authorized return on equity from the Company's most recent general rate case.
- b. The GRRR is applicable to all retail customers for electric energy sold, except those served under lighting schedules and special contracts, and are allocated amongst the rate classes based on the applicable demand factor.
- c. The GRRR will be adjusted annually (or other period authorized by the Commission) to reflect the Company's most recent projected capital costs and related expenses for projects determined to be recoverable under this schedule.
- d. A true-up will reflect any over or under collection of revenue under the GRRR based on actual expenditures from the preceding twelve month recovery period plus carrying charges or credits accrued at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.

Date Filed: October 21, 2015

Effective Date:

Issued By: Tamie A. Aberle
Director – Regulatory Affairs

Case No.:



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
2nd Revised Sheet No. 40.1
Canceling 1st Revised Sheet No. 40.1

Generation Resource Recovery Rider Rate 56

Page 2 of 2

2. Time and Manner of the Filing:

Montana-Dakota shall file the GRRR at least 60 days prior to the proposed effective date. The filing by Montana-Dakota shall be made by means of a revised GRRR tariff sheet identifying the amounts of the adjustment, the derivation of the GRRR and the resulting GRRR by class.

3. Generation Resource Recovery Rider:

Residential	\$0.00510 per Kwh
Small General	\$0.00356 per Kwh
Large General	\$1.47 per KW

Date Filed: October 21, 2015

Effective Date:

Issued By: Tamie A. Aberle
Director – Regulatory Affairs

Case No.:

Tariffs Reflecting Proposed Changes



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
Original Sheet No. 40

Generation Resource Recovery Rider Rate 56

Page 1 of 2

1. Applicability:

This rate schedule represents a Generation Resource Recovery Rider (GRRR) and specifies the procedure to be utilized to recover the jurisdictional costs associated with generation resource additions approved by the Commission but not recovered through retail rates. Costs to be recovered may include operations and maintenance expenditures, depreciation, taxes, and a current return on the project costs during construction. Costs being recovered under this tariff are currently not included in the rates established at the time of the Company's last general rate case.

2. Generation Resource Recovery Rider:

- a. The North Dakota jurisdictional GRRR revenue requirement will be allocated to the customer classes based on the ~~forecasted 12-month coincidental peak allocation factor for each class~~ Company's AED Factor No. 2 established in the Company's most recent general rate case. The adjustment applied to the Residential and Small General Service Classes will be calculated based on the customer class revenue requirement and the forecasted Kwh for the forecasted period. The adjustment applied to the Large General Service Class will be calculated based on the customer class revenue requirement and the forecasted demand for the forecasted period and expressed as a KW charge. The return component of the revenue requirement calculation will ~~be the~~ include authorized rate-of-return on equity from the Company's most recent general rate case.
- b. The GRRR is applicable to all retail customers for electric energy sold, except those served under lighting schedules and special contracts, and are allocated amongst the rate classes based on the ~~an~~ applicable demand factor.
- c. The GRRR will be adjusted annually (or other period authorized by the Commission) to reflect the Company's most recent projected capital costs and related expenses for projects determined to be recoverable under this schedule.
- d. A true-up will reflect any over or under collection of revenue under the GRRR based on actual expenditures from the preceding twelve month recovery period plus carrying charges or credits accrued at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.

Date Filed: November 14, 2014

Effective Date: Service rendered on and after January 9, 2015

Issued By: Tamie A. Aberle
Director – Regulatory Affairs

Case No.: PU-14-109



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
1st Revised Sheet No. 40.1
Canceling Original Sheet No. 40.1

Generation Resource Recovery Rider Rate 56

Page 2 of 2

3. Time and Manner of the Filing:

Montana-Dakota shall file the GRRR at least 60 days prior to the proposed effective date. The filing by Montana-Dakota shall be made by means of a revised GRRR tariff sheet identifying the amounts of the adjustment, the derivation of the GRRR and the resulting GRRR by class.

4. Generation Resource Recovery Rider:

Residential	0.283¢ <u>\$0.00510</u> per Kwh
Small General	0.223¢ <u>\$0.00356</u> per Kwh
Large General	75.000¢ <u>\$1.47</u> per KW

Date Filed: November 14, 2014

Effective Date: Service rendered on and after January 9, 2015

Issued By: Tamie A. Aberle
Director – Regulatory Affairs

Case No.: PU-14-109

**Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Generation Resource Recovery Rider
Rate Proposed to be Effective January 1, 2016**

Balance as of December 31, 2015 1/	\$566,722
Projected Heskett 3 Revenue Requirement January through December 2016 2/	4,733,658
Projected Lewis & Clark RICE Revenue Requirement January through December 2016 3/	4,560,978
	<hr/>
Total Costs to be Recovered	<u><u>\$9,861,358</u></u>

