

MONTANA-DAKOTA UTILITIES CO.

A Division of MDU Resources Group, Inc.

Before the North Dakota Public Service Commission

Case No. PU-16-\_\_\_\_  
Direct Testimony  
of  
Travis R. Jacobson

1 Q. **Would you please state your name and business address?**

2 A. Yes. My name is Travis R. Jacobson and my business address is  
3 400 North Fourth Street, Bismarck, North Dakota 58501.

4 Q. **What is your position with Montana-Dakota Utilities Co.?**

5 A. I am the Regulatory Analysis Manager for Montana-Dakota Utilities  
6 Co. (Montana-Dakota), a Division of MDU Resources Group, Inc.

7 Q. **Would you please describe your duties as Regulatory Analysis  
8 Manager?**

9 A. I am responsible for the preparation of cost of service studies, fuel  
10 cost adjustments, purchased gas cost adjustments, and gas tracking  
11 adjustments in each of the jurisdictions in which Montana-Dakota  
12 operates.

13 Q. **Would you please describe your education and professional  
14 background?**

15 A. I graduated from Minot State University with a Bachelor of Science  
16 degree in Accounting and I am a Certified Public Accountant (CPA). I  
17 started my career with Montana-Dakota in 1999 as a financial analyst in

1 the Financial Reporting area and during my tenure with the Company  
2 have held positions of increasing responsibility, including Supervisor,  
3 Financial Reporting and Planning and Manager, Financial Reporting and  
4 Planning before attaining my current position.

5 **Q. Have you testified in other proceedings before regulatory bodies?**

6 A. Yes. I have previously presented testimony before this  
7 Commission, the Public Service Commissions of Montana and Wyoming  
8 and the Public Utilities Commissions of Minnesota and South Dakota.

9 **Q. Are you familiar with the books and records of Montana-Dakota and  
10 the manner in which they are kept?**

11 A. Yes. Montana-Dakota's books and records are kept in accordance  
12 with the Federal Energy Regulatory Commission (FERC) Uniform System  
13 of Accounts (US of A).

14 **Q. What is the purpose of your testimony in this proceeding?**

15 A. The purpose of my testimony is to present the per books cost of  
16 service for the twelve months ended December 31, 2015 for North Dakota  
17 electric operations, the projected cost of service for 2016 and 2017, the  
18 calculation of the revenue deficiency for base rates, the calculation of the  
19 revenue deficiency for the Renewable Resource Cost Adjustment, the  
20 calculation of the revenue necessary to recover transmission service  
21 charges under the Transmission Cost Adjustment (TCA), and the  
22 calculation of the revenue requirement underlying the interim request.

23 **Q. What statements, schedules and exhibits are you sponsoring?**

1 A. I am sponsoring Statements A through C, Statements E through L,  
2 the calculation of the additional revenue requirement presented in Exhibit  
3 No.\_\_(TRJ-1), the interim revenue requirement presented in Exhibit  
4 No.\_\_(TRJ-2) and the proposed Rate 58 Fuel and Purchased Power  
5 Adjustment presented in Exhibit No.\_\_(TRJ-3).

6 **Q. Were these statements and exhibits prepared by you or under your**  
7 **direct supervision?**

8 A. Yes, they were.

9 **Revenue Requirement**

10 **Q. What were the results of North Dakota electric operations for 2015?**

11 A. Statement J, pages 1 and 2 show the per books income statement  
12 and rate base for the total Company and for the North Dakota electric  
13 operations for 2015. As shown on page 1, North Dakota electric  
14 operations had a return on average rate base of 5.955 percent for the  
15 twelve months ended December 31, 2015. The details for each line item,  
16 e.g. sales revenue, other revenue, etc., are included in the referenced  
17 Statements. The per books information presented on Statement J, pages  
18 1 and 2 includes total electric operations, including all revenues, expenses  
19 and rate base items for which the Company is receiving recovery through  
20 rates approved in its last general rate case as well as all revenues  
21 received through the transmission, environmental, generation and  
22 renewable riders.

23 **Q. How was the per books cost of service allocated to North Dakota?**

1 A. The Company utilizes a jurisdictional accounting system that  
2 directly assigns and/or allocates every item of revenue, expense and rate  
3 base to the jurisdictions as part of the regular accounting process on a  
4 monthly basis. The allocation methods and procedures are the same as  
5 those that have previously been used in Commission proceedings and are  
6 based on the principle of assigning and/or allocating costs to the cost  
7 causer.

8 **Q. What test period are you using to determine the revenue**  
9 **requirement?**

10 A. The revenue requirement is based on a projected average 2017  
11 test period. As stated by Ms. Kivisto, the primary reason for the increase  
12 is due to the investment in facilities placed in service, along with the  
13 associated expenses, since the Company's last general rate case in 2010  
14 which were not included in base rates and have not been placed in the  
15 previously mentioned riders. The Company has also seen an increase in  
16 operation and maintenance expenses over that same time frame.

17 Montana-Dakota is using a future test year in accordance with  
18 North Dakota Century Code §49-05-04.1.

19 **Q. Would you describe the development of the projected cost of service**  
20 **for 2016 and 2017?**

21 A. The projected 2016 and 2017 cost of service is presented in  
22 Statement K, which contains all of the schedules supporting the income  
23 statement, and Statement L, which contains all of the schedules

1 supporting the rate base. The revenues and expenses reflect the annual  
2 level expected when the new rates become effective. Likewise, the rate  
3 base reflects average 2016 and 2017 plant and related balances.

4 **Q. Would you provide background on current rates and how they are**  
5 **presented for per books 2015?**

6 A. Yes. Montana-Dakota's last general electric rate case was Docket  
7 No. PU-10-124 which was filed on April 19, 2010 with final rates effective  
8 on July 22, 2011. Since that time, Montana-Dakota has implemented four  
9 riders, specifically the Renewable Resource Cost Adjustment, the  
10 Generation Resource Recovery Rider, the Environmental Cost Recovery  
11 Rider, and the Transmission Cost Adjustment, to recover costs not  
12 reflected in rates authorized in PU-10-124. The 2015 per books  
13 information is inclusive of the Company's riders and is summarized on  
14 Statement K, page 1.

15 **Q. Would you provide a history of each rider discussed above?**

16 A. Yes. The Renewable Resource Cost Adjustment (Renewable Rider)  
17 was authorized effective January 7, 2016 in Case No. PU-15-704 and  
18 recovers costs associated with renewable generation resource  
19 modifications or additions approved by the Commission, but not recovered  
20 through retail rates. At this time, the 107.5 MW Thunder Spirit wind  
21 facility that went on-line in December 2015 is recovered through the  
22 Renewable Rider.

1           The Generation Resource Recovery Rider (Resource Recovery  
2 Rider) was authorized effective January 6, 2015 and recovers the costs of  
3 generation resources approved by the Commission but not included in  
4 retail rates. The latest update to the Resource Recovery Rider was  
5 effective March 15, 2016 in Case No. PU-15-703. The rates authorized in  
6 the Resource Recovery Rider in Case No. PU-15-703 included a true-up  
7 to the Heskett III revenue requirement initially approved to be effective  
8 January 9, 2015 in Case No. PU-14-109 and the addition of the  
9 Reciprocating Internal Combustion Engines (RICE) units co-located with  
10 the Lewis & Clark Generating Station.

11           The Environmental Cost Recovery Rider was initiated on January  
12 15, 2014 and recovers the costs incurred by the Company in complying  
13 with federal and state environmental mandates determined to be eligible  
14 for recovery under NDCC 49-05-04.2. The latest change to the  
15 Environmental Rider was effective July 1, 2015 in Case No. PU-15-143 at  
16 which time construction work in progress associated with the Air Quality  
17 Control System (AQCS) project at the Big Stone Generating Station was  
18 updated and the Mercury and Air Toxic Standards (MATS) project at the  
19 Lewis & Clark Generating Station that went into service in December 2015  
20 was included in the rider. As more fully described by Company witness  
21 Mr. Alan Welte, the AQCS project at the Big Stone Generation Station is  
22 complete and was placed into service in December 2015.

1           The Transmission Cost Adjustment (TCA) was initiated on June 1,  
2 2012 and recovers the net balance of the capital, operating costs and  
3 revenue credits of Montana-Dakota's transmission related expenses and  
4 revenues determined to be eligible for recovery in accordance with 49-05-  
5 04.3 NDCC. The latest change to the TCA was effective February 12,  
6 2016 in Case No. PU-15-747. In that case, the Company included actual  
7 transmission-related costs for the twelve months ended August 31, 2015  
8 and projected costs through December 31, 2016 for recovery through the  
9 TCA. Montana-Dakota included two transmission projects for recovery  
10 under the TCA approved in Case No. PU-15-747: 1) The Kenmare to  
11 Lignite 115 kV transmission line built for reliability purposes and to serve  
12 load growth in Burke and Divide counties; and 2) The Little Muddy 60 kV  
13 double circuit line built to create a looped transmission system around  
14 Williston, North Dakota to increase reliability and load serving capability. A  
15 substation was also built to connect the double circuit line to the 115 kV  
16 transmission system northeast of Williston. In addition to the transmission  
17 projects, MISO related transmission charges and credits were included in  
18 the TCA to the extent the charges and credits were in excess of the  
19 amount included in base rates in the last general electric rate case.

20

21 **Q.    Would you now describe the proposed changes to each of the riders**  
22 **just discussed?**

1           Yes. The Company is proposing to move the other two wind  
2 projects that are currently being recovered in base electric retail rates, the  
3 Diamond Willow wind facility and the Cedar Hills wind facility, to the  
4 Renewable Rider for cost recovery upon the conclusion of this case.  
5 Currently only Thunder Spirit is included so this will result in all wind  
6 facilities being recovered through the Renewable Rider. A full revenue  
7 requirement has been projected to include the Thunder Spirit, Diamond  
8 Willow and Cedar Hills wind facilities and the expenses associated with  
9 each facility, including production tax credits (PTCs). The overall cost of  
10 service is presented in Statement J, page 4. Throughout Statement K,  
11 each item on the income statement will be presented in detail with a clear  
12 demonstration of the level of revenue and expense which was  
13 experienced and included in actual 2015 data. Statement L-2 will present  
14 all rate base items applicable to the renewable (wind) rider, including per  
15 books 2015. The Company is proposing to make a change in the  
16 development of the rate base in this rider from an average monthly  
17 balance to a beginning and ending period balance and will be discussed in  
18 more detail in my testimony supporting Statement L-2.

19           The Company is proposing to include Heskett III and RICE,  
20 currently recovered through the Resource Recovery Rider, in the base  
21 retail electric rates which will result in no charge applicable under the  
22 Resource Recovery Rider at the time a final order is issued in this case.

1           Regarding the Environmental Cost Recovery, the Company is  
2 proposing to include both of the projects currently included in this rider in  
3 base retail electric rates, which will result in no charge applicable under  
4 the Environmental Cost Recovery Rider at the time a final order is issued  
5 in this case.

6           Finally, Montana-Dakota is proposing to recover all MISO related  
7 transmission expense and credits through the TCA along with the addition  
8 of Southwest Power Pool (SPP) related transmission expenses and  
9 credits. The Company's proposal will result in no transmission service  
10 expense or credits in base rates. Cost recovery for the two transmission  
11 projects noted above has been moved into the base retail rates as part of  
12 this request and transmission service expense and credits currently  
13 recovered in base rates will be moved to the TCA. FERC assessment  
14 fees received through MISO and SPP, which have not previously been  
15 recovered through this mechanism, are proposed to be moved from base  
16 rates to the TCA as well.

17           The overall cost of service for the Transmission Cost Adjustment is  
18 presented in Statement J, page 5. Throughout Statement K, each item on  
19 the income statement will be presented in detail with a clear  
20 demonstration of the level of revenue and expense which was  
21 experienced and included in actual 2015 data. Again, the Company is not  
22 proposing to include rate base items at this time.

1 Q. Would you summarize the development of the projected cost of  
2 service for 2016 and 2017?

3 A. Statement K, page 1 presents the projected cost of service for 2016  
4 and 2017 for base rates with the generation and environmental riders, as  
5 well as the assets formerly included in the transmission tracker, and  
6 Statement L-1 presents the rate base for the same. Statement K, page 2  
7 presents the cost of service for 2016 and 2017 for the renewable (wind)  
8 rider and Statement L-2 presents the rate base for the same. Finally,  
9 Statement K, page 3 presents the projected cost of service for the  
10 transmission rider.

11 **Income Statement**

12 Q. Would you describe the development of the projected revenues and  
13 expenses contained in Statement K?

14 A. Revenue was developed for inclusion in base rates, the renewable  
15 rider (wind) and the transmission rider. Each will be discussed individually.

16 **Base Rates:** The projected base revenues for 2016 and 2017 are  
17 summarized on Statement K, page 4. The retail sales revenues reflect  
18 projected volumes at current rates, including the environmental and  
19 generation rider revenue, again at current rates, and are shown in more  
20 detail on page 5.

21 The Company experienced a small amount of sales for resale  
22 revenue during 2015. While the addition of the Thunder Spirit wind facility  
23 is expected to increase the sales for resale revenue received, Montana-

1 Dakota continues to propose that revenue from sales for resale offset the  
2 costs included in the fuel and purchased power adjustment and, therefore,  
3 no projection has been included.

4 Other operating revenues are projected to decrease as detailed on  
5 page 11. Revenue from both the power interchange service agreement  
6 and the joint use agreement with Basin Electric Power Cooperative  
7 (Basin) ceased during 2015 upon their joining the SPP. Rent from  
8 property decreased due to the Company's elimination of housing  
9 assistance to employees in certain locations as housing has become more  
10 readily available at more reasonable rates in those locations. Company  
11 owned housing units have been disposed of and will be discussed later in  
12 my testimony. The cost of service charged to MDU Resources Group, Inc.  
13 subsidiaries was updated to reflect current corporate cross charges and  
14 Montana-Dakota's current investment level. The Company continues to  
15 propose that revenue from the sale of renewable energy credits (RECs)  
16 offset the costs included in the fuel and purchased power adjustment and,  
17 therefore, are excluded from Miscellaneous Revenue.

18 Late payment revenues were projected for 2016 and 2017 based  
19 on the 2015 ratio of late payment revenue to retail sales revenue of 0.12  
20 percent applied to projected 2016-2017 retail sales revenue including the  
21 projected revenue from the renewable and transmission riders.

1                   **Renewable (wind) rider:** The retail sales revenue included in the  
2 renewable rider is based on projected volumes at the current rates and is  
3 shown on page 6.

4                   **Transmission rider:** The retail sales revenue included in the  
5 transmission rider is based on projected volumes at the current rates and  
6 is also shown on page 6. In addition, miscellaneous revenue received  
7 through MISO, SPP and Basin is presented on page 12. Montana-Dakota  
8 receives revenue from others for use of its ownership of transmission  
9 assets. These revenues are included in the transmission rider as an offset  
10 to transmission expense as discussed later in my testimony.

11 **Q. Have you updated the fuel and purchased power costs?**

12 A.               Yes. The fuel and purchased power cost adjustment has been  
13 included on Statement K, page 22. The Company's dispatching software  
14 has been updated to model generation by plant based on the projected  
15 sales adjusted for losses to represent total generation and power  
16 purchase requirements and has been updated to reflect projected cost  
17 assumptions and purchased power prices. The fuel and purchased power  
18 cost adjustment has been computed in total and has been allocated to  
19 both primary and secondary sales classes for the purposes of determining  
20 the recovery in revenue on a per unit basis.