	Allocated GRRR Costs 4/	Projected Billing Determinants 5/	Proposed Rider
Residential	\$4,437,413	869,942,176 Kwh	\$0.00510 per Kwh
Small General	616,723	173,034,514 Kwh	0.00356 per Kwh
Large General	4,807,222	3,267,960 KW	1.47 per KW
	<u><u>9,861,358</u></u>		

1/ Exhibit 3

2/ Exhibit 4

3/ Exhibit 5

4/ Projected 2015 class demand allocation based on AED:

Residential	44.997991%	(Rates 10, 13)
Small General	6.253938%	(Rates 20, 25)
Large General	48.748071%	(Rates 30, 31, 32, 38, 40, 48)
	<u><u>100.000000%</u></u>	

5/ Projected 2016 North Dakota electric billing determinants, excluding contracts.

Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Generation Resource Recovery Rider Balancing Account
July 2014 through Projected December 2015

Month	Beginning Balance	Carrying Charge 1/	Monthly Expenses 2/	GRRR Recovery	Ending Balance
July 2014			\$0		
August			366,581		
September			469,429		
October			452,762		
November			435,893		
December			429,232		
January 2015			387,410	\$80,318	\$307,092
February	\$307,092	\$5	387,696	380,655	314,138
March	314,138	8	387,016	442,184	258,978
April	258,978	4	410,024	367,272	301,734
May	301,734	5	393,455	321,056	374,138
June	374,138	6	393,214	354,503	412,855
July	412,855	10	395,680	394,151	414,394
August - est.	414,394	10	404,601	410,365	408,640
September - est.	408,640	10	403,822	421,379	391,093
October - est.	391,093	10	403,063	392,224	401,942
November - est.	401,942	10	402,325	450,130	354,147
December- est.	354,147	9	723,192	510,626	566,722
		<u>87</u>	<u>7,245,395</u>	<u>4,524,863</u>	

1/ Three month Treasury Bill rate as published by the Federal Reserve Board. Estimated rate based on last known month's actual rate.

2/ Exhibit 3, page 2.

Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Summary of Expenses/Monthly Revenue Requirement
July 2014 though Projected December 2016

	Heskett 3	RICE Units @ L&C 1/	Total
<u>Actuals</u>			
July 2014	\$0		\$0
August	366,581		366,581
September	469,429		469,429
October	452,762		452,762
November	435,893		435,893
December	429,232		429,232
January 2015	387,410		387,410
February	387,696		387,696
March	387,016		387,016
April	410,024		410,024
May	393,455		393,455
June	393,214		393,214
July	395,680		395,680
August - est.	404,601		404,601
September - est	403,822		403,822
October - est	403,063		403,063
November - est	402,325		402,325
December - est	401,609	321,583	723,192
	<u>6,923,812</u>	<u>321,583</u>	<u>7,245,395</u>
<u>Projected</u>			
January 2016	399,048	385,537	784,585
February	398,158	384,360	782,518
March	397,286	383,241	780,527
April	396,429	382,175	778,604
May	395,592	381,165	776,757
June	394,770	380,209	774,979
July	393,968	379,308	773,276
August	393,182	378,466	771,648
September	392,415	377,676	770,091
October	391,664	376,942	768,606
November	390,931	376,261	767,192
December	390,215	375,638	765,853
	<u>4,733,658</u>	<u>4,560,978</u>	<u>9,294,636</u>

1/ Total RICE Unit Expenses = 4,882,561

Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Generation Resource Recovery Rider
Actual Revenue Requirement - Heskett 3
August 2014 through June 2015

	Total 8/14 - 6/15	Actuals										
		Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	June 2015
Rate Base												
Plant Balance 1/		\$38,408,834	\$38,408,834	\$38,408,834	\$38,408,834	\$38,408,834	\$38,421,728	\$38,467,802	\$38,551,965	\$38,559,699	\$38,563,109	\$38,573,801
Accumulated Depreciation			73,285	147,009	220,973	295,391	369,904	444,536	519,206	594,039	668,713	743,394
Net Plant in Service		38,408,834	38,335,549	38,261,825	38,187,861	38,113,443	38,051,824	38,023,266	38,032,759	37,965,660	37,894,396	37,830,407
Accumulated DITs			1,718,700	3,437,400	5,156,100	6,874,800	6,899,507	6,922,149	6,942,506	6,960,650	6,976,506	6,990,149
Total Plant in Service		38,408,834	36,616,849	34,824,425	33,031,761	31,238,643	31,152,317	31,101,117	31,090,253	31,005,010	30,917,890	30,840,258
Average Rate Base 2/	\$32,747,942											
Return on Rate Base 3/	2,425,529	258,619	246,553	234,484	222,414	210,340	209,759	209,414	209,341	208,767	208,180	207,658
Expenses												
Operating Expenses												
O&M	50,959					10,000	11	650		23,656	8,077	8,565
Depreciation	743,394		73,285	73,724	73,964	74,418	74,513	74,632	74,670	74,833	74,674	74,681
Taxes Other Than Income 4/	280,279		46,667	46,667	46,667	46,667	15,561	15,579	15,614	15,617	15,618	15,622
Total Expenses	1,074,632	0	119,952	120,391	120,631	131,085	90,085	90,861	90,284	114,106	98,369	98,868
Income before Taxes	(1,074,632)	0	(119,952)	(120,391)	(120,631)	(131,085)	(90,085)	(90,861)	(90,284)	(114,106)	(98,369)	(98,868)
Interest Expense	759,480	80,979	77,201	73,421	69,642	65,861	65,679	65,572	65,549	65,369	65,185	65,022
Taxable income	(1,834,112)	(80,979)	(197,153)	(193,812)	(190,273)	(196,946)	(155,764)	(156,433)	(155,833)	(179,475)	(163,554)	(163,890)
Income Taxes 5/	(693,322)	(30,611)	(74,527)	(73,264)	(71,926)	(74,449)	(58,881)	(59,134)	(58,907)	(67,844)	(61,826)	(61,953)
Operating Income	(381,310)	30,611	(45,425)	(47,127)	(48,705)	(56,636)	(31,204)	(31,727)	(31,377)	(46,262)	(36,543)	(36,915)
Revenue Requirement	\$4,512,712	\$366,581	\$469,429	\$452,762	\$435,893	\$429,232	\$387,410	\$387,696	\$387,016	\$410,024	\$393,455	\$393,214

1/ Plant Balance:	2014
Heskett 3	\$53,177,264
ND's Allocation	38,408,834
Allocation Factor	72.227924%

2/ Average Rate Base for August 2014 through June 2015.

3/ Projected 2016 Capital Structure with Authorized Return on Equity

	Ratio	Cost	
Long Term Debt	41.250%	5.777%	2.383%
Short Term Debt	6.483%	2.274%	0.147%
Preferred Equity	1.126%	4.574%	0.052%
Common Equity	51.141%	10.750%	5.498%
	100.000%		8.080%

4/ Effective tax rate = 0.486%

5/ Tax Rate 37.8015% (Federal Tax Rate = 35%, State Tax Rate = 4.31%)

1- Tax Rate 62.1985%

Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Generation Resource Recovery Rider
Projected Revenue Requirement - Heskett 3
July 2015 through Projected December 2015

	Total 7/15 - 12/15	Actual		Projected			
		July 2015	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015
Rate Base							
Plant Balance		\$38,615,385	\$38,615,385	\$38,615,385	\$38,615,385	\$38,615,385	\$38,615,385
Accumulated Depreciation		818,096	893,010	967,924	1,042,838	1,117,752	1,192,666
Net Plant in Service		<u>37,797,289</u>	<u>37,722,375</u>	<u>37,647,461</u>	<u>37,572,547</u>	<u>37,497,633</u>	<u>37,422,719</u>
Accumulated DITs		7,001,507	7,010,579	7,017,438	7,022,012	7,024,373	7,024,446
Total Plant in Service		<u>30,795,782</u>	<u>30,711,796</u>	<u>30,630,023</u>	<u>30,550,535</u>	<u>30,473,260</u>	<u>30,398,273</u>
Average Rate Base 1/	\$30,593,278						
Return on Rate Base 2/	1,235,969	207,358	206,793	206,242	205,707	205,187	204,682
Expenses							
Operating Expenses							
O&M	116,064	11,419	20,929	20,929	20,929	20,929	20,929
Depreciation	449,272	74,702	74,914	74,914	74,914	74,914	74,914
Taxes Other Than Income 3/	93,834	15,639	15,639	15,639	15,639	15,639	15,639
Total Expenses	<u>659,170</u>	<u>101,760</u>	<u>111,482</u>	<u>111,482</u>	<u>111,482</u>	<u>111,482</u>	<u>111,482</u>
Income before Taxes	(659,170)	(101,760)	(111,482)	(111,482)	(111,482)	(111,482)	(111,482)
Interest Expense	<u>387,006</u>	<u>64,928</u>	<u>64,751</u>	<u>64,578</u>	<u>64,411</u>	<u>64,248</u>	<u>64,090</u>
Taxable income	(1,046,176)	(166,688)	(176,233)	(176,060)	(175,893)	(175,730)	(175,572)
Income Taxes 4/	<u>(395,471)</u>	<u>(63,011)</u>	<u>(66,619)</u>	<u>(66,553)</u>	<u>(66,490)</u>	<u>(66,429)</u>	<u>(66,369)</u>
Operating Income	<u>(263,699)</u>	<u>(38,749)</u>	<u>(44,863)</u>	<u>(44,929)</u>	<u>(44,992)</u>	<u>(45,053)</u>	<u>(45,113)</u>
Revenue Requirement	<u>\$2,411,100</u>	<u>\$395,680</u>	<u>\$404,601</u>	<u>\$403,822</u>	<u>\$403,063</u>	<u>\$402,325</u>	<u>\$401,609</u>