21 **Q. Have you made any changes to the fuel and purchased power costs**  
22 **and if so would you describe?**

1 A. Yes, the Company is proposing to update the base fuel and  
2 purchased power cost, again in both primary and secondary classes, to  
3 reflect current cost projections and other changes that have taken place  
4 since the last general rate case. The changes referenced include additions  
5 to the generation fleet, the level of purchased power, and the amount of  
6 purchased capacity as well as current MISO market administration  
7 charges and current pipeline reservation charges related to Heskett III and  
8 RICE gas turbines.

9 In addition to updating currently recovered expenses, Montana-  
10 Dakota is proposing to recover emissions controls costs necessary to  
11 comply with the Federal Environmental Protection Agency's (EPA) MATS  
12 Rules through the fuel and purchased power adjustment mechanism. The  
13 emissions controls costs are associated with the use of reagents to reduce  
14 mercury emissions, and also discussed in the testimony of Alan L. Welte.  
15 Sand, along with limestone, is used to reduce sulfur dioxide emissions at  
16 Heskett Unit 2 . Reagent expenses are being incurred at Big Stone  
17 Station subsequent to the completion of the AQCS project and are also  
18 required at the Lewis & Clark Station and the RICE units, both located  
19 near Sidney, Montana as well as the Coyote Station, located near Beulah,  
20 North Dakota. Montana-Dakota's other generating facilities do not  
21 currently require the use of reagents to comply with the MATS rule. The  
22 quantity of reagents and sand at the generating facilities fluctuates directly  
23 in relation to the operation of the facilities, similar to fuel costs. The

1 majority of these charges are relatively new costs to the Company and the  
2 incurrence of these costs is necessary to meet newly implemented  
3 emissions rules. Montana-Dakota is proposing to reclassify the existing  
4 reagent costs from other operation and maintenance expenses.

5 Previously, reagent costs were a component of other O&M costs and this  
6 proposed change results in a shift in recovery from O&M to Fuel. The  
7 projected fuel & purchased power costs, with proposed changes above,  
8 have been used in the calculation of retail sales revenue discussed earlier.

9 The proposed Rate 58 Fuel and Purchased Power Adjustment tariff  
10 is included as Exhibit No. \_\_\_\_ (TRJ-3) and is also included in the  
11 Company's Application, Appendix B.

12 **Q. Would you describe the development of the other operation and**  
13 **maintenance expenses?**

14 A. Yes. The projected 2016 and 2017 operation and maintenance  
15 (O&M) expenses are summarized on Statement K, pages 13 through 21,  
16 with the supporting detail provided on pages 22 through 40.

17 **Q. Would you describe the development of the projected other O&M**  
18 **expense?**

19 A. Yes. O&M expenses were reviewed and projected by resource, or  
20 cost category, on a North Dakota only basis where appropriate and others  
21 on a total Company basis. Montana-Dakota developed the O&M expenses  
22 for 2016 by reviewing per books data and other current information, as  
23 well as discussions with operations personnel to determine the best

1 information for 2016. 2017 was extrapolated based on 2016 projections.  
2 Similar to the projected 2016 and 2017 revenue, O&M expenses were  
3 developed individually for base rates, the renewable rider (wind) and the  
4 transmission rider, as applicable. Certain resources may have only base  
5 rate impacts whereas others may affect all three categories. Each will be  
6 discussed individually.

7 **Q. Would you describe the development of the labor and benefits**  
8 **expense?**

9 A. Yes. Labor expense, inclusive of all resources (i.e. straight and  
10 premium time, incentive, vacation, etc.), is shown on page 23, with actual  
11 labor expense for the twelve months ended December 31, 2015 used as  
12 the starting point. Labor is also a component of the renewable (wind)  
13 tracker. As such, the per books 2015 labor is shown in total and as  
14 applicable to base rates and the renewable (wind) tracker, and each was  
15 developed on a stand-alone basis. In each instance where per books  
16 information applies to more than one mechanism, the presentation will be  
17 consistent.

18 **Base Rates:** The 2016 labor expense was calculated by increasing  
19 2015 actual expense by a projected 6.64 percent. The 2016 increase was  
20 calculated based on the actual labor increase for both union and non-  
21 union employees during 2016 and an average planned level of incentives  
22 for all employees. During the preparation of the labor adjustment, it was  
23 determined that the transmission function labor expense was understated

1 due to an allocation error. Therefore, in the development of the projected  
2 2016 expense, an increase in transmission labor of \$156,837 was  
3 reflected prior to incorporating the labor increase described above. The  
4 increase in labor from per books 2015 to projected 2016 reflects the  
5 absence of incentive compensation during 2015 whereas projected 2016  
6 reflects an average planned level of incentive. 2017 was adjusted to  
7 reflect an average increase of 3.40 percent pursuant to a negotiated union  
8 contract for bargaining unit employees and the expected increase for non-  
9 bargaining unit employees to be effective in 2017.

10 **Renewable (Wind) Rider:** Thunder Spirit became commercially  
11 operational at the end of 2015. Therefore, per books 2015 labor was not  
12 reflective of an ongoing level of expense necessary to operate and  
13 maintain Montana-Dakota's three wind generating facilities. In order to  
14 determine an appropriate level of expense for 2016, the level of expense  
15 incurred through June 2016 was annualized and includes the appropriate  
16 level of salary for 2016 and also captures additional employees hired  
17 during 2016. Incentive compensation expenses were added to the 2016  
18 annualized labor to determine the total labor for 2016. 2017 was adjusted  
19 by 3.4 percent in a manner consistent with base rate labor.

20 Benefits are a component of Administrative & General Expenses  
21 and are shown on page 24. Benefits expense consists of medical/dental  
22 insurance, pension, post-retirement, 401-K, workers' compensation and  
23 other benefits (primarily disability insurance). Each of these items was

1 adjusted individually and base rates and the renewable (wind) rider were  
2 considered separately as well.

3 **Base Rates:** 2016 medical and dental expense was adjusted to  
4 reflect a premium increase of 4.8 percent which became effective in  
5 January 2016. 2017 medical and dental expense were projected to  
6 increase 16.3 percent based on shortfalls incurred during 2016 and  
7 medical trend data available at the time the case was prepared.

8 Pension and post-retirement changes for 2016 and 2017 were  
9 based on actuarial reports. The Company has implemented changes to  
10 the pension and post-retirement plans in recent years to minimize ongoing  
11 expenses. For example, changes include closing the pension plan to new  
12 entrants and freezing benefits levels. While the fluctuations appear to be  
13 significant on a percentage basis, the total change in expense is only  
14 \$104,309 for both pension and post-retirement when comparing the per  
15 books 2015 level to the 2017 projection.

16 401-K and other benefits expenses has been adjusted to reflect the  
17 changes in straight-time labor for both 2016 and 2017. 401-K was also  
18 adjusted by an additional 1 percent to reflect a plan change in the  
19 matching amount of Company contributions into the employees' 401-K  
20 accounts. Workers' compensation was based on the ratio of 2015  
21 expense to 2015 labor.

22 **Renewable (Wind) Rider:** 2016 medical and dental expense was  
23 determined based on a loading factor of 12.18 percent which was

1 determined as a ratio of total medical and dental costs compared to labor  
2 and was used because of the change in the number of employees  
3 supporting the wind facilities upon full operation of Thunder Spirit wind.  
4 2017 medical and dental expense was computed on the same basis as  
5 the base rates.

6 Pension and post-retirement were also developed on the same  
7 basis as the base rates while 2016 401-K expense reflects 9 percent of  
8 labor and consists of 5 percent of an in-lieu of pension contribution and 4  
9 percent Company match. 2017 401-K expense was developed on the  
10 same basis as base rates. Workers' compensation was based on the per  
11 books 2015 ratio of workers' compensation expense to labor for wind  
12 employees only and other benefits were based on the same ratio as base  
13 rates. Projected 2017 for both workers' compensation and other benefits  
14 were developed on the same basis as base rates as well.

15 **Q. Would you describe the other projected O&M expense items?**

16 **A.** Yes. The projected subcontract labor expense for 2016 and 2017  
17 was developed for base rates, renewable (wind) rider and the  
18 transmission rider and is shown on page 25.

19 **Base rates:** Subcontract labor was adjusted to reflect an average  
20 projected inflation rate of 1.19 percent, except Administrative & General  
21 expenses which were adjusted to reflect additional costs related to the  
22 Company's aircraft and hangar as well as increases in rating agency fees,

1 both of which are based on actual 2016 information. Projected 2017  
2 reflects an increase of 1.85 percent.

3 To determine the inflation projections for 2016 and 2017, the  
4 Company computed an average of projected inflation estimates from the  
5 following sources: Congressional Budget Office, Federal Reserve Bank of  
6 Cleveland, Organization for Economic Cooperation and Development,  
7 PriceWaterhouse Coopers (PWC), Federal Reserve Economic Data,  
8 Economist Intelligence Unit, Statista, and the International Monetary Fund.

9 **Transmission Rider:** Transmission service expense included in  
10 the subcontract labor resource has been adjusted to reflect projected the  
11 2016 and 2017 level of expense for transmission service expected to be  
12 incurred based on the level of sales included in the revenue projections.  
13 Additional detail by MISO and SPP schedule can be found on page 26.

14 **Renewable (Wind) Rider:** Projected 2016 subcontract labor for  
15 each wind facility was developed based on a three-year average of  
16 subcontract labor for Diamond Willow and Cedar Hills and based on  
17 expected subcontract labor obligations at Thunder Spirit. The primary  
18 contract at Thunder Spirit is related to a maintenance service  
19 arrangement.

20 Expenses associated with the Company's Big Stone and Coyote  
21 generating stations are based on expected 2016 actual expenses. 2017  
22 was adjusted to reflect an inflation adjustment of 1.85 percent. The per  
23 books expense for both stations was not reflective of on-going expenses

1 due to the implementation of the AQCS project at Big Stone and an  
2 extended reduced run time at Coyote because of a damaged pump.

3 Materials expense also impacts base rates and the renewable  
4 (wind) rider.

5 **Base Rates:** The projected 2016 level of materials expense was  
6 determined to remain at the per books 2015 level except distribution  
7 materials which are expected to increase at 3.0 percent. Projected 2017  
8 is expected to increase based on an average inflation of 1.85 percent,  
9 except a rate of 3.0 percent will again be applied to the distribution  
10 function.

11 **Renewable (Wind) Rider:** Materials expense for Diamond Willow  
12 and Cedar Hills has been adjusted to reflect a three-year average of  
13 expenses and Thunder Spirit has be adjusted to reflect the expected level  
14 of materials for the first year of full operations. The majority of materials  
15 are expected to be covered under the turbine supply agreement during  
16 2016. 2017 has been adjusted to reflect an inflationary increase of 1.85  
17 percent except Thunder Spirit was adjusted to reflect expected materials  
18 expense.

19 Vehicles and work equipment expense reflects all expenses  
20 associated with the Company's vehicles and equipment, such as  
21 backhoes, skid steers and line trucks, including the costs of fuel,  
22 insurance, maintenance and depreciation expense. The depreciation  
23 expense on these items is charged to a clearing account (rather than to

1 depreciation expense), where it is then recorded in O&M expense or  
2 capitalized as part of a project as the vehicle or work equipment is used.  
3 The projected expense is updated based on the projected plant and the  
4 depreciation rates in Statement L-1. An increase in projected 2016 and  
5 projected 2017 vehicles and work equipment expense is exhibited for both  
6 base rates and the renewable (wind) rider on page 29 and have been  
7 computed using the same method.

8 The facilities charge expense in the transmission function has been  
9 eliminated reflecting the removal of charges previously related to the joint  
10 use agreement that ceased upon Basin becoming a member of the SPP.  
11 The testimony of Mr. D. Neigum further discusses the impact of Basin's  
12 membership in SPP. The Company will continue to have a small number  
13 of facility use agreements on the distribution system and they are  
14 expected to remain at the 2015 per books level.

15 Company consumption is the expense for electric and natural gas  
16 consumption in Company owned buildings. The electric component is  
17 projected to increase for 2016 and 2017 based on the proposed overall  
18 retail sales revenue increase. The natural gas component is expected to  
19 decrease by 17.74 percent in 2016 to reflect normalized volumes and  
20 current rates. The decrease is primarily related to the lower level of  
21 natural gas prices included in the purchased gas adjustment at this time.  
22 Natural gas consumption is expected to remain constant for 2017.

1 Postage expense does affect both base rates and the renewable  
2 (wind) rider. However, postage directly associated with customer billing  
3 and included in the Customer Accounting function has been adjusted for  
4 2016 or 2017 whereas the wind facility postage was not adjusted. 2016  
5 reflects the annualized postage savings based on the year-end 2015 level  
6 of customers utilizing the electronic billing option available subsequent to  
7 the implementation of the Company's new customer information system. A  
8 postage rate increase of 2.15 percent is reflected in the 2017 projected  
9 Customer Accounting function postage expense.

10 Uncollectible accounts expense is based on the ratio of the three-  
11 year average of net write-offs to retail sales revenue. This ratio was then  
12 applied to the projected 2016 and 2017 sales revenues, including revenue  
13 collected in all currently effective riders.

14 Advertising expense is shown on page 34. Promotional advertising  
15 expense has been eliminated and informational and institutional  
16 advertising are adjusted to exclude advertising that is not applicable to  
17 North Dakota electric operations.

18 **Q. Would you please continue with your explanation of adjustments to**  
19 **operation and maintenance expenses?**

20 **A.** Yes. Industry dues reflect the projected level of industry dues and  
21 those dues that are not specifically applicable to North Dakota electric  
22 operations have been eliminated.

1 Insurance expense reflects the current insurance level for 2016 and  
2 has been adjusted to reflect an increase of 5.0 percent for 2017.

3 Regulatory Commission Expense, as shown on page 37, reflects a  
4 three-year average of ongoing regulatory commission expense, the  
5 expenses to be incurred in this filing, amortized over a three-year period,  
6 and has been adjusted to reflect the expected level of FERC assessment  
7 fees that are proposed to be collected through the transmission rider. This  
8 is a change from the current approach of including these charges in the  
9 base rates. FERC assessment fees are based on a volumetric basis  
10 consistent with other transmission charges. Therefore, the Company  
11 proposes that recovery through the transmission rider is appropriate.

12 Software maintenance has been adjusted to reflect the 2016 level  
13 of expenses and has increased because of new software agreements as  
14 well as existing software agreements being expensed rather than being  
15 capitalized as the assets are now in service whereas they were previously  
16 included in CWIP. 2017 has been adjusted to reflect inflation of 1.85  
17 percent.

18 Annual easement expense in the production function has been  
19 included in the renewable (wind) rider while all other easement expenses  
20 will remain in the base rates. Annual easements for 2016 and 2017  
21 included in base rates have been increased to reflect the forecast inflation  
22 rates of 1.19 and 1.85 percent, respectively. The annual easements for

1 the renewable (wind) rider have been adjusted based on the easement  
2 agreements for each wind facility.

3 The items adjusted individually above represent approximately 97  
4 percent of total North Dakota electric O&M. The remaining items, which  
5 make up approximately 3 percent of other O&M expense and shown on  
6 page 40, were adjusted for the effects of projected inflation for 2016 and  
7 2017 as well as changes in MDU Resources corporate governance costs  
8 to reflect 2016 actual charges.

9 **Q. Would you describe the calculation of depreciation expense?**

10 A. Yes. Projected depreciation expense is summarized on Statement  
11 K, page 44 for all assets to be included in base rates and page 45 for wind  
12 related assets. The calculation of depreciation expense and associated  
13 accumulated reserve for depreciation is shown on pages 46 through 49.  
14 Depreciation expense is calculated on the average projected plant in  
15 service. Montana-Dakota is proposing to use depreciation rates that were  
16 developed in a depreciation study prepared by AUS Consultants at the  
17 Company's request as of December 31, 2014. Certain depreciation rates  
18 were agreed to by the Company throughout the settlement process in the  
19 rate proceedings in Montana and South Dakota and differ from the  
20 depreciation study. Montana-Dakota is proposing to use the settled rates  
21 approved in those same states. Montana-Dakota has an integrated  
22 electric system which includes North Dakota, South Dakota and Montana

1 and has proposed the rates to provide for consistent depreciation rates  
2 across the entire integrated system.

3 Montana-Dakota has historically used a 20 year life for its wind  
4 facilities, including the renewable (wind) rider in North Dakota. In the  
5 settlements mentioned above, the Company has agreed to extend the  
6 depreciable lives of wind facilities to 25 years, including Thunder Spirit and  
7 the proposed revenue requirement for the renewable (wind) rider reflects  
8 the change.

9 The depreciation rates are shown on Statement G, with a summary  
10 of composite rates by function on page 2.

11 Two additional amortizations are also being proposed to be  
12 collected through the depreciation expense line. Decommissioning of  
13 power plants and an amortization of gains and losses related to the  
14 disposal of office buildings and Company owned employee housing have  
15 been reflected with various amortization lives. Each will be covered in  
16 more detail in the respective rate base discussion.

17 **Q. How were taxes other than income projected?**

18 A. Projected taxes other than income are summarized on page 50 for  
19 base rates and page 51 for the renewable (wind) rider. The methods for  
20 determining taxes other than income are consistent between the base  
21 rates and renewable (wind) rider and explained in further detail below.

22 Detail by type of tax is shown on pages 52 through 54. Ad valorem  
23 taxes were calculated using the projected 2016 and 2017 plant in service

1 and applying an effective tax rate based on the ratio of 2015 ad valorem  
2 taxes to average plant balances as of December 31, 2015 by function.  
3 The effective tax rates noted above have been adjusted to reflect the 2016  
4 Montana ad valorem tax increases as noted on page 52.

5 Projected payroll taxes were based on the ratio of payroll taxes to  
6 labor expense for 2015 and applied to the projected 2016 and 2017 labor  
7 expense to determine the projected payroll taxes.

8 Production taxes have been adjusted to reflect 2016 and 2017  
9 projected generation levels for Lewis & Clark and Thunder Spirit  
10 generation and applicable retail sales volumes. North Dakota coal  
11 conversion taxes have also been adjusted to reflect projected generation  
12 levels at the Heskett and Coyote stations.

13 All other taxes other than income have been assumed to be flat  
14 from the 2015 per books level.

15 **Q. Would you describe the calculation of federal and state income**  
16 **taxes?**

17 **A.** The projected income tax calculation for North Dakota electric  
18 operations as related to base rates and the renewable (wind) rider are  
19 shown on pages 55 and 56, respectively. Interest is deductible for tax  
20 purposes and the projected interest expense is calculated on the projected  
21 rate base using the projected debt ratio and weighted cost of debt from  
22 Statement D, page 1.

1 North Dakota federal and state income taxes are fully normalized,  
2 so the calculation of income taxes is made on the taxable income after  
3 interest, since any tax deductions would be fully offset by deferred income  
4 taxes.

5 Production tax credits for all wind generation have been included in  
6 the renewable (wind) rider and are shown on page 59.

7 **Rate Base**

8 **Q. Would you provide an overview of the development of the projected**  
9 **rate base for 2016 and 2017?**

10 A. The rate base is summarized on Statement L, page 1 and shows  
11 the 2015 actual and projected 2016 and 2017 rate base for North Dakota  
12 electric operations. Statement L, page 1 is an accumulation of Statement  
13 L-1, all rate base components included in base rates, and L-2, the rate  
14 base associated with the Company's wind facilities and included in the  
15 renewable (wind) rider.

16 Statement L-1, base rates, and Statement L-2 have been  
17 developed using a consistent method and are based on projected plant in  
18 service for 2016 and 2017. In each statement, the projected plant was  
19 developed by adding the planned capital projects to be completed during  
20 2016 to the 2015 plant in service balances. The planned capital projects  
21 have been identified through the short- and long-term planning process  
22 and include growth and replacement projects as well as those that add to  
23 reliability of service. Retirements, based on a three-year average of

1 retirements by function, were deducted and the average 2016 balance  
2 was calculated. The process was repeated for 2017.

3 The projected reserve balances were calculated using the reserve  
4 balances at December 31, 2015, adding the calculated depreciation  
5 expense and deducting retirements as determined above. The average  
6 2016 balances were then calculated and the process was repeated for  
7 2017.

8 Working capital was developed by type. Materials and supplies,  
9 fuel stocks, and prepayments were restated to a thirteen-month average.  
10 The unamortized loss of debt was calculated using the balances as of  
11 December 31, 2015, recalculating the 2016 balance along with the annual  
12 amortization to arrive at a balance for 2016. The 2015 and 2016 balances  
13 were then averaged to reflect the 2016 average unamortized loss on debt.  
14 The process was repeated to calculate the 2017 average unamortized  
15 loss on debt. The associated accumulated deferred income taxes were  
16 based on the effective tax rate of 37.8015 percent.

17 Customer advances for construction are restated to a thirteen-  
18 month average balance for 2016 and 2017 as well.

19 The projected balances for deferred income taxes were derived by  
20 adding the changes to the deferred income taxes for 2016 and 2017 to the  
21 2015 balances and calculating the average balance. The changes  
22 associated with book/tax depreciation differences (liberalized depreciation)

1 were calculated based on the projected changes due to the plant additions  
2 as well as existing plant.

3 The accumulated deferred income taxes associated with the  
4 current working capital items as well as all proposed rate base changes  
5 were also adjusted to reflect the appropriate tax treatment.

6 **Q. Would you now describe in detail the development of the projected**  
7 **rate base for 2016 and 2017 specific to the rate base to be included in**  
8 **Statement L-1 base rates?**

9 A. Yes. Statement L-1, page 1 is a summary of the per books and  
10 projected rate base. As noted, the plant in service reflects additions and  
11 retirements with a summary of the activity presented on page 3. All  
12 projected capital additions are shown on pages 4 through 11. The capital  
13 additions are shown by project, account and amount with a short  
14 description of the project indicating its intended purpose and, as  
15 applicable, whether the project is intended to support existing customers  
16 or whether the project is growth oriented. As mentioned, retirements have  
17 been considered in the final determination of plant in service as well as the  
18 accumulated reserve ending balances. The accumulated reserve balance  
19 also reflects the proposed level of depreciation in each projected year.

20 Working capital is presented as follows:

- 21 • Materials and supplies, as shown on page 14, have been adjusted
- 22 to reflect a thirteen-month average with actual balances through

1 July 2016. The prior years' ending balance has been used for the  
2 remainder of the period.

3 • Fuel stores have been adjusted in the same manner as materials  
4 and supplies.

5 • Prepaid insurance has been to reflect a thirteen-month average  
6 with actual balances through July 2016. All future period balances  
7 are based on the projected 2016-2017 insurance expense.

8 • As noted earlier, unamortized loss on debt was calculated using the  
9 balances as of December 31, 2015, recalculating the 2016 balance  
10 along with the annual amortization to arrive at a balance for 2016.

11 The 2015 and 2016 balances were then averaged to reflect the  
12 2016 average unamortized loss on debt. The process was  
13 repeated to calculate the 2017 average unamortized loss on debt.

14 • Decommissioning of retired power plants is amortized over 10  
15 years and is an offset to rate base within working capital. The  
16 annual amortization was adjusted from the balance and beginning  
17 and ending balances were used to calculate an average.

18 • Montana-Dakota is proposing to include an estimate of future  
19 decommissioning costs as shown on page 19. Substantial costs  
20 will be incurred to decommission the Company's existing  
21 generation fleet upon retirement. Montana-Dakota has contracted  
22 with outside consultants to prepare cost studies for the expected  
23 decommissioning cost for each power plant and the Company

1 proposes to recover the identified costs over the remaining life of  
2 each power plant. The total costs will be collected based on an  
3 amortization rather than a percentage of the plant balance to better  
4 match the cost and prevent over collection as a result of increases  
5 in plant value as a result of capital additions over time. As  
6 decommissioning costs are amortized and collected in rates, the  
7 balance will reduce rate base. Upon the decommissioning of a  
8 generating unit, the costs will reduce the balance collected. Finally,  
9 the amortization is proposed to be updated with each general rate  
10 case.

- 11 • During the recent period of rapid expansion related to oil  
12 development in western North Dakota, the region operations  
13 experienced a lack of housing units available to meet the number of  
14 workers necessary to fill required jobs. In many cases, Montana-  
15 Dakota was able to find an individual to fill an open position but the  
16 individual was unable to acquire housing and, therefore, was not  
17 able to accept the position offered to them. The Company found it  
18 was necessary to provide housing options, specifically  
19 manufactured homes, in order to be able to attract and retain  
20 employees. More recently, the number of housing units in the  
21 region has increased and employees have been able to find  
22 permanent housing. Therefore, the Company made the decision to  
23 dispose of all housing units. A loss was incurred upon disposal and

1 the Company is proposing to amortize the loss over a twenty-year  
2 period with the unamortized balance included in the rate base as an  
3 addition.

4 At the same time, the Company built new office buildings in  
5 Williston and Watford City. The former office buildings were  
6 disposed of at a substantial gain, in large part due to the previously  
7 mentioned oil development activity and lack of available  
8 infrastructure. Generally, gains and losses resulting from the sale  
9 of buildings is not included in the regulated earnings of the utility. In  
10 this case, Montana-Dakota has proposed to include the gain as an  
11 offset to rate base and to amortize the gain over the same twenty-  
12 year period as the losses on Company owned housing as a credit  
13 to depreciation expenses. These two items are shown on page 20.

- 14 • Finally, customer advances for construction are restated to a  
15 thirteen-month average balance for 2016 and 2017, with actuals  
16 through July 2016. Customer advances for construction are shown  
17 on page 21.

18 Accumulated deferred income taxes are shown on page 22.

19 Liberalized depreciation reflects the accumulated deferred income  
20 taxes associated with the difference between book and tax  
21 depreciation with the projected year end balances reflecting plant  
22 additions and timing differences of existing plant. All other accounts  
23 represent the change in deferred tax balances which were adjusted to

1 reflect the change in balance due to amortizations and other changes  
2 as appropriate.

3 **Q. Would you now describe in detail the development of the projected**  
4 **rate base for 2016 and 2017 specific to the rate base to be included in**  
5 **Statement L-2 renewable (wind) rider?**

6 A. Yes. Statement L-2, page 1 is a summary of the per books and  
7 projected rate base for the Company's three wind generating facilities,  
8 specifically Diamond Willow, Cedar Hills, and Thunder Spirit.

9 Currently, Rate 55 Renewable Resource Cost Adjustment includes  
10 only assets associated with the Thunder Spirit facility. The Company is  
11 proposing to reclassify Diamond Willow and Cedar Hills from base rates to  
12 be included in this rider. The characteristics which separate wind assets  
13 from base rates is due to their very short tax depreciation life, only five  
14 years, and a relatively short book depreciation life. In simple terms, the  
15 rate base declines very rapidly and rates can be adjusted to coincide with  
16 the reduced revenue requirement whereas, if included in base rates, rates  
17 are adjusted only through a general rate case, a more costly and less  
18 reactive mechanism.

19 Another factor which supports separating wind assets from base  
20 rates is the Federal production tax credits (PTCs), which are in effect for  
21 the first 10 years of the asset's life, and the income tax credit for assets  
22 constructed in the state of North Dakota. The rate of tax credit per PTC  
23 generated is adjusted for inflation annually. Again, as the per unit credit

1 increases it reduces the revenue requirement associated with wind assets.  
2 The utilization of tax credits can significantly affect the revenue  
3 requirement. Therefore, the ability to account for these items within a  
4 tracker ensures the revenue charged to customers reflects only the  
5 appropriate level of revenue requirement and allows the implementation of  
6 rate changes on a timely basis.

7 Montana-Dakota is proposing to change how the revenue  
8 requirement portion of the rider is calculated as it relates to rate base. The  
9 proposed method is similar to base rates and most reporting to the state of  
10 North Dakota and is a beginning and end of period average. In the past,  
11 each month's balance was provided and an average of the months was  
12 used in the determination of the overall revenue requirement. There are  
13 very few assets in the Company's proposed renewable (wind) rider and  
14 the majority of the activity is related to depreciation and deferred income  
15 taxes where are generally equal each month. The simplified approach  
16 does not distort the overall revenue requirement.

17 The plant in service reflects wind and wind related additions and  
18 retirements with a summary of the activity presented on page 3. All  
19 projected capital additions are shown on page 5. The capital additions are  
20 shown by project, account and amount with a short description of the  
21 project indicating its intended purpose. During construction of Thunder  
22 Spirit, all costs related to to this project were accumulated in FERC  
23 Account 344 in the Company's fixed asset accounting system. Upon

1 placing the project into service in December 2015, the project was  
2 preliminarily closed to plant in service pending classification. During 2016,  
3 the project was assigned the appropriate FERC account; therefore, the  
4 activity within FP-308840 reflects a transfer from wind production to  
5 transmission.

6 Similar to base rates, retirements have been considered in the final  
7 determination of plant in service as well as the accumulated reserve  
8 ending balances. The accumulated reserve balance also reflects the  
9 proposed level of depreciation in each projected year.

10 The renewable (wind) rider has one working capital adjustment,  
11 decommissioning of power plants, and has been developed in a consistent  
12 manner as previously described in base rates.

13 Accumulated deferred income taxes are shown on page 9.  
14 Liberalized depreciation reflects the accumulated deferred income taxes  
15 associated with the difference between book and tax depreciation with the  
16 projected year end balances reflecting plant additions and timing  
17 differences of existing plant. The deferred tax associated with power plant  
18 decommissioning is based on the tax impact of the projected 2017  
19 amortization. Montana-Dakota has a deferred tax asset at December 31,  
20 2015 related to PTCs that the Company was unable to use. Largely  
21 because of the accelerated depreciation of Thunder Spirit, no PTCs are  
22 projected to be utilized in 2016; however, a portion of the PTCs generated  
23 during 2017 are projected to be utilized. All un-utilized PTCs are carried

1 as a deferred tax asset and included in rate base. It is important to  
2 understand that PTCs continue to be shown on the income statement and  
3 significantly reduce the revenue requirement. However, the Company  
4 does not receive a cash benefit so the balance is included on the rate  
5 base. Once again, as these PTCs are used the rate base will be adjusted  
6 and the revenue requirement will be adjusted on a timely basis.

7 Investment tax credits have been included as an offset to rate base  
8 for credits to North Dakota state income tax which have been taken based  
9 on the investment in Cedar Hills. These investment tax credits are  
10 amortized over the remaining life of Cedar Hills. Thunder Spirit is also  
11 eligible to receive investment tax credit; however, the Company does not  
12 currently expect to pay state income tax during 2016 or 2017. Because of  
13 the nature of a utility company, Montana-Dakota is very capital intensive  
14 and Thunder Spirit is a large investment with a five-year tax depreciable  
15 life. In addition, the Company has a number of other capital projects  
16 which receive a very short tax life, such as environmental projects which  
17 are five or seven year amortizations.