1/ Average Rate Base for July through December 2015.

2/ Projected Capital Structure with Authorized Return on Equity

	Ratio	Cost	
Long Term Debt	41.250%	5.777%	2.383%
Short Term Debt	6.483%	2.274%	0.147%
Preferred Equity	1.126%	4.574%	0.052%
Common Equity	51.141%	10.750%	5.498%
	100.000%		8.080%

3/ Effective tax rate = 0.486%

4/ Tax Rate 37.8015% (Federal Tax Rate = 35%, State Tax Rate = 4.31%)

1- tax rate 62.1985%

Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Generation Resource Recovery Rider
Projected Revenue Requirement - Heskett 3
Twelve Months Ending December 31, 2016

	Total 2016	Projected											
		Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	June 2016	July 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016
Rate Base													
Plant Balance		\$38,615,385	\$38,615,385	\$38,615,385	\$38,615,385	\$38,615,385	\$38,615,385	\$38,615,385	\$38,615,385	\$38,615,385	\$38,615,385	\$38,615,385	\$38,615,385
Accumulated Depreciation		1,267,580	1,342,494	1,417,408	1,492,322	1,567,236	1,642,150	1,717,064	1,791,978	1,866,892	1,941,806	2,016,720	2,091,634
Net Plant in Service		37,347,805	37,272,891	37,197,977	37,123,063	37,048,149	36,973,235	36,898,321	36,823,407	36,748,493	36,673,579	36,598,665	36,523,751
Accumulated DITs		7,217,905	7,236,289	7,252,817	7,267,549	7,280,423	7,291,500	7,300,721	7,308,087	7,313,656	7,317,370	7,319,287	7,319,346
Total Plant in Service		30,129,900	30,036,602	29,945,160	29,855,514	29,767,726	29,681,735	29,597,600	29,515,320	29,434,837	29,356,209	29,279,378	29,204,405
Average Rate Base 1/	\$29,650,366												
Return on Rate Base 2/	2,395,750	202,875	202,246	201,631	201,027	200,436	199,857	199,291	198,736	198,195	197,665	197,148	196,643
Expenses													
Operating Expenses													
O&M	251,148	20,929	20,929	20,929	20,929	20,929	20,929	20,929	20,929	20,929	20,929	20,929	20,929
Depreciation	898,968	74,914	74,914	74,914	74,914	74,914	74,914	74,914	74,914	74,914	74,914	74,914	74,914
Taxes Other Than Income 3/	187,668	15,639	15,639	15,639	15,639	15,639	15,639	15,639	15,639	15,639	15,639	15,639	15,639
Total Expenses	1,337,784	111,482	111,482	111,482	111,482	111,482	111,482	111,482	111,482	111,482	111,482	111,482	111,482
Income before Taxes	(1,337,784)	(111,482)	(111,482)	(111,482)	(111,482)	(111,482)	(111,482)	(111,482)	(111,482)	(111,482)	(111,482)	(111,482)	(111,482)
Interest Expense	750,154	63,524	63,327	63,134	62,945	62,760	62,579	62,402	62,228	62,058	61,893	61,731	61,573
Taxable income	(2,087,938)	(175,006)	(174,809)	(174,616)	(174,427)	(174,242)	(174,061)	(173,884)	(173,710)	(173,540)	(173,375)	(173,213)	(173,055)
Income Taxes 4/	(789,271)	(66,155)	(66,080)	(66,007)	(65,936)	(65,866)	(65,798)	(65,731)	(65,665)	(65,601)	(65,538)	(65,477)	(65,417)
Operating Income	(548,513)	(45,327)	(45,402)	(45,475)	(45,546)	(45,616)	(45,684)	(45,751)	(45,817)	(45,881)	(45,944)	(46,005)	(46,065)
Revenue Requirement	\$4,733,658	\$399,048	\$398,158	\$397,286	\$396,429	\$395,592	\$394,770	\$393,968	\$393,182	\$392,415	\$391,664	\$390,931	\$390,215

1/ Average Rate Base for twelve months ending December 31, 2016.