18 Montana-Dakota's projections do not support the utilization of the  
19 bonus tax depreciation election available during 2016 and 2017. As noted  
20 above, the Company is unable to offset cash payments of Federal income  
21 tax with PTCs. Nor has the Company been able to offset North Dakota  
22 state income tax with the investment tax credits available on Cedar Hills  
23 and Thunder Spirit wind investments.

1 Q. **What is the additional revenue requirement calculated on Exhibit**  
2 **No. \_\_\_\_ (TRJ-1)?**

3 A. Exhibit No. \_\_\_\_ (TRJ-1), which is identical to Statement J, pages 3  
4 through 5, shows the calculation of the revenue deficiency for base rates  
5 of \$14,111,438 on page 3, a reduction from rates currently in place for the  
6 renewable (wind) rider of \$1,399 on page 4, and a reduction from rates  
7 currently in place for the for the transmission rider of \$725,568 on page 5.  
8 Each is based on the projected 2017 income and rate base and using the  
9 overall rate of return of 7.459 percent from Statement D, page 1 and  
10 supported by Ms. Nygard and Dr. Gaske. The total revenue deficiency,  
11 again based on a projected 2017 test period, is \$13,384,471.

12 Q. **Is Montana-Dakota seeking an interim increase in this case?**

13 A. Yes, it is. As stated by Ms. Kivisto, Montana-Dakota is seeking an  
14 interim rate relief in this case pursuant to North Dakota §49-05-06.

15 Q. **What amount of interim rate relief is the Company seeking?**

16 A. The Company has identified an interim revenue requirement,  
17 presented in Exhibit No. \_\_\_\_ (TRJ-2) of \$13,027,771 and Appendix B of  
18 the Interim Application based on the 2017 projected cost of service. The  
19 return used in this projection is based on a 10.00 percent return on equity  
20 and matches the return in the Company's rate increase request. The most  
21 recently approved return on equity of 10.75 percent, pursuant to the Case  
22 No. PU-10-124, the Company's last general rate case, has not been used  
23 in the Interim Revenue Requirement.

1           The interim request was adjusted to remove three of the  
2           Company's proposed adjustments in the development of its rate increase  
3           request as they have not been approved by the Commission in prior  
4           general rate proceedings. The amortization of power plant  
5           decommissioning and the amortization of the gains and losses on  
6           Company owned buildings and manufactured homes have been excluded  
7           from the interim revenue requirement and the interim reflects a lower level  
8           of depreciation expense. Likewise, reagents and sand have not been  
9           reclassified from O&M to fuel & purchased power in the Company's  
10          application for interim. This change results in a lower base fuel &  
11          purchased power and a corresponding lower revenue in base rates. In  
12          addition, O&M expenses are included at a higher level to reflect the  
13          transfer of expense.

14           The Company has reflected the proposed depreciation rates, which  
15          reflect an overall decrease in depreciation expense, in the interim revenue  
16          requirement rather than current depreciation rates. Montana-Dakota  
17          proposes to implement the proposed depreciation rates to coincide with  
18          the implementation of interim rates in order to properly match rates with  
19          the appropriate cost of service.

20    **Q. Does this complete your direct testimony?**

21    **A. Yes, it does.**

**MONTANA-DAKOTA UTILITIES CO.  
PLANT IN SERVICE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015**

| Function                   | Per Books Plant             |                               |                               |
|----------------------------|-----------------------------|-------------------------------|-------------------------------|
|                            | 2014                        | 2015                          | Average                       |
| Production                 |                             |                               |                               |
| Steam                      | \$292,900,103               | \$327,175,209                 | \$310,037,656                 |
| Other                      | 145,361,226                 | 324,083,825                   | 234,722,526                   |
| Total Production           | <u>\$438,261,329</u>        | <u>\$651,259,034</u>          | <u>\$544,760,182</u>          |
| Transmission               | 170,366,080                 | 192,279,118                   | 181,322,598                   |
| Distribution               | 222,787,903                 | 247,879,653                   | 235,333,778                   |
| General                    | 19,144,680                  | 18,802,512                    | 18,973,596                    |
| Intangible Plant - General | 2,325,971                   | 2,431,901                     | 2,378,936                     |
| Common                     | 33,265,826                  | 35,542,885                    | 34,404,356                    |
| Intangible Plant - Common  | 14,031,957                  | 15,340,277                    | 14,686,117                    |
| Acquisition Adjustment     | <u>7,502,779</u>            | <u>7,499,515</u>              | <u>7,501,147</u>              |
| Total Plant in Service     | <u><u>\$907,686,525</u></u> | <u><u>\$1,171,034,895</u></u> | <u><u>\$1,039,360,710</u></u> |

**MONTANA-DAKOTA UTILITIES CO.  
PLANT IN SERVICE  
ELECTRIC UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

Case No. PU-16-\_\_\_\_  
Statement A  
Page 2 of 9

| Acct.<br>No. | Account  | Per Books Plant |               |              |
|--------------|--|-----------------|---------------|--------------|
|              |  | 2014            | 2015          | Average      |
|              | <b><u>Steam Production Plant</u></b>           |                 |               |              |
|              | <b><u>Beulah - 804</u></b>                     |                 |               |              |
| 310          | Land   | \$54            | \$54          | \$54         |
|              | Total Beulah                                   | \$54            | \$54          | \$54         |
|              | <br><b><u>Glendive Steam Station - 807</u></b> |                 |               |              |
| 310          | Land   | \$15,771        | \$15,764      | \$15,767     |
|              |  | \$15,771        | \$15,764      | \$15,767     |
|              | <br><b><u>Heskett - 810</u></b>                |                 |               |              |
| 310          | Land   | \$175,212       | \$175,136     | \$175,174    |
| 311          | Structures & Improvements                      | 21,152,677      | 21,415,881    | 21,284,279   |
| 312          | Boiler Plant Equipment                         | 38,286,092      | 38,989,367    | 38,637,730   |
| 314          | Turbogenerator units                           | 12,240,345      | 12,481,935    | 12,361,140   |
| 315          | Accessory Equipment                            | 1,566,522       | 1,565,840     | 1,566,181    |
| 316          | Miscellaneous Equipment                        | 5,507,894       | 5,936,732     | 5,722,313    |
|              | Total Heskett                                  | \$78,928,742    | \$80,564,891  | \$79,746,817 |
|              | <br><b><u>Lewis &amp; Clark - 820</u></b>      |                 |               |              |
| 310          | Land   | \$58,405        | \$58,380      | \$58,393     |
| 311          | Structures & Improvements                      | 3,271,513       | 3,411,672     | 3,341,592    |
| 312          | Boiler Plant Equipment                         | 17,497,714      | 20,844,547    | 19,171,131   |
| 314          | Turbogenerator units                           | 4,544,597       | 5,075,415     | 4,810,006    |
| 315          | Accessory Equipment                            | 725,024         | 724,708       | 724,866      |
| 316          | Miscellaneous Equipment                        | 3,681,192       | 3,831,978     | 3,756,585    |
|              | Total Lewis & Clark                            | \$29,778,445    | \$33,946,700  | \$31,862,573 |
|              | <br><b><u>Lewis &amp; Clark - 820 MATS</u></b> |                 |               |              |
| 312          | Boiler Plant Equipment                         |                 | \$10,810,320  | \$5,405,160  |
|              | <br><b><u>Coyote - 830</u></b>                 |                 |               |              |
| 310          | Land   | \$377,588       | \$377,424     | \$377,506    |
| 311          | Structures & Improvements                      | 19,145,447      | 19,254,470    | 19,199,958   |
| 312          | Boiler Plant Equipment                         | 55,583,078      | 57,788,587    | 56,685,832   |
| 314          | Turbogenerator units                           | 14,139,771      | 12,982,886    | 13,561,329   |
| 315          | Accessory Equipment                            | 6,319,033       | 6,295,546     | 6,307,289    |
| 316          | Miscellaneous Equipment                        | 2,607,507       | 2,712,477     | 2,659,992    |
|              | Total Coyote                                   | \$98,172,424    | \$99,411,390  | \$98,791,906 |
|              | <br><b><u>Big Stone - 861</u></b>              |                 |               |              |
| 310          | Land   | \$108,745       | \$108,698     | \$108,722    |
| 311          | Structures & Improvements                      | 6,868,535       | 6,747,200     | 6,807,867    |
| 312          | Boiler Plant Equipment                         | 20,353,676      | 21,891,504    | 21,122,590   |
| 312          | Boiler Plant Equipment - AQCS                  | 45,919,910 1/   | 59,860,624    | 52,890,267   |
| 314          | Turbogenerator units                           | 8,784,200       | 9,947,329     | 9,365,765    |
| 315          | Accessory Equipment                            | 3,060,412       | 2,996,587     | 3,028,499    |
| 316          | Miscellaneous Equipment                        | 909,189         | 874,148       | 891,669      |
|              | Total Big Stone                                | \$86,004,667    | \$102,426,090 | \$94,215,379 |

**MONTANA-DAKOTA UTILITIES CO.**  
**PLANT IN SERVICE**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

| Acct.<br>No. | Account   | Per Books Plant |               |               |
|--------------|---|-----------------|---------------|---------------|
|              |   | 2014            | 2015          | Average       |
|              | <u>Total Steam Production Plant</u>               |                 |               |               |
| 310          | Land  | \$735,775       | \$735,456     | \$735,616     |
| 311          | Structures & Improvements                         | 50,438,172      | 50,829,223    | 50,633,696    |
| 312          | Boiler Plant Equipment                            | 177,640,470     | 210,184,949   | 193,912,710   |
| 314          | Turbogenerator units                              | 39,708,913      | 40,487,565    | 40,098,240    |
| 315          | Accessory Equipment                               | 11,670,991      | 11,582,681    | 11,626,835    |
| 316          | Miscellaneous Equipment                           | 12,705,782      | 13,355,335    | 13,030,559    |
|              | Total Steam Production Plant                      | \$292,900,103   | \$327,175,209 | \$310,037,656 |
|              | <u>Other Production Plant</u>                     |                 |               |               |
|              | <u>Heskett III Gas Turbine - 810</u>              |                 |               |               |
| 344          | Generators  | \$37,653,667    | \$38,666,362  | \$38,160,014  |
| 346          | Miscellaneous Equipment                           | 755,167         | 671,712       | 713,440       |
|              | Total Heskett III Gas Turbine                     | \$38,408,834    | \$39,338,074  | \$38,873,454  |
|              | <u>Lewis &amp; Clark - 820 - Unit 2</u>           |                 |               |               |
| 342          | Fuel Holders, Producers & Acc.                    |                 | \$278,838     | \$139,419     |
| 344          | Generators  |                 | 30,671,374    | 15,335,687    |
|              | Total Lewis & Clark                               | \$0             | \$30,950,212  | \$15,475,106  |
|              | <u>Glendive Turbine - Unit 1 and Common - 851</u> |                 |               |               |
| 340          | Land  | \$27,392        | \$27,380      | \$27,386      |
| 341          | Structures & Improvements                         | 201,036         | 225,125       | 213,081       |
| 342          | Fuel Holders, Producers & Acc.                    | 223,511         | 223,414       | 223,462       |
| 344          | Generators  | 4,865,126       | 4,849,117     | 4,857,122     |
| 345          | Accessory Equipment                               | 336,997         | 336,849       | 336,923       |
| 346          | Miscellaneous Equipment                           | 91,496          | 106,552       | 99,024        |
|              | Total Glendive Turbine - Unit 1                   | \$5,745,558     | \$5,768,437   | \$5,756,998   |
|              | <u>Glendive Turbine - Unit 2 - 850</u>            |                 |               |               |
| 341          | Structures & Improvements                         | \$11,113        | \$11,109      | \$11,111      |
| 342          | Fuel Holders, Producers & Acc.                    | 1,484,754       | 1,484,108     | 1,484,431     |
| 344          | Generators  | 12,978,191      | 12,972,545    | 12,975,368    |
| 346          | Miscellaneous Equipment                           | 9,111           | 9,107         | 9,109         |
|              | Total Glendive Turbine - Unit 2                   | \$14,483,169    | \$14,476,869  | \$14,480,019  |
|              | <u>Miles City Turbine - 852</u>                   |                 |               |               |
| 340          | Land  | \$440           | \$439         | \$440         |
| 341          | Structures & Improvements                         | 149,961         | 149,896       | 149,928       |
| 342          | Fuel Holders, Producers & Acc.                    | 145,061         | 144,997       | 145,029       |
| 344          | Generators  | 1,927,268       | 1,926,430     | 1,926,849     |
| 345          | Accessory Equipment                               | 249,931         | 249,823       | 249,877       |
| 346          | Miscellaneous Equipment                           | 12,993          | 15,377        | 14,185        |
|              | Total Miles City Turbine                          | \$2,485,654     | \$2,486,962   | \$2,486,308   |
|              | <u>Williston Turbine - 853</u>                    |                 |               |               |
| 340          | Land  | \$20,224        |               | \$10,112      |
|              | Total Williston Turbine                           | \$20,224        | \$0           | \$10,112      |

**MONTANA-DAKOTA UTILITIES CO.**  
**PLANT IN SERVICE**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

| Acct.<br>No. | Account                               | Per Books Plant |               |               |
|--------------|---------------------------------------|-----------------|---------------|---------------|
|              |                                       | 2014            | 2015          | Average       |
|              | <u>Portable Generator - 855</u>       |                 |               |               |
| 341          | Structures & Improvements             | \$119,978       | \$112,673     | \$116,325     |
| 342          | Fuel Holders, Producers & Acc.        | 112,722         | 112,674       | 112,698       |
| 344          | Generators                            | 1,009,292       | 991,930       | 1,000,611     |
| 345          | Accessory Equipment                   | 413,855         | 413,675       | 413,765       |
|              | Total Portable Generator              | \$1,655,847     | \$1,630,952   | \$1,643,399   |
|              | <u>Diamond Willow Wind Farm - 856</u> |                 |               |               |
| 341          | Structures & Improvements             | \$2,299,351     | \$2,324,796   | \$2,312,074   |
| 344          | Generators                            | 33,592,272      | 34,225,456    | 33,908,864    |
| 345          | Accessory Equipment                   | 5,668,960       | 5,731,695     | 5,700,327     |
| 346          | Miscellaneous Equipment               | 38,134          | 38,556        | 38,345        |
|              | Total Diamond Willow                  | \$41,598,717    | \$42,320,503  | \$41,959,610  |
|              | <u>Ormat - 857</u>                    |                 |               |               |
| 344          | Generators                            | \$10,967,177    | \$10,962,406  | \$10,964,792  |
|              | Total Ormat                           | \$10,967,177    | \$10,962,406  | \$10,964,792  |
|              | <u>Cedar Hills Wind Farm - 858</u>    |                 |               |               |
| 341          | Structures & Improvements             | \$1,913,322     | \$1,934,495   | \$1,923,909   |
| 344          | Generators                            | 23,960,352      | 24,225,506    | 24,092,929    |
| 345          | Accessory Equipment                   | 4,079,100       | 4,124,241     | 4,101,670     |
| 346          | Miscellaneous Equipment               | 43,272          | 43,752        | 43,512        |
|              | Total Cedar Hills                     | \$29,996,046    | \$30,327,994  | \$30,162,020  |
|              | <u>Thunder Spirit Wind Farm - 859</u> |                 |               |               |
| 344          | Generators                            |                 | \$145,804,561 | \$72,902,281  |
| 346          | Miscellaneous Equipment               |                 | 16,855        | 8,427         |
|              | Total Cedar Hills                     | \$0             | \$145,821,416 | \$72,910,708  |
|              | <u>Total Other Production Plant</u>   |                 |               |               |
| 340          | Land                                  | \$48,056        | \$27,819      | \$37,938      |
| 341          | Structures & Improvements             | 4,694,761       | 4,758,094     | 4,726,428     |
| 342          | Fuel Holders, Producers & Acc.        | 1,966,048       | 2,244,031     | 2,105,039     |
| 344          | Generators                            | 126,953,345     | 305,295,687   | 216,124,517   |
| 345          | Accessory Equipment                   | 10,748,843      | 10,856,283    | 10,802,562    |
| 346          | Miscellaneous Equipment               | 950,173         | 901,911       | 926,042       |
|              | Total Other Production Plant          | \$145,361,226   | \$324,083,825 | \$234,722,526 |
|              | <u>Transmission Plant</u>             |                 |               |               |
| 350.1        | Land                                  | \$1,386,508     | \$1,172,008   | \$1,279,258   |
| 350.2        | Rights of Way                         | 2,031,721       | 2,026,681     | 2,029,201     |
| 352          | Structures & Improvements             | 1,292           | 1,291         | 1,291         |
| 353          | Station Equipment                     | 88,260,712      | 92,746,300    | 90,503,506    |
| 354          | Towers and Fixtures                   | 3,609,439       | 3,607,954     | 3,608,696     |
| 355          | Poles and Fixtures                    | 41,686,519      | 56,257,140    | 48,971,830    |
| 356          | Overhead Conductors & Dev.            | 29,318,730      | 32,399,442    | 30,859,086    |
| 357          | Underground Conduit                   | 1,610,158       | 1,608,026     | 1,609,091     |
| 358          | Underground Conductors & Dev.         | 2,461,001       | 2,460,276     | 2,460,639     |
|              | Total Transmission Plant              | \$170,366,080   | \$192,279,118 | \$181,322,598 |

**MONTANA-DAKOTA UTILITIES CO.**  
**PLANT IN SERVICE**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

Case No. PU-16-\_\_\_\_  
Statement A  
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| Acct.<br>No. | Account                          | Per Books Plant |               |               |
|--------------|----------------------------------|-----------------|---------------|---------------|
|              |                                  | 2014            | 2015          | Average       |
|              | <u>Distribution Plant</u>        |                 |               |               |
| 360.1        | Land                             | \$1,712,678     | \$2,519,436   | \$2,116,057   |
| 360.2        | Rights of Way                    | 166,330         | 166,330       | 166,330       |
| 362          | Station Equipment                | 41,348,637      | 46,339,415    | 43,844,025    |
| 364          | Poles, Towers & Fixtures         | 20,794,633      | 22,249,475    | 21,522,054    |
| 365          | Overhead Conductors & Dev.       | 17,038,030      | 18,357,222    | 17,697,626    |
| 366          | Underground Conduit              | 179,560         | 185,396       | 182,478       |
| 367          | Underground Conductors & Dev.    | 63,436,379      | 74,923,320    | 69,179,850    |
| 368          | Line Transformers                | 41,094,053      | 43,711,667    | 42,402,860    |
| 369          | Services                         | 21,292,277      | 22,769,573    | 22,030,925    |
| 370          | Meters                           | 10,718,342      | 11,430,575    | 11,074,459    |
| 371          | Install on Customers' Premises   | 1,247,408       | 1,284,637     | 1,266,022     |
| 373          | Street Lighting & Signal Systems | 3,759,576       | 3,942,607     | 3,851,092     |
|              | Total Distribution Plant         | \$222,787,903   | \$247,879,653 | \$235,333,778 |
|              | <u>General Plant</u>             |                 |               |               |
| 389          | Land                             | \$6,060         | \$26,499      | \$16,280      |
| 390          | Structures and Improvements      | 552,133         | 1,049,922     | 801,027       |
| 391.1        | Office Furniture & Fixtures      | 104,732         | 106,248       | 105,489       |
| 391.3        | Computer Equip. - PC             | 244,023         | 243,862       | 243,943       |
| 391.4        | Computer Equip. - Prime          | 170,023         | 140,216       | 155,119       |
| 391.5        | Computer Equip. - Other          | 14,599          | 14,988        | 14,794        |
| 392.1        | Trans. Equip., Non-Unitized      | 688,354         | 686,191       | 687,273       |
| 392.2        | Trans. Equip., Unitized          | 4,443,513       | 4,829,270     | 4,636,392     |
| 394.1        | Tools, Shop & Garage Eq.-Non-Un. | 2,051,618       | 2,270,113     | 2,160,864     |
| 395          | Laboratory Equipment             | 371,908         | 364,237       | 368,073       |
| 396.1        | Trailers-Work Equipment          | 257,660         | 269,125       | 263,393       |
| 396.2        | Power Operated Equip.            | 8,059,601       | 8,413,191     | 8,236,395     |
| 397.1        | Radio Comm. Equip.-Fixed         | 70,380          | 137,971       | 104,176       |
| 397.2        | Radio Comm. Equip.-Mobile        | 18,957          | 12,381        | 15,669        |
| 397.3        | Telephone Communication Equip.   | 121,202         | 17,487        | 69,345        |
| 397.4        | Carrier Current Comm. Equip.     | 146,366         | 0             | 73,182        |
| 397.5        | Supervisory & Tele. Equipment    | 116,633         | 29,314        | 72,974        |
| 397.6        | Scada System                     | 673,998         | 117,203       | 395,600       |
| 397.8        | Network Equipment                | 820,908         | 34,768        | 427,838       |
| 397.9        | Trip Communication Equipment     | 172,947         | 0             | 86,474        |
| 398          | Miscellaneous Equipment          | 39,065          | 39,526        | 39,296        |
|              | Total General Plant              | \$19,144,680    | \$18,802,512  | \$18,973,596  |
| 303          | Intangible Plant - General       | \$2,325,971     | \$2,431,901   | \$2,378,936   |
|              | <u>Common Plant</u>              |                 |               |               |
| 389          | Land                             | \$1,103,346     | \$1,143,038   | \$1,123,192   |
| 390          | Structures and Improvements      | 23,355,223      | 24,992,115    | 24,173,669    |
| 391.1        | Furniture and Fixtures           | 1,051,467       | 1,068,542     | 1,060,004     |
| 391.3        | Computer Equip. - PC             | 652,133         | 668,578       | 660,356       |
| 391.5        | Computer Equip. - Other          | 764,318         | 1,097,853     | 931,086       |
| 392.1        | Trans. Equip., Trailers          | 911             | 947           | 929           |
| 392.2        | Trans. Equip., Vehicles          | 2,787,905       | 2,819,230     | 2,803,568     |

**MONTANA-DAKOTA UTILITIES CO.  
PLANT IN SERVICE  
ELECTRIC UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

Case No. PU-16-\_\_\_\_  
Statement A  
Page 6 of 9

| Acct.<br>No. | Account                         | Per Books Plant             |                               |                               |
|--------------|---------------------------------|-----------------------------|-------------------------------|-------------------------------|
|              |                                 | 2014                        | 2015                          | Average                       |
| 392.3        | Aircraft                        | 1,590,029                   | 1,652,566                     | 1,621,298                     |
| 393          | Stores Equipment                | 24,107                      | 24,366                        | 24,237                        |
| 394.1        | Tools, Shop & Gar. Eq., Non-Un. | 193,691                     | 214,684                       | 204,188                       |
| 394.3        | Vehicle Maintenance. Equip.     | 33,172                      | 34,113                        | 33,642                        |
| 394.4        | Vehicle Refueling Equip.        | 3,931                       | 4,086                         | 4,009                         |
| 397.1        | Radio Comm. Equip.-Fixed        | 621,861                     | 607,255                       | 614,558                       |
| 397.2        | Radio Comm. Equip.-Mobile       | 305,191                     | 415,552                       | 360,371                       |
| 397.3        | General Tele. Comm. Equip.      | 192,263                     | 255,297                       | 223,779                       |
| 397.5        | Supervisory & Tele. Equip.      | 9,802                       | 10,188                        | 9,995                         |
| 397.8        | Network Equipment               | 118,023                     | 68,557                        | 93,290                        |
| 398          | Miscellaneous Equipment         | 458,453                     | 465,918                       | 462,185                       |
|              | Total Common Plant              | <u>\$33,265,826</u>         | <u>\$35,542,885</u>           | <u>\$34,404,356</u>           |
| 303          | Intangible Plant - Common       | \$14,031,957                | \$15,340,277                  | \$14,686,117                  |
| 114.1        | Acquisition Adjustment          | <u>7,502,779</u>            | <u>7,499,515</u>              | <u>7,501,147</u>              |
|              | Total Electric Plant in Service | <u><u>\$907,686,525</u></u> | <u><u>\$1,171,034,895</u></u> | <u><u>\$1,039,360,710</u></u> |

1/ Recorded as CWIP in service in 2014.

MONTANA-DAKOTA UTILITIES CO.  
 DETAILED COST OF PLANT  
 ELECTRIC UTILITY - TOTAL COMPANY  
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015

| Acct. No. | Account                               | Balance @ 12/31/14 | Additions     | Retirements   | Transfers   | Balance @ 12/31/15 |
|-----------|---------------------------------------|--------------------|---------------|---------------|-------------|--------------------|
|           | <u>Steam Production Plant</u>         |                    |               |               |             |                    |
| 310       | Land                                  | \$1,018,687        |               |               |             | \$1,018,687        |
| 311       | Structures & Improvements             | 72,963,295         | \$806,145     | (\$213,922)   |             | 73,555,518         |
| 312       | Boiler Plant Equipment                | 212,016,957        | 111,515,215   | (753,820)     |             | 322,778,352        |
| 312       | Boiler Plant Equipment - AQCS         | 45,919,910         | (45,919,910)  |               |             | -                  |
| 314       | Turbo Generator Units                 | 84,045,941         | 4,026,893     | (2,977,525)   |             | 85,095,309         |
| 315       | Accessory Electrical Equipment        | 19,746,820         | (141,558)     | (44,937)      |             | 19,560,325         |
| 316       | Miscellaneous Power Plant Equipment   | 17,600,678         | 1,044,982     | (183,078)     | \$50,036    | 18,512,618         |
|           | Total Steam Production Plant          | \$453,312,288      | \$71,331,767  | (\$4,173,282) | \$50,036    | \$520,520,809      |
|           | <u>Other Production Plant</u>         |                    |               |               |             |                    |
| 340       | Land                                  | \$66,533           |               |               | (\$28,000)  | \$38,533           |
| 341       | Structures & Improvements             | 6,830,675          |               |               | 23,440      | 6,854,115          |
| 342       | Fuel Holders, Producers & Accessories | 2,722,006          | 386,222       |               |             | 3,108,228          |
| 344       | Generators                            | 180,286,314        | 255,061,275   |               | 162,991     | 435,510,580        |
| 345       | Accessory Electrical Equipment        | 15,647,189         |               |               |             | 15,647,189         |
| 346       | Miscellaneous Power Plant Equipment   | 1,321,913          | (71,507)      |               | 4,976       | 1,255,382          |
|           | Total Other Production Plant          | \$206,874,630      | \$255,375,990 | \$0           | \$163,407   | \$462,414,027      |
|           | <u>Transmission Plant</u>             |                    |               |               |             |                    |
| 350.1     | Land                                  | \$1,640,330        | (\$158,114)   |               |             | \$1,482,216        |
| 350.2     | Rights of Way                         | 2,886,550          | 4,570         |               |             | 2,891,120          |
| 352       | Structures & Improvements             | 1,789              |               |               |             | 1,789              |
| 353       | Station Equipment                     | 118,690,876        | 4,601,634     | (\$1,103,937) | \$1,486,583 | 123,675,156        |
| 354       | Towers & Fixtures                     | 4,992,886          |               |               |             | 4,992,886          |
| 355       | Poles & Fixtures                      | 56,953,023         | 17,537,533    | (133,464)     |             | 74,357,092         |
| 356       | Overhead Conductor & Devices          | 39,782,196         | 2,942,099     | (54,434)      | 724,929     | 43,394,790         |
| 357       | Underground Conduit                   | 1,947,010          | (2,426)       |               |             | 1,944,584          |
| 358       | Underground Conduit & Devices         | 3,101,857          |               |               |             | 3,101,857          |
|           | Total Transmission Plant              | \$229,996,517      | \$24,925,296  | (\$1,291,835) | \$2,211,512 | \$255,841,490      |

MONTANA-DAKOTA UTILITIES CO.  
 DETAILED COST OF PLANT  
 ELECTRIC UTILITY - TOTAL COMPANY  
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015

| Acct. No.                 | Account                               | Balance @ 12/31/14 | Additions    | Retirements   | Transfers | Balance @ 12/31/15 |
|---------------------------|---------------------------------------|--------------------|--------------|---------------|-----------|--------------------|
| <u>Distribution Plant</u> |                                       |                    |              |               |           |                    |
| 360.1                     | Land                                  | \$2,066,133        | \$808,492    | (\$1,733)     |           | \$2,872,892        |
| 360.2                     | Rights of Way                         | 888,926            | 4,412        |               |           | 893,338            |
| 362                       | Station Equipment                     | 57,279,820         | 6,801,931    | (283,415)     | \$171,020 | 63,969,356         |
| 364                       | Poles, Towers & Fixtures              | 37,559,744         | 2,682,650    | (363,480)     |           | 39,878,914         |
| 365                       | Overhead Conductor & Devices          | 28,926,833         | 2,320,772    | (283,279)     |           | 30,964,326         |
| 366                       | Underground Conduit                   | 218,153            | 5,835        |               |           | 223,988            |
| 367                       | Underground Conductor & Devices       | 91,879,419         | 13,907,224   | (547,539)     |           | 105,239,104        |
| 368                       | Line Transformers                     | 64,877,478         | 3,817,302    | (379,692)     |           | 68,315,088         |
| 369                       | Services                              | 33,066,225         | 2,130,435    | (178,099)     |           | 35,018,561         |
| 370                       | Meters                                | 16,972,527         | 1,072,504    | (131,053)     |           | 17,913,978         |
| 371                       | Installations on Customer's Premises  | 2,742,626          | 143,012      | (87,346)      |           | 2,798,292          |
| 373                       | Street Lights & Signal Systems        | 7,173,899          | 409,842      | (98,861)      |           | 7,484,880          |
|                           | Total Distribution Plant              | \$343,651,783      | \$34,104,411 | (\$2,354,497) | \$171,020 | \$375,572,717      |
| <u>General Plant</u>      |                                       |                    |              |               |           |                    |
| 389                       | Land & Land Rights                    | \$8,137            |              |               | \$30,713  | \$38,850           |
| 390                       | Structures & Improvements             | 835,304            | \$91,841     |               | 625,464   | 1,552,609          |
| 391.1                     | Office Furniture & Equipment          | 149,332            | 1,108        |               |           | 150,440            |
| 391.2                     | Computer Equipment-Honeywell          | 0                  |              |               |           | 0                  |
| 391.3                     | Computer Equipment-PC                 | 289,844            | 2,930        | (\$12,340)    |           | 280,434            |
| 391.4                     | Computer Equipment-Prime              | 260,801            |              | (50,101)      |           | 210,700            |
| 391.5                     | Computer Equipment-Other              | 22,522             |              |               |           | 22,522             |
| 392.1                     | Transportation Equipment-Non-Unitized | 972,408            |              | (5,555)       |           | 966,853            |
| 392.2                     | Transportation Equipment              | 6,980,855          | 1,247,086    | (581,992)     |           | 7,645,949          |
| 393                       | Stores Equipment                      | 14,774             |              |               |           | 14,774             |
| 394.1                     | Tools, Shop & Garage Equipment        | 3,368,461          | 298,767      |               |           | 3,667,228          |
| 395                       | Laboratory Equipment                  | 547,582            |              | (8,223)       |           | 539,359            |
| 396.1                     | Trailers-Work Equipment               | 469,900            | 115,114      |               |           | 585,014            |
| 396.2                     | Power Operated Equipment              | 12,819,698         | 1,690,654    | (646,273)     | 93,542    | 13,957,621         |
| 397.1                     | Radio Communication Equipment-Fixed   | 142,921            | 87,595       |               | (35,247)  | 195,269            |
| 397.2                     | Radio Communication Equipment-Mobile  | 25,791             |              |               | (8,682)   | 17,109             |