2/ Projected Capital Structure with Authorized Return on Equity

	Ratio	Cost	
Long Term Debt	41.250%	5.777%	2.383%
Short Term Debt	6.483%	2.274%	0.147%
Preferred Equity	1.126%	4.574%	0.052%
Common Equity	51.141%	10.750%	5.498%
	100.000%		8.080%

3/ Effective tax rate = 0.486%

4/ Tax Rate 37.8015% (Federal Tax Rate = 35%, State Tax Rate = 4.31%)

1- tax rate 62.1985%

**Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Generation Resource Recovery Rider
Revenue Requirement - RICE Units at Lewis & Clark Station
December 2015**

	<u>Total 2015</u>	<u>Projected Dec 2015</u>
Rate Base		
Plant Balance 1/		\$31,286,071
Accumulated Depreciation		
Net Plant in Service		<u>31,286,071</u>
Accum Def Income Taxes		591,330
Total Plant in Service		<u>30,694,741</u>
Average Rate Base 2/	\$30,694,741	
Return on Rate Base 3/	206,678	206,678
Expenses		
Operating Expenses		
O&M		
Depreciation 4/		
Taxes Other Than Income 5/	<u>28,627</u>	<u>28,627</u>
Total Expenses	28,627	28,627
Income before Taxes	(28,627)	(28,627)
Interest Expense	<u>64,715</u>	<u>64,715</u>
Taxable income	(93,342)	(93,342)
Income Taxes 6/	<u>(35,285)</u>	<u>(35,285)</u>
Operating Income	<u>6,658</u>	<u>6,658</u>
Revenue Requirement	<u>\$321,583</u>	<u>\$321,583</u>

1/ Projected plant balance:
(Factor 15 - Integrated System 12 Month Peak Demand)

Total Company	\$43,334,606
ND Allocation	<u>72.196505%</u>
	<u>31,286,071</u>

2/ Average Rate Base.

3/ Projected Capital Structure with Authorized Return on Equity

	<u>Ratio</u>	<u>Cost</u>		
Long Term Debt	41.250%	5.777%	2.383%	
Short Term Debt	6.483%	2.274%	0.147%	2.530%
Preferred Equity	1.126%	4.574%	0.052%	
Common Equity	<u>51.141%</u>	<u>10.750%</u>	<u>5.498%</u>	
	100.000%		8.080%	

4/ Annual depreciation rate = 2.50%

5/ Effective tax rate = 1.098%

6/ Tax Rate 37.8015% (Federal Tax Rate = 35%, State Tax Rate = 4.31%)

1- tax rate 62.1985%

Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Generation Resource Recovery Rider
Revenue Requirement - RICE Units at Lewis & Clark Station
Twelve Months Ending December 31, 2016

	Total 2016	Projected											
		Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	June 2016	July 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016
Rate Base													
Plant Balance 1/		\$31,286,071	\$31,286,071	\$31,286,071	\$31,286,071	\$31,286,071	\$31,286,071	\$31,286,071	\$31,286,071	\$31,286,071	\$31,286,071	\$31,286,071	\$31,286,071
Accumulated Depreciation		65,179	130,358	195,537	260,716	325,895	391,074	456,253	521,432	586,611	651,790	716,969	782,148
Net Plant in Service		31,220,892	31,155,713	31,090,534	31,025,355	30,960,176	30,894,997	30,829,818	30,764,639	30,699,460	30,634,281	30,569,102	30,503,923
Accum Def Income Taxes		654,648	712,675	764,844	811,343	851,978	886,942	916,048	939,297	956,875	968,596	974,646	974,832
Total Plant in Service		30,566,244	30,443,038	30,325,690	30,214,012	30,108,198	30,008,055	29,913,770	29,825,342	29,742,585	29,665,685	29,594,456	29,529,091
Average Rate Base 2/	\$29,994,681												
Return on Rate Base 3/	2,423,570	205,813	204,983	204,193	203,441	202,729	202,054	201,419	200,824	200,267	199,749	199,269	198,829
Expenses													
Operating Expenses													
O&M													
Depreciation 4/	782,148	65,179	65,179	65,179	65,179	65,179	65,179	65,179	65,179	65,179	65,179	65,179	65,179
Taxes Other Than Income 5/	343,524	28,627	28,627	28,627	28,627	28,627	28,627	28,627	28,627	28,627	28,627	28,627	28,627
Total Expenses	1,125,672	93,806	93,806	93,806	93,806	93,806	93,806	93,806	93,806	93,806	93,806	93,806	93,806
Income before Taxes	(1,125,672)	(93,806)	(93,806)	(93,806)	(93,806)	(93,806)	(93,806)	(93,806)	(93,806)	(93,806)	(93,806)	(93,806)	(93,806)
Interest Expense	758,865	64,444	64,184	63,937	63,701	63,478	63,267	63,068	62,882	62,707	62,545	62,395	62,257
Taxable income	(1,884,537)	(158,250)	(157,990)	(157,743)	(157,507)	(157,284)	(157,073)	(156,874)	(156,688)	(156,513)	(156,351)	(156,201)	(156,063)
Income Taxes 6/	(712,383)	(59,821)	(59,723)	(59,629)	(59,540)	(59,456)	(59,376)	(59,301)	(59,230)	(59,164)	(59,103)	(59,046)	(58,994)
Operating Income	(413,289)	(33,985)	(34,083)	(34,177)	(34,266)	(34,350)	(34,430)	(34,505)	(34,576)	(34,642)	(34,703)	(34,760)	(34,812)
Revenue Requirement	\$4,560,978	\$385,537	\$384,360	\$383,241	\$382,175	\$381,165	\$380,209	\$379,308	\$378,466	\$377,676	\$376,942	\$376,261	\$375,638

1/ Projected plant balance:
(Factor 15 - Integrated System 12 Month Peak Demand)

Total Company	\$43,334,606
ND Allocation	72.196505%
	<u>31,286,071</u>

2/ Average Rate Base for twelve months ending December 31, 2016.

3/ Projected Capital Structure with Authorized Return on Equity

	Ratio	Cost	
Long Term Debt	41.250%	5.777%	2.383%
Short Term Debt	6.483%	2.274%	0.147%
Preferred Equity	1.126%	4.574%	0.052%
Common Equity	51.141%	10.750%	5.498%
	100.000%		8.080%

2/ Annual depreciation rate = 2.50%

5/ Effective tax rate = 1.098%

6/ Tax Rate 37.8015% (Federal Tax Rate = 35%, State Tax Rate = 4.31%)

1- tax rate 62.1985%

**MONTANA-DAKOTA UTILITIES CO.
NORTH DAKOTA - ELECTRIC UTILITY
RESULTS OF ELECTRIC OPERATIONS
(000's)**

	Actual 2014	Twelve Mo. Ended 8/31/15 1/	Twelve Mo. Ended 8/31/15	
			Including TSW and RICE W/O Recovery 2/	Including TSW and RICE With Recovery 2/
Operating Revenues				
Sales	\$170,425	\$172,854	\$163,267	\$184,415
Reserve for Refund	(450)	(879)	(879)	(879)
Sales for Resale	442	89	89	89
Other	7,179	6,896	6,896	6,896
Total Revenues	\$177,596	\$178,960	\$169,373	\$190,521
Operating Expenses				
Operation and Maintenance				
Cost of Fuel & Purch Power	\$53,434	\$50,920	\$41,333	\$41,333
Other O&M	53,665	56,084	57,998	57,998
Total O&M	107,099	107,004	99,331	99,331
Depreciation	22,909	24,683	33,067	33,067
Taxes Other Than Income	5,580	5,916	6,592	6,592
Current Income Taxes	(12,444)	31,053	25,323	33,318
Deferred Income Taxes	21,683	(22,746)	(29,436)	(29,436)
Total Expenses	\$144,827	\$145,910	\$134,877	\$142,872
Operating Income	\$32,769	\$33,050	\$34,496	\$47,649
Average Rate Base	\$389,530	\$428,112	\$593,533	\$593,533
Return on Rate Base	8.41%	7.72%	5.81%	8.03%
Return on Equity	11.18%	10.12%	6.31%	10.65%

1/ Actual results for the twelve months ended August 31, 2015.

2/ See Exhibit 8, page 3.