**MONTANA-DAKOTA UTILITIES CO.**  
**DETAILED COST OF PLANT**  
**ELECTRIC UTILITY - TOTAL COMPANY**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

| Acct. No. | Account                                    | Balance @<br>12/31/14  | Additions            | Retirements          | Transfers            | Balance @<br>12/31/15  |
|-----------|--|------------------------|----------------------|----------------------|----------------------|------------------------|
| 397.3     | General Telephone Communications Equipment | 174,531                |                      |                      | (151,979)            | 22,552                 |
| 397.4     | Carrier Current Communication Equipment    | 211,475                |                      |                      | (211,475)            | 0                      |
| 397.5     | Supervisory & Telemetering Equipment       | 146,307                | (1,353)              | (27,160)             | (74,551)             | 43,243                 |
| 397.6     | Scada System                               | 994,800                | 17,841               | (12,710)             | (832,016)            | 167,915                |
| 397.8     | Network Equipment                          | 1,191,261              | (119,688)            | (22,795)             | (999,416)            | 49,362                 |
| 397.9     | Transfer Trip Communication Equipment      | 217,721                |                      |                      | (217,721)            | 0                      |
| 398       | Miscellaneous Equipment                    | 58,769                 |                      |                      |                      | 58,769                 |
|           | <b>Total General Plant</b>                 | <b>\$29,903,194</b>    | <b>\$3,431,895</b>   | <b>(\$1,367,149)</b> | <b>(\$1,781,368)</b> | <b>\$30,186,572</b>    |
| 303       | Intangible Plant - General                 | 3,579,989              | 68,533               |                      |                      | 3,648,522              |
|           | Common Plant - Electric 1/                 | 44,840,665             |                      |                      |                      | 47,471,491             |
|           | Common Intangible Plant 2/                 | 21,832,945             |                      |                      |                      | 23,413,569             |
| 114       | Acquisition Adjustment                     | 10,387,642             |                      |                      |                      | 10,387,642             |
| 182       | AFUDC Interest & Dep. On Coyote            | 308,829                |                      | (168,451)            |                      | 140,378                |
|           | <b>Total Electric Plant in Service</b>     | <b>\$1,344,688,482</b> | <b>\$389,237,892</b> | <b>(\$9,355,214)</b> | <b>\$814,607</b>     | <b>\$1,729,597,217</b> |

1/ Common plant is either directly assigned or allocated to gas and electric plant. Total common plant additions, retirements, transfers and adjustments for the twelve months ended December 31, 2015 are \$4,657,892, (\$1,269,123) and \$28,001) respectively.

2/ Common Intangible plant is either directly assigned or allocated to gas and electric plant. Total common plant additions, retirements, transfers and adjustments for the twelve months ended December 31, 2015 are \$3,724,494, (\$21,539) and \$0 respectively.

**MONTANA-DAKOTA UTILITIES CO.  
ACCUMULATED RESERVE FOR DEPRECIATION  
ELECTRIC UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

| Function                   | Per Books Accumlated Reserve |                             |                             |
|----------------------------|------------------------------|-----------------------------|-----------------------------|
|                            | 2014                         | 2015                        | Average                     |
| Production                 |                              |                             |                             |
| Steam                      | \$154,098,694                | \$159,534,536               | \$156,816,615               |
| Other                      | 30,632,459                   | 36,388,843                  | 33,510,651                  |
| Total Production           | <u>\$184,731,153</u>         | <u>\$195,923,379</u>        | <u>\$190,327,266</u>        |
| Transmission               | 61,196,142                   | 64,327,996                  | 62,762,069                  |
| Distribution               | 74,442,545                   | 78,267,081                  | 76,354,813                  |
| General                    | 7,566,139                    | 7,398,559                   | 7,482,349                   |
| Intangible Plant - General | 910,274                      | 1,151,435                   | 1,030,855                   |
| Common                     | 10,014,793                   | 11,205,618                  | 10,610,205                  |
| Intangible Plant - Common  | 6,199,890                    | 7,277,028                   | 6,738,459                   |
| Acquisition Adjustment     | <u>7,502,779</u>             | <u>7,499,515</u>            | <u>7,501,147</u>            |
| Total Plant in Service     | <u><u>\$352,563,715</u></u>  | <u><u>\$373,050,611</u></u> | <u><u>\$362,807,163</u></u> |

**MONTANA-DAKOTA UTILITIES CO.**  
**BOOK CHANGES IN ACCUMULATED PROVISION FOR**  
**DEPRECIATION AND AMORTIZATION - ELECTRIC UTILITY (TOTAL COMPANY)**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

| Electric Utility               | Beginning Balance 1/1/2015 | Annual Provision | Retirements (Original Cost) | Salvage     | Removal Costs | Reclass/ Adjustments | Ending Balance 12/31/2015 |
|--------------------------------|----------------------------|------------------|-----------------------------|-------------|---------------|----------------------|---------------------------|
| Account 111 - Intangible       | \$1,403,482                | \$331,047        |                             |             |               |                      | \$1,734,529               |
| Account 108                    |                            |                  |                             |             |               |                      |                           |
| Steam Production               | 231,304,000                | 10,896,307       | 4,173,282                   | 2,345,647   | 447,271       | (65,440)             | 239,990,841               |
| Other Production               | 43,826,420                 | 7,948,029        |                             |             | 22,016        | (3,170)              | 51,755,603                |
| Transmission                   | 92,975,720                 | 4,351,642        | 1,291,835                   | 10,350      | 274,850       | (1,442,998)          | 97,214,025                |
| Distribution                   | 132,245,413                | 9,952,677        | 2,354,498                   | 50,771      | 2,176,382     | (119,992)            | 137,837,973               |
| General                        | 12,277,164                 | 1,706,776        | 1,367,149                   | 869,635     | 114,917       | 1,240,074            | 12,131,435                |
| Total Account 108              | 512,628,717                | 34,855,431       | 9,186,764                   | 3,276,403   | 3,035,436     | (391,526)            | 538,929,877               |
| Account 115 - Acquisition Adj. | 10,387,642                 |                  |                             |             |               |                      | 10,387,642                |
| Total                          | \$524,419,841              | \$35,186,478     | \$9,186,764                 | \$3,276,403 | \$3,035,436   | (\$391,526)          | \$551,052,048             |
| Common 1/                      | \$24,834,768               |                  |                             |             |               |                      | \$27,627,470              |

1/ Common Plant is assigned by state on an actual site and use basis when applicable, and the remainder is allocated by state to gas and electric on a plant in service basis. Total common changes for the twelve months ended December 31, 2015 are:

| Common Utility             | Beginning Balance 1/1/2015 | Annual Provision | Retirements (Original Cost) | Salvage   | Removal Costs | Adjustments | Ending Balance 12/31/2015 |
|----------------------------|----------------------------|------------------|-----------------------------|-----------|---------------|-------------|---------------------------|
| Account 111                | \$18,334,573               | \$3,164,217      | \$21,539                    |           |               |             | \$21,477,251              |
| Account 108                | 25,163,899                 | 2,707,398        | 1,269,123                   | \$628,754 | \$213,902     | (58,980)    | 27,076,006                |
| Total Accounts 111 and 108 | \$43,498,472               | \$5,871,615      | \$1,290,662                 | \$628,754 | \$213,902     | (\$58,980)  | \$48,553,257              |

**MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF WORKING CAPITAL AND  
OTHER DEDUCTIONS  
ELECTRIC UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

| <u>Working Capital</u>             | Per Books           |                     |                     |
|------------------------------------|---------------------|---------------------|---------------------|
|                                    | <u>2014</u>         | <u>2015</u>         | <u>Average</u>      |
| Materials and Supplies             | \$10,041,240        | \$10,458,783        | \$10,250,012        |
| Fuel Stocks                        | 2,936,946           | 3,562,217           | 3,249,582           |
| Prepayments                        | 135,904             | 154,198             | 145,051             |
| Unamortized Loss on Debt           | 3,333,695           | 3,087,570           | 3,210,633           |
| Decomm. Of Retired Power Plamts    | <u>(258,234)</u>    | <u>(219,008)</u>    | <u>(238,621)</u>    |
| Total Working Capital              | <u>\$16,189,551</u> | <u>\$17,043,760</u> | <u>\$16,616,657</u> |
| Customer Advances for Construction | <u>\$2,651,014</u>  | <u>\$2,772,638</u>  | <u>\$2,711,826</u>  |

**MONTANA-DAKOTA UTILITIES CO.  
WORKING CAPITAL AND OTHER DEDUCTIONS  
ELECTRIC UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

|                                      | <u>Materials</u>    | <u>Fuel Stock</u>  | <u>Prepayments</u> | <u>Unamortized<br/>Loss on Debt</u> | <u>Dcomm. Of<br/>Retired<br/>Power Plants</u> | <u>Customer<br/>Advances</u> |
|--------------------------------------|---------------------|--------------------|--------------------|-------------------------------------|---|------------------------------|
| December 2014                        | \$10,041,240        | \$2,936,946        | \$135,904          | \$3,333,695                         | (\$258,234)                                   | \$2,651,014                  |
| January 2015                         | 9,511,471           | 3,332,605          | 1,066,156          | 3,428,788                           | (254,965)                                     | 2,650,806                    |
| February                             | 9,626,524           | 3,337,799          | 956,375            | 3,397,768                           | (251,696)                                     | 2,502,558                    |
| March                                | 10,066,624          | 3,552,352          | 839,079            | 3,366,748                           | (248,427)                                     | 2,317,564                    |
| April                                | 10,248,265          | 3,607,394          | 918,456            | 3,335,729                           | (245,159)                                     | 2,544,525                    |
| May                                  | 10,870,629          | 3,497,670          | 824,196            | 3,304,709                           | (241,890)                                     | 2,525,025                    |
| June                                 | 11,606,936          | 3,560,078          | 708,410            | 3,273,689                           | (238,621)                                     | 2,604,437                    |
| July                                 | 12,507,627          | 3,660,881          | 597,234            | 3,242,669                           | (235,352)                                     | 2,609,399                    |
| August                               | 12,783,831          | 3,655,889          | 486,058            | 3,211,649                           | (232,083)                                     | 2,643,560                    |
| September                            | 13,788,541          | 3,659,808          | 374,883            | 3,180,629                           | (228,815)                                     | 2,643,560                    |
| October                              | 13,421,339          | 3,423,799          | 263,707            | 3,149,609                           | (225,546)                                     | 2,847,019                    |
| November                             | 13,159,137          | 3,598,129          | 267,434            | 3,118,590                           | (222,277)                                     | 2,768,348                    |
| December                             | 10,458,783          | 3,562,217          | 154,198            | 3,087,570                           | (219,008)                                     | 2,772,638                    |
| Beginning and end<br>of year average | <u>\$10,250,012</u> | <u>\$3,249,582</u> | <u>\$145,051</u>   | <u>\$3,210,633</u>                  | <u>(\$238,621)</u>                            | <u>\$2,711,826</u>           |

MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF REVENUES  
ELECTRIC UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015

|                               | <u>Kwh</u>           | <u>Per Books</u>     |
|-------------------------------|----------------------|----------------------|
| <u>Retail Sales</u>           |                      |                      |
| Residential                   | 767,808,158          | \$69,834,914         |
| Small General                 | 116,440,816          | 11,880,349           |
| Large General                 | 1,123,516,392        | 88,902,180           |
| Municipal Lighting            | 19,846,309           | 1,545,567            |
| Municipal Pumping             | 39,061,646           | 2,598,540            |
| Outdoor Lighting              | 7,351,625            | 702,668              |
| Unbilled Revenue              |                      | (\$387,651)          |
| Reserve for Refunds           |                      | (429,018)            |
| Total Sales                   | <u>2,074,024,946</u> | <u>\$174,647,549</u> |
| Sales for Resale              |                      | \$338                |
| <u>Other Revenue</u>          |                      |                      |
| Miscellaneous Service Revenue |                      | \$101,248            |
| Rent from Property            |                      | 3,587,062            |
| Other Revenue                 |                      | 2,675,640            |
| Total Other Revenue           |                      | <u>\$6,363,950</u>   |
| Total Operating Revenue       |                      | <u>\$181,011,837</u> |

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF OPERATION AND MAINTENANCE EXPENSES**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

|  | <u>Total<br/>Company</u>    | <u>North<br/>Dakota</u>     |
|--|-----------------------------|-----------------------------|
| Fuel and Purchased Power                 | \$86,237,629                | \$52,139,001                |
| Production                               | 30,028,814                  | 19,091,877                  |
| Transmission                             | 13,855,424                  | 9,503,434                   |
| Distribution                             | 15,746,671                  | 10,256,881                  |
| Customer Accounts                        | 4,146,987                   | 2,624,990                   |
| Customer Service & Information           | 253,015                     | 171,898                     |
| Sales                                    | 154,352                     | 114,458                     |
| Administrative and General               | <u>21,965,677</u>           | <u>14,444,817</u>           |
| Total Operation and Maintenance Expenses | <u><u>\$172,388,569</u></u> | <u><u>\$108,347,356</u></u> |