**MONTANA-DAKOTA UTILITIES CO.
NORTH DAKOTA - ELECTRIC UTILITY
RESULTS OF ELECTRIC OPERATIONS
(000's)**

	Actual 2014	Twelve Mo. Ended 8/31/15 1/	Twelve Mo. Ended 8/31/15	
			Including TSW and RICE W/O Recovery 2/	Including TSW and RICE With Recovery 2/
Plant in Service				
Electric Plant in Service	\$841,577	\$901,806	\$1,085,130	\$1,085,130
Accumulated Reserve	347,809	357,484	362,025	362,025
Net Electric Plant in Service	<u>\$493,768</u>	<u>\$544,322</u>	<u>\$723,105</u>	<u>\$723,105</u>
Additions				
Materials and Supplies	\$10,221	\$10,724	\$10,724	\$10,724
Fuel Stocks	3,029	3,251	3,251	3,251
Prepayments	511	598	598	598
Unamortized Loss on Debt	3,389	3,332	3,332	3,332
Decommission of Retired Plant	(278)	(252)	(252)	(252)
Total Additions	<u>\$16,872</u>	<u>\$17,653</u>	<u>\$17,653</u>	<u>\$17,653</u>
Deductions				
Accumulated DITs	\$116,873	\$129,404	\$142,766	\$142,766
Accumulated ITCs	1,589	1,934	1,934	1,934
Customer Advances	2,648	2,525	2,525	2,525
Total Deductions	<u>\$121,110</u>	<u>\$133,863</u>	<u>\$147,225</u>	<u>\$147,225</u>
Total Average Rate Base	<u>\$389,530</u>	<u>\$428,112</u>	<u>\$593,533</u>	<u>\$593,533</u>

1/ Actual results for the twelve months ended August 31, 2015.

2/ See Exhibit 8, page 3.

**MONTANA-DAKOTA UTILITIES CO.
NORTH DAKOTA - ELECTRIC UTILITY
RESULTS OF ELECTRIC OPERATIONS
(000's)**

	Twelve Mo. Ended 8/31/15 1/	TSW and RICE Excl Recovery	Twelve Mo. Ended 8/31/15 Including TSW and RICE W/O Recovery	TSW and RICE Recovery 3/	Twelve Mo. Ended 8/31/15 Including TSW and RICE With Recovery
Operating Revenues					
Sales	\$172,854	(\$9,587) 4/	\$163,267	\$21,148	\$184,415
Reserve for Refund	(879)	0	(879)	0	(879)
Sales for Resale	89	0	89	0	89
Other	6,896	0	6,896	0	6,896
Total Revenues	<u>\$178,960</u>	<u>(\$9,587)</u>	<u>\$169,373</u>	<u>\$21,148</u>	<u>\$190,521</u>
Operating Expenses					
Operation and Maintenance					
Cost of Fuel & Purch Power	\$50,920	(\$9,587) 4/	\$41,333	\$0	\$41,333
Other O&M	56,084	1,914 2/	57,998	0	57,998
Total O&M	<u>107,004</u>	<u>(7,673)</u>	<u>99,331</u>	<u>0</u>	<u>99,331</u>
Depreciation	24,683	8,384 2/	33,067	0	33,067
Taxes Other Than Income	5,916	676 2/	6,592	0	6,592
Current Income Taxes	31,053	(5,730) 2/	25,323	7,995	33,318
Deferred Income Taxes	(22,746)	(6,690) 2/	(29,436)	0	(29,436)
Total Expenses	<u>\$145,910</u>	<u>(\$11,033)</u>	<u>\$134,877</u>	<u>\$7,995</u>	<u>\$142,872</u>
Operating Income	\$33,050	\$1,446	\$34,496	\$13,153	\$47,649
Average Rate Base	\$428,112	\$165,421 2/	\$593,533	\$0	\$593,533

1/ Actual results for the twelve months ended August 31, 2015.

2/ Exhibit 5, page 2 and 2016 information presented on Exhibit 7.

3/ 2016 revenue for Thunder Spirit of \$14,603,485, RICE of \$4,560,978 and incremental Heskett III of \$1,983,188 (\$4,733,658 less actual GRRR revenue through 8/31/2015 of \$2,750,470). Exhibit 3, page 2 and Exhibit 7.

4/ Thunder Spirit generation offsets purchased power priced at the avoided cost (425,648 MWH * \$32.96/MW * ND allocation of 68.336137% = \$9,587,000).

**MONTANA-DAKOTA UTILITIES CO.
NORTH DAKOTA - ELECTRIC UTILITY
RESULTS OF ELECTRIC OPERATIONS
(000's)**

<u>Ratio</u>	2014	Projected 2015	Projected 2016
Long Term Debt	42.554%	42.125%	41.250%
Short Term Debt	4.017%	6.476%	6.483%
Preferred Stock	1.662%	1.272%	1.126%
Common Equity	51.767%	50.127%	51.141%
Total	<u>100.000%</u>	<u>100.000%</u>	<u>100.000%</u>
<u>Cost</u>			
Long Term Debt	5.870%	5.945%	5.777%
Short Term Debt	1.213%	1.345%	2.274%
Preferred Stock	4.583%	4.579%	4.574%
Common Equity	10.750%	10.750%	10.750%
<u>Weighted</u>			
Long Term Debt	2.498%	2.504%	2.383%
Short Term Debt	0.049%	0.087%	0.147%
Preferred Stock	0.076%	0.058%	0.052%
Common Equity	5.565%	5.389%	5.498%
	<u>8.188%</u>	<u>8.038%</u>	<u>8.080%</u>