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF OPERATION AND MAINTENANCE EXPENSES**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2015**

| Account<br>No. |   | Total<br>Company     | North Dakota        |
|----------------|---|----------------------|---------------------|
|                | <u>Production Expenses:</u>                               |                      |                     |
|                | <u>Steam Production</u>                                   |                      |                     |
|                | <u>Operation</u>  |                      |                     |
| 500            | Operation Supervision & Engineering                       | \$2,536,452          | \$1,421,218         |
| 501            | Fuel  | 37,449,952           | 24,233,651          |
| 502            | Steam Expense   | 5,200,654            | 3,588,469           |
| 505            | Steam-Electric Expense                                    | 1,824,045            | 1,205,747           |
| 506            | Miscellaneous Steam Power Expense                         | 3,993,607            | 2,747,355           |
| 507            | Rents   | 765,806              | 8,119               |
| 509            | Allowances  | 58                   |                     |
|                | Total Steam Production Operation Expense                  | <u>\$51,770,574</u>  | <u>\$33,204,559</u> |
|                | <u>Maintenance</u>  |                      |                     |
| 510            | Maintenance Supervision & Engineering                     | 994,586              | 594,537             |
| 511            | Maintenance of Structures                                 | 989,075              | 613,127             |
| 512            | Maintenance of Boiler Plant                               | 6,886,084            | 4,186,475           |
| 513            | Maintenance of Electric Plant                             | 1,853,728            | 1,285,906           |
| 514            | Maintenance of Miscellaneous Steam Plant                  | 1,598,106            | 1,145,780           |
|                | Total Steam Production Maintenance Expense                | <u>\$12,321,579</u>  | <u>\$7,825,825</u>  |
|                | Total Steam Production Expense                            | <u>\$64,092,153</u>  | <u>\$41,030,384</u> |
|                | <u>Other Generation</u>                                   |                      |                     |
|                | <u>Operation</u>  |                      |                     |
| 546            | Operation Supervision & Engineering                       | \$48,856             | \$35,272            |
| 547            | Fuel  | 3,456,939            | 2,469,347           |
| 548            | Generation Expenses                                       | 526,996              | 380,472             |
| 549            | Miscellaneous Other Power Generation Expenses             | 346,677              | 250,289             |
| 550            | Rents   | 141,383              | 102,073             |
|                | Total Other Generation Operation Expense                  | <u>\$4,520,851</u>   | <u>\$3,237,453</u>  |
|                | <u>Maintenance</u>  |                      |                     |
| 551            | Maintenance Supervision & Engineering                     | 72,358               | 52,240              |
| 552            | Maintenance of Structures                                 | 29,874               | 21,568              |
| 553            | Maintenance of Generating & Electric Plant                | 616,291              | 444,941             |
| 554            | Maintenance of Miscellaneous Other Power Generation Plant | 12,516               | 9,036               |
|                | Total Other Generation Maintenance Expense                | <u>\$731,039</u>     | <u>\$527,785</u>    |
|                | Total Other Generation Expense                            | <u>\$5,251,890</u>   | <u>\$3,765,238</u>  |
|                | <u>Other Power Supply Expense</u>                         |                      |                     |
| 555            | Purchased Power   | \$45,330,680         | \$25,436,003        |
| 556            | System Control & Load Dispatching                         | 1,591,720            | 999,253             |
|                | Total Other Power Supply Expense                          | <u>\$46,922,400</u>  | <u>\$26,435,256</u> |
|                | Total Production Expense                                  | <u>\$116,266,443</u> | <u>\$71,230,878</u> |

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF OPERATION AND MAINTENANCE EXPENSES**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2015**

| Account<br>No. |   | Total<br>Company    | North Dakota        |
|----------------|---|---------------------|---------------------|
|                | <u>Transmission Expense:</u>                    |                     |                     |
|                | <u>Operation</u>                                |                     |                     |
| 560            | Operation Supervision & Engineering             | \$1,745,692         | \$1,276,810         |
| 561            | Load Dispatching                                | 2,104,369           | 1,404,683           |
| 562            | Station Expenses                                | 698,769             | 495,973             |
| 563            | Overhead Line Expenses                          | 293,343             | 156,420             |
| 565            | Transmission of Electricity by Others           | 4,687,579           | 3,010,924           |
| 566            | Miscellaneous Transmission Expenses             | 46,234              | 32,365              |
| 567            | Rents   | 2,005,700           | 1,554,749           |
|                | Total Transmission Operation Expense            | <u>\$11,581,686</u> | <u>\$7,931,924</u>  |
|                | <u>Maintenance</u>                              |                     |                     |
| 568            | Maintenance Supervision & Engineering           | 34,241              | 25,195              |
| 570            | Maintenance of Station Equipment                | 871,497             | 570,554             |
| 571            | Maintenance of Overhead Lines                   | 981,685             | 711,768             |
|                | Total Transmission Maintenance Expenses         | <u>\$1,887,423</u>  | <u>\$1,307,517</u>  |
|                | <u>Regional Market Expenses</u>                 |                     |                     |
| 575            | Operation Supervision                           | <u>\$386,315</u>    | <u>\$263,993</u>    |
|                | Total Transmission Expenses                     | <u>\$13,855,424</u> | <u>\$9,503,434</u>  |
|                | <u>Distribution Expense:</u>                    |                     |                     |
|                | <u>Operation</u>                                |                     |                     |
| 580            | Operation Supervision & Engineering             | \$1,462,678         | \$837,501           |
| 582            | Station Expenses                                | 721,793             | 528,111             |
| 583            | Overhead Line Expense                           | 681,848             | 388,798             |
| 584            | Underground Line Expense                        | 1,554,399           | 1,259,196           |
| 585            | Street Lighting & Signal System Expenses        | 179,613             | 124,052             |
| 586            | Meter Expenses                                  | 798,665             | 467,095             |
| 587            | Customer Installations Expense                  | 216,796             | 137,071             |
| 588            | Miscellaneous Expenses                          | 3,447,743           | 2,216,548           |
| 589            | Rents   | 304,143             | 241,595             |
|                | Total Distribution Operation Expenses           | <u>\$9,367,678</u>  | <u>\$6,199,967</u>  |
|                | <u>Maintenance</u>                              |                     |                     |
| 590            | Maintenance Supervision & Engineering           | \$499,630           | \$316,859           |
| 592            | Maintenance of Station Equipment                | 329,934             | 272,187             |
| 593            | Maintenance of Overhead lines                   | 3,443,523           | 2,171,526           |
| 594            | Maintenance of Underground lines                | 926,151             | 616,539             |
| 595            | Maintenance of Line Transformers                | 164,639             | 88,458              |
| 596            | Maintenance of Street Lighting & Signal Systems | 159,651             | 79,186              |
| 597            | Maintenance of Meters                           | 17,919              | 9,686               |
| 598            | Maintenance of Miscellaneous Distribution Plant | 837,546             | 502,473             |
|                | Total Distribution Maintenance Expenses         | <u>6,378,993</u>    | <u>4,056,914</u>    |
|                | Total Distribution Expenses                     | <u>\$15,746,671</u> | <u>\$10,256,881</u> |

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF OPERATION AND MAINTENANCE EXPENSES**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2015**

| <u>Account<br/>No.</u>                                 | <u>Total<br/>Company</u> | <u>North Dakota</u>  |
|--|--------------------------|----------------------|
| <u>Customer Accounts Expenses</u>                      |                          |                      |
| <u>Operation</u>                                       |                          |                      |
| 901 Supervision  | \$100,414                | \$56,202             |
| 902 Meter Reading Expenses                             | 445,397                  | 280,439              |
| 903 Customer Records and Collection Expenses           | 2,543,075                | 1,600,998            |
| 904 Uncollectible Accounts                             | 919,708                  | 626,222              |
| 905 Miscellaneous Customer Accounts Expenses           | 138,393                  | 61,129               |
|  | <u>\$4,146,987</u>       | <u>\$2,624,990</u>   |
| <br><u>Customer Service &amp; Information Expenses</u> |                          |                      |
| <u>Operation</u>                                       |                          |                      |
| 907 Supervision  | \$40,015                 | \$25,538             |
| 908 Customer Assistance Expenses                       | 65,101                   | 49,053               |
| 909 Informational and Instructional Expenses           | 146,868                  | 97,009               |
| 910 Misc Customer Service & Informaiton                | 1,031                    | 298                  |
|  | <u>\$253,015</u>         | <u>\$171,898</u>     |
| <br><u>Sales Expenses</u>                              |                          |                      |
| <u>Operation</u>                                       |                          |                      |
| 911 Supervision  | \$12,289                 | \$4,940              |
| 912 Demonstrating and Selling Expenses                 | 118,475                  | 97,670               |
| 913 Advertising Expenses                               | 15,200                   | 9,703                |
| 916 Miscellaneous Sales Expenses                       | 8,388                    | 2,145                |
|  | <u>\$154,352</u>         | <u>\$114,458</u>     |
| <br><u>Administrative &amp; General Expenses</u>       |                          |                      |
| <u>Operation</u>                                       |                          |                      |
| 920 Administrative and General Salaries                | \$5,593,556              | \$3,715,750          |
| 921 Office Supplies and Expenses                       | 3,605,321                | 2,390,416            |
| 923 Outside Services Employed                          | 610,597                  | 398,950              |
| 924 Property Insurance                                 | 930,772                  | 585,635              |
| 925 Injuries and Damages                               | 1,634,162                | 1,069,957            |
| 926 Employee Pensions and Benefits                     | 7,294,384                | 4,707,118            |
| 928 Regulatory Commission Expenses                     | 449,066                  | 299,523              |
| 930.1 General Advertising Expenses                     | 81,313                   | 57,357               |
| 930.2 Miscellaneous General Expenses                   | 521,540                  | 353,512              |
| 931 Rents  | 644,007                  | 428,269              |
| 931 Total Administrative & General Operation Expenses  | <u>\$21,364,718</u>      | <u>\$14,006,487</u>  |
| <u>Maintenance</u>                                     |                          |                      |
| 935 Maintenance of General Plant                       | \$600,959                | \$438,330            |
|  | <u>\$21,965,677</u>      | <u>\$14,444,817</u>  |
|  | <u>\$21,965,677</u>      | <u>\$14,444,817</u>  |
|  | <u>\$172,388,569</u>     | <u>\$108,347,356</u> |

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF DEPRECIATION EXPENSE AND AMORTIZATION**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2015**

| <u>Function</u>                        | <u>Total<br/>Company</u>   | <u>North<br/>Dakota</u>    |
|--|----------------------------|----------------------------|
| Production                             |                            |                            |
| Steam                                  | \$11,064,759               | \$6,785,599                |
| Other                                  | 7,948,029                  | 5,574,595                  |
| Total Production                       | <u>\$19,012,788</u>        | <u>\$12,360,194</u>        |
| Transmission                           | 4,351,643                  | 3,344,524                  |
| Distribution                           | 9,952,677                  | 6,681,993                  |
| General                                | 570,516                    | 385,515                    |
| General - Intangible                   | 331,047                    | 219,695                    |
| Common                                 | 1,486,109                  | 1,089,679                  |
| Common - Intangible                    | 1,309,670                  | 856,133                    |
| Amort. Of Retired Plant                | (56,210)                   | (39,226)                   |
| Amortization - Unrecovered Power Plant | <u>414,088</u>             | <u>171,861</u>             |
| Total                                  | <u><u>\$37,372,328</u></u> | <u><u>\$25,070,368</u></u> |

**MONTANA-DAKOTA UTILITIES CO.  
COMPOSITE DEPRECIATION AND AMORTIZATION RATES  
ELECTRIC UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

|                           | 2015 Plant<br>Balance 1/      | Depr/Amort<br>@ Proposed<br>Rates | Composite<br>Rates  |
|---------------------------|-------------------------------|-----------------------------------|---------------------|
| Steam Production          | \$326,439,754                 | \$8,067,691                       | 2.47%               |
| Other Production          | 105,586,094                   | 3,202,596                         | 3.03%               |
| Wind Production           | 218,469,913                   | 8,780,723                         | 4.02%               |
| Total Production          | <u>\$650,495,761</u>          | <u>\$20,051,010</u>               | 3.08%               |
| Transmission              | \$191,107,110                 | 3,278,681                         | 1.72%               |
| Distribution              | \$245,360,217                 | 5,836,074                         | 2.38%               |
| General                   |                               |                                   |                     |
| Other                     | \$3,129,248                   | \$173,769                         | 5.55%               |
| Structures & Improvements | 1,049,922                     | 8,504                             | 0.81%               |
| Computer Equipment        | 399,066                       | 78,314                            | 19.62%              |
| Transportation 2/         | 5,515,461                     | 295,797                           | 5.36%               |
| Work Equipment 2/         | 8,682,316                     | 468,111                           | 5.39%               |
| Total General             | <u>\$18,776,013</u>           | <u>\$1,024,495</u>                | 5.46%               |
| Intangible - General 3/   | \$2,431,901                   | 217,797                           |                     |
| Common                    |                               |                                   |                     |
| Other                     | \$4,821,123                   | \$283,469                         | 5.88%               |
| Structures & Improvements | 24,992,115                    | 212,433                           | 0.85%               |
| Computer Equipment        | 1,766,431                     | 353,287                           | 20.00%              |
| Vehicles 2/               | 2,820,177                     | 187,479                           | 6.65%               |
| Work Equipment 2/         | 0                             | 0                                 | 0.00%               |
| Total Common              | <u>\$34,399,846</u>           | <u>\$1,036,668</u>                | 3.01%               |
| Intangible - Common 3/    | \$15,340,277                  | 891,351                           |                     |
| Acquisition Adjustment    | \$7,499,515                   | 0                                 |                     |
| Total                     | <u><u>\$1,165,410,640</u></u> | <u><u>\$32,336,076</u></u>        | <u><u>2.77%</u></u> |

1/ Excludes Land Plant Balances.

2/ Includes depreciation expense charged to clearing accounts.

3/ Amortized - no rate.

**MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF TAXES OTHER THAN INCOME  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015**

| <u>Type of Tax</u>                | <u>Total<br/>Company</u>       | <u>North Dakota</u>           |
|-----------------------------------|--------------------------------|-------------------------------|
| Ad Valorem                        |                                |                               |
| Production                        | \$1,875,725                    | \$1,290,383                   |
| Transmission                      | 1,433,079                      | 832,634                       |
| Distribution                      | 3,154,353                      | 1,105,204                     |
| General                           | 265,113                        | 78,329                        |
| Common                            | 399,213                        | 224,886                       |
| Intangible                        | 20,247                         | 13,437                        |
| Total Ad Valorem Taxes            | <u>7,147,730</u>               | <u>3,544,873</u>              |
| O&M Related Taxes - Other         |                                |                               |
| Payroll Taxes                     | 2,213,576                      | 1,454,289                     |
| Franchise                         | 166,194                        | 0                             |
| Delaware Franchise                | 103,169                        | 67,948                        |
| Total O&M Related Taxes           | <u>2,482,939</u>               | <u>1,522,237</u>              |
| Electric Production Taxes         |                                |                               |
| Montana Electric                  | 184,935                        | 126,378                       |
| North Dakota Coal Conversion      | 893,565                        | 610,628                       |
| Total Electric Production         | <u>1,078,500</u>               | <u>737,006</u>                |
| Other                             |                                |                               |
| Gross Revenue Taxes               | 210,243                        | 0                             |
| Highway Use Tax                   | 4,218                          | 2,902                         |
| Secretary of State                | 1,424                          | 938                           |
| Total Other                       | <u>215,885</u>                 | <u>3,840</u>                  |
| <br>Total Taxes Other Than Income | <br><u><u>\$10,925,054</u></u> | <br><u><u>\$5,807,956</u></u> |

**MONTANA-DAKOTA UTILITIES CO.  
CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015**

|  | North Dakota  |
|--|---------------|
| Operating Revenues                         | \$181,011,837 |
| Operating Expense:                         |               |
| O&M Expense                                | 108,347,356   |
| Depreciation Expense                       | 25,070,368    |
| Taxes Other than Income                    | 5,807,956     |
| Total Operating Expense                    | 139,225,680   |
| Operating Income                           | 41,786,157    |
| Interest Expense                           | 12,481,536    |
| Book Taxable Income before Adjustments     | 29,304,621    |
| Deductions and Adjustments to Book Income: |               |
| Tax Deductions                             | 25,216,087    |
| Adjustments                                |               |
| Total Deductions and Adjustments           | 25,216,087    |
| Taxable Income - Before State Income Tax   | 4,088,534     |
| Less: State Income Taxes                   | 105,022       |
| Federal Taxable Income                     | 3,983,512     |
| Federal Income Taxes @ 35%                 | 1,394,229     |
| Credits and Adjustments                    | (9,160)       |
| State Income Taxes                         | 105,022       |
| Federal and State Income Taxes             | 1,490,091     |
| Closing/Filing - Federal and State         | 999,767       |
| Total Federal and State Income Taxes       | \$2,489,858   |