**MONTANA-DAKOTA UTILITIES CO.
ANNUAL REPORT
TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

Line #	Description	(B) 12 mos. ended August 2015	(D) 2014	(E) Variance (B-D/D)
<u>Operating Revenues:</u>				
1	Residential	\$69,082,603	\$68,998,361	0.12%
2	Small General	11,661,974	13,120,054	-11.11%
3	Large General	86,793,829	83,564,803	3.86%
4	Lighting Service	2,211,019	2,231,045	-0.90%
5	Municipal Pumping Service	2,549,917	2,492,498	2.30%
6	Sales for Resale	88,892	442,000	-79.89%
7	Margin Sharing Adjustment	0	0	0.00%
8	Other Operating Revenues	6,896,060	7,179,001	-3.94%
9	Unbilled Revenue	554,968	17,954	2991.05%
10	Reserve for Refunds	(879,018)	(450,000)	95.34%
11	Total Operating Revenues	<u>\$178,960,244</u>	<u>\$177,595,716</u>	0.77%
<u>Operating Expenses:</u>				
12	Production Expense	\$69,415,724	\$70,652,653	-1.75%
13	Transmission Expense	10,044,578	10,449,434	-3.87%
14	Distribution Expense	10,481,495	10,199,036	2.77%
15	Customer Accounts Expense	2,586,469	2,524,482	2.46%
16	Customer Service & Info. Exp.	172,460	175,402	-1.68%
17	Sales Expense	64,416	104,573	-38.40%
18	Administration & General Exp.	14,238,973	12,993,192	9.59%
19	Depreciation Expense	24,683,488	22,909,594	7.74%
20	Taxes Other than Income	5,915,575	5,579,666	6.02%
21	Total Operating Expenses	<u>\$137,603,178</u>	<u>\$135,588,032</u>	1.49%
23	Net Operating Income			
24	before Income Taxes	\$41,357,066	\$42,007,684	-1.55%
<u>Income Tax Expense:</u>				
25	Investment Tax Credits			
26	Deferred Income Taxes	(\$22,745,716)	\$21,683,004	-204.90%
27	Income Taxes	31,052,563	(12,444,065)	-349.54%
28	Total Income Tax Expense	<u>\$8,306,847</u>	<u>\$9,238,939</u>	-10.09%
29	Net Regulated Earnings	<u><u>\$33,050,219</u></u>	<u><u>\$32,768,745</u></u>	0.86%

**MONTANA-DAKOTA UTILITIES CO.
ANNUAL REPORT
TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

Line #	Description	(B) 12 mos. ended August 2015	(D) 2014	(E) Variance (B-D/D)
	<u>Rate Base:</u>			
1	Plant in Service	\$852,504,573	\$805,067,067	5.89%
2	Less: Accumulated Depreciation	357,484,063	347,808,727	2.78%
3	CWIP AQCS-Big Stone	49,301,200	36,509,377	35.04%
4	Net Plant in Service	<u>\$544,321,710</u>	<u>\$493,767,717</u>	10.24%
	<u>Additions:</u>			
5	Materials and Supplies 1/	\$10,724,363	\$10,221,083	4.92%
6	Fuel Stocks 1/	3,250,664	3,028,969	7.32%
7	Prepayments 1/	597,814	511,598	16.85%
8	Unamortized Loss on Debt	3,332,451	3,388,879	-1.67%
9	Decommissioning of Retired Plants	(251,696)	(277,847)	-9.41%
10	Total Additions	<u>\$17,653,596</u>	<u>\$16,872,682</u>	4.63%
	<u>Deductions:</u>			
11	Accum. Deferred Income Taxes	\$129,404,042	\$116,873,129	10.72%
12	Accumulated Deferred ITCs	1,933,330	1,589,533	21.63%
13	Cust. Advances for Construct. 1/	2,525,223	2,647,553	-4.62%
14	Total Deductions	<u>\$133,862,595</u>	<u>\$121,110,215</u>	10.53%
15	Average Rate Base	<u>\$428,112,711</u>	<u>\$389,530,184</u>	9.90%
16	Rate of Return on Avg. Rate Base	7.720%	8.412%	
17	Less: Weighted Cost of Debt 2/	2.591%	2.547%	
18	Weighted Cost of Pref. Stock 2/	<u>0.058%</u>	<u>0.076%</u>	
19	Weighted Return on Equity	5.071%	5.789%	
20	% of Equity to Capital Structure 2/	<u>50.127%</u>	<u>51.769%</u>	
21	Return on Equity	<u>10.116%</u>	<u>11.182%</u>	

1/ Thirteen month average.

2/ Projected average 2015.