**MONTANA-DAKOTA UTILITIES CO.**  
**CALCULATION OF RECORDED STATE AND FEDERAL INCOME TAXES**  
**INCOME TAX DEDUCTIONS**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2015**

|   | North Dakota |
|---|--------------|
| <b><u>Property M-1's</u></b>                                      |              |
| AFUDC Equity Add Back   | (504,389)    |
| Liberalized Depreciation and Other Property<br>Timing Differences | 26,930,904   |
| Property Timing Differences-Common                                | 462,476      |
| Contributions In Aid of Construction                              | (1,989,705)  |
| <br><b><u>Other M-1's</u></b>                                     |              |
| Bad Debt Expense  | (24,750)     |
| Board of Directors Retirement Benefit                             | 14,774       |
| Bonus & 401k Profit Sharing                                       | 2,064,724    |
| Capacity Revenue  | 48,351       |
| Customer Advances   | (121,624)    |
| Deferred Compensation- Directors                                  | 244,661      |
| Deferred Pension Expense  | 1,041,174    |
| Deferred Postretirement Benefit Costs (FAS 106)                   | (980,850)    |
| Management Incentive  | 139,542      |
| MISO MVP Reserve  | (119,717)    |
| North Dakota Environmental Cost Recovery                          | (810,363)    |
| Pension Expense   | (1,435,471)  |
| Performance Share Program   | (627,345)    |
| Postretirement Benefits Cost                                      | 937,494      |
| Property Insurance  | (370,576)    |
| Reserved Revenues   | 450,000      |
| Retired Power Plant   | 39,226       |
| Sundry Reserves   | 38,869       |
| Transmission Cost Adjustment                                      | 441,081      |
| Unamortized Loss on Debt  | (372,238)    |
| Unrecovered Power Plant Recovery                                  | (171,860)    |
| Vacation Pay  | (125,555)    |
| WAPA Fiber Demand Revenue   | 35,604       |
| <br><b><u>Permanent M-1's</u></b>                                 |              |
| 50% Meals and Entertainment                                       | (87,899)     |
| Dividend Received Deduction                                       | 31           |
| Fuel Tax Credit   | (9,161)      |
| Preferred Stock Dividends Paid                                    | 86,218       |
| Preferred Stock Expense Amortization                              | (7,539)      |
| Total M-1 Deductions  | \$25,216,087 |

**MONTANA-DAKOTA UTILITIES CO.  
DEFERRED INCOME TAXES  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015**

|  | North Dakota    |
|--|-----------------|
| <b><u>Electric Utility - Rate Base Deductions:</u></b>   |                 |
| Liberalized Depreciation and Other                       |                 |
| Property Timing Differences                              | \$10,336,714    |
| Normalized Timing Differences                            | (257,447)       |
| Contributions In Aid of Construction                     | (749,520)       |
| Customer Advances  | (45,358)        |
| Unamortized Loss on Reacquired Debt                      | (141,101)       |
| Production Tax Credit Carryforward                       | (2,323,398)     |
| Total Rate Base Deductions                               | 6,819,890       |
| <br><b><u>Electric Utility - Timing Differences:</u></b> |                 |
| Bad Debt Expense   | (9,292)         |
| Board of Directors Retirement Benefits                   | 5,611           |
| Bonus & 401k Profit Sharing                              | 784,624         |
| Capacity Revenue   | 18,568          |
| Deferred Compensation - Directors                        | 93,002          |
| Deferred Medicare Part D                                 | (29)            |
| Deferred Pension Expense                                 | 396,769         |
| Deferred Postretirement Benefit Costs (FAS 106)          | (373,379)       |
| Fuel & Purchased Power Deferral                          | (14)            |
| Management Incentive                                     | 53,000          |
| Margin Sharing Adjustment                                | (60)            |
| MISO MVP Reserve   | (45,250)        |
| North Dakota Environmental Cost Recovery                 | (307,945)       |
| Pension Expense  | (546,661)       |
| Performance Share Program                                | (239,197)       |
| Postretirement Benefit Costs (FAS 158)                   | 356,436         |
| Property Insurance                                       | (140,404)       |
| Reserved Revenues  | 171,364         |
| Retired Power Plant                                      | 14,904          |
| Sundry Reserves  | 14,720          |
| Transmission Cost Adjustment                             | 166,735         |
| Unrecovered Power Plant Recovery                         | (64,900)        |
| Vacation Pay   | (47,826)        |
| WAPA Fiber Demand Revenue                                | 13,440          |
| Closing/Filing and Out of Period                         | (988,047)       |
| Total Timing Differences                                 | (673,831)       |
| <br>Total Deferred Income Taxes                          | <br>\$6,146,059 |

**MONTANA-DAKOTA UTILITIES CO.  
ACCUMULATED DEFERRED INCOME TAXES  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015**

|  | Per Books            |                      |                      |
|--|----------------------|----------------------|----------------------|
|  | 2014                 | 2015                 | Average              |
| <u>Accumulated Deferred Income Taxes</u> |                      |                      |                      |
| Liberalized Depreciation                 | \$127,761,301        | \$140,091,309        | \$133,926,305        |
| Full Normalization                       | 1,750,324            | 1,492,876            | 1,621,600            |
| Contribution in Aid of Construction      | (1,144,301)          | (2,747,451)          | (1,945,876)          |
| Customer Advances                        | (1,016,134)          | (1,061,492)          | (1,038,813)          |
| Unamortized Loss on Debt                 | 1,260,817            | 1,170,799            | 1,215,808            |
| Retired Power Plant                      | (99,342)             | (84,438)             | (91,890)             |
| North Dakota ITC                         | (915,121)            | (662,396)            | (788,759)            |
| PTC Carryforward                         | 0                    | (2,323,398)          | (1,161,699)          |
| Balance                                  | <u>\$127,597,544</u> | <u>\$135,875,809</u> | <u>\$131,736,676</u> |

**MONTANA-DAKOTA UTILITIES CO.  
INCOME STATEMENT  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015**

|                                | <u>Total<br/>Company</u> | <u>North<br/>Dakota</u> | <u>Reference</u> |
|--------------------------------|--------------------------|-------------------------|------------------|
| Operating Revenues             |                          |                         |                  |
| Sales                          | \$268,469,162            | \$174,647,549           | Statement E      |
| Sales for Resale               | 495                      | 338                     | Statement E      |
| Other                          | 9,756,886                | 6,363,950               | Statement E      |
| Total Revenues                 | <u>278,226,543</u>       | <u>\$181,011,837</u>    |                  |
| Operating Expenses             |                          |                         |                  |
| Operation and Maintenance      |                          |                         |                  |
| Cost of Fuel & Purchased Power | \$86,237,629             | \$52,139,001            | Statement F      |
| Other O&M                      | 86,150,940               | 56,208,355              | Statement F      |
| Total O&M                      | <u>\$172,388,569</u>     | <u>\$108,347,356</u>    |                  |
| Depreciation                   | 37,372,328               | 25,070,368              | Statement G      |
| Taxes Other Than Income        | 10,925,054               | 5,807,956               | Statement H      |
| Current Income Taxes           | 2,831,882                | 2,489,858               | Statement I      |
| Deferred Income Taxes          | 8,912,039                | 6,146,059               | Statement I      |
| Total Expenses                 | <u>\$232,429,872</u>     | <u>\$147,861,597</u>    |                  |
| Operating Income               | <u>\$45,796,671</u>      | <u>\$33,150,240</u>     |                  |
| Rate Base                      | <u>\$793,547,226</u>     | <u>\$556,639,683</u>    | Statement J      |
| Rate of Return                 | <u>5.771%</u>            | <u>5.955%</u>           |                  |

**MONTANA-DAKOTA UTILITIES CO.**  
**AVERAGE RATE BASE**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2015**

|                                      | Total<br>Company         | North<br>Dakota          | Other                    | Reference       |
|--------------------------------------|--------------------------|--------------------------|--------------------------|-----------------|
| Electric Plant in Service            | \$1,514,182,895          | \$1,016,400,756          | \$497,782,139            | Statement A     |
| Accumulated Reserve for Depreciation | 563,967,064              | 362,807,164              | 201,159,900              | Statement B     |
| Net Electric Plant in Service        | <u>950,215,831</u>       | <u>653,593,592</u>       | <u>296,622,239</u>       |                 |
| <br>CWIP AQCS-Big Stone              | <br>22,959,955           | <br>22,959,955           | <br>0                    | <br>Statement A |
| Net Plant                            | <u>973,175,786</u>       | <u>676,553,547</u>       | <u>296,622,239</u>       |                 |
| <br>Additions                        |                          |                          |                          |                 |
| Materials and Supplies               | 15,045,342               | 10,250,012               | 4,795,330                | Statement C     |
| Fuel Stocks                          | 4,785,693                | 3,249,581                | 1,536,112                | Statement C     |
| Prepayments                          | 214,635                  | 145,051                  | 69,584                   | Statement C     |
| Unamortized Gain/Loss on Debt        | 4,824,683                | 3,210,633                | 1,614,050                | Statement C     |
| Other                                | (383,139)                | (238,621)                | (144,518)                | Statement C     |
| Total Additions                      | <u>24,487,214</u>        | <u>16,616,656</u>        | <u>7,870,558</u>         |                 |
| <br>Total Before Deductions          | <br>\$997,663,000        | <br>\$693,170,203        | <br>\$304,492,797        |                 |
| <br>Deductions                       |                          |                          |                          |                 |
| Accumulated Deferred Income Taxes    | 196,640,534              | 131,736,676              | 64,903,858               | Statement I     |
| Accumulated Investment Tax Credits   | 2,082,018                | 2,082,018                | 0                        | Statement I     |
| Customer Advances                    | 5,393,222                | 2,711,826                | 2,681,396                | Statement C     |
| Total Deductions                     | <u>204,115,774</u>       | <u>136,530,520</u>       | <u>67,585,254</u>        |                 |
| <br>Total Rate Base                  | <br><u>\$793,547,226</u> | <br><u>\$556,639,683</u> | <br><u>\$236,907,543</u> |                 |

**MONTANA-DAKOTA UTILITIES CO.  
PROJECTED OPERATING INCOME AND RATE OF RETURN  
REFLECTING ADDITIONAL REVENUE REQUIREMENTS  
ELECTRIC UTILITY - NORTH DAKOTA  
PROJECTED 2017**

|                                | Before<br>Additional<br>Revenue<br>Requirements 1/ | <b>Additional<br/>Revenue<br/>Requirements</b> | Reflecting<br>Additional<br>Revenue<br>Requirements |
|--------------------------------|--|--|---|
| <b>Operating Revenues</b>      |  |  |   |
| Sales                          | \$182,637,355                                      | <b>\$14,111,438</b>                            | \$196,748,793                                       |
| Sales for Resale               | -  |  | -   |
| Other                          | 3,671,067  |  | 3,671,067   |
| Total Revenues                 | <u>186,308,422</u>                                 | <u>14,111,438</u>                              | <u>200,419,860</u>                                  |
| <b>Operating Expenses</b>      |  |  |   |
| Operation and Maintenance      |  |  |   |
| Cost of Fuel & Purchased Power | 54,200,344   |  | 54,200,344  |
| Other O&M                      | 55,385,070   |  | 55,385,070  |
| Total O&M                      | <u>109,585,414</u>                                 |  | <u>109,585,414</u>                                  |
| Depreciation                   | 26,860,910   |  | 26,860,910  |
| Taxes Other Than Income        | 7,040,894  |  | 7,040,894   |
| Current Income Taxes           | 11,187,983   | 5,334,335 2/                                   | 16,522,318  |
| Deferred Income Taxes          | 0  |  | 0   |
| Total Expenses                 | <u>154,675,201</u>                                 | <u>5,334,335</u>                               | <u>160,009,536</u>                                  |
| Operating Income               | <u>\$31,633,221</u>                                | <u>\$8,777,103</u>                             | <u>\$40,410,324</u>                                 |
| Rate Base                      | <u>\$541,765,976</u>                               |  | <u>\$541,765,976</u>                                |
| <hr/>                          |  |  |   |
| <b>Rate of Return</b>          | <b><u>5.839%</u></b>                               |  | <b><u>7.459%</u></b>                                |

1/ Statement K, Page 1.

2/ Reflects state and federal taxes at 37.8015%.

**MONTANA-DAKOTA UTILITIES CO.  
PROJECTED OPERATING INCOME AND RATE OF RETURN  
REFLECTING ADDITIONAL REVENUE REQUIREMENTS  
ELECTRIC UTILITY - NORTH DAKOTA  
PROJECTED 2017**

**WIND - RENEWABLE RIDER**

|                                | Before<br>Additional<br>Revenue<br>Requirements 1/ | <b>Additional<br/>Revenue<br/>Requirements</b> | Reflecting<br>Additional<br>Revenue<br>Requirements |
|--------------------------------|--|--|---|
| <b>Operating Revenues</b>      |  |  |   |
| Sales                          | \$13,923,093                                       | <b>(\$1,399)</b>                               | \$13,921,694  |
| <b>Operating Expenses</b>      |  |  |   |
| Operation and Maintenance      |  |  |   |
| Cost of Fuel & Purchased Power | 0  |  | 0   |
| Other O&M                      | 2,214,736  |  | 2,214,736   |
| Total O&M                      | <u>2,214,736</u>                                   |  | <u>2,214,736</u>                                    |
| Depreciation                   | 9,290,281  |  | 9,290,281   |
| Taxes Other Than Income        | 682,781  |  | 682,781   |
| Current Income Taxes           | (9,999,638)  | (529) 2/                                       | (10,000,167)  |
| Deferred Income Taxes          | 0  |  | 0   |
| Total Expenses                 | <u>2,188,160</u>                                   | <u>(529)</u>                                   | <u>2,187,631</u>                                    |
| Operating Income               | <u>\$11,734,933</u>                                | <u>(\$870)</u>                                 | <u>\$11,734,063</u>                                 |
| Rate Base                      | <u>\$157,314,155</u>                               |  | <u>\$157,314,155</u>                                |
| <b>Rate of Return</b>          |  |  |   |
|                                | <u><b>7.460%</b></u>                               |  | <u><b>7.459%</b></u>                                |

1/ Statement K, Page 2.

2/ Reflects state and federal taxes at 37.8015%.

**MONTANA-DAKOTA UTILITIES CO.  
PROJECTED OPERATING INCOME AND RATE OF RETURN  
REFLECTING ADDITIONAL REVENUE REQUIREMENTS  
ELECTRIC UTILITY - NORTH DAKOTA  
PROJECTED 2017**

**TRANSMISSION COST ADJUSTMENT**

|                                | Before<br>Additional<br>Revenue<br>Requirements 1/ | <b>Additional<br/>Revenue<br/>Requirements</b> | Reflecting<br>Additional<br>Revenue<br>Requirements |
|--------------------------------|--|--|---|
| <b>Operating Revenues</b>      |  |  |   |
| Sales                          | \$6,183,536  | <b>(\$725,568)</b>                             | \$5,457,968   |
| Other                          | 14,473,223   |  | 14,473,223  |
| Total Revenues                 | <u>20,656,759</u>                                  |  | <u>19,931,191</u>                                   |
| <b>Operating Expenses</b>      |  |  |   |
| Operation and Maintenance      |  |  |   |
| Cost of Fuel & Purchased Power | 0  |  | 0   |
| Other O&M                      | 19,931,191   |  | 19,931,191  |
| Total O&M                      | <u>19,931,191</u>                                  |  | <u>19,931,191</u>                                   |
| Depreciation                   | 0  |  | 0   |
| Taxes Other Than Income        | 0  |  | 0   |
| Current Income Taxes           | 0  |  | 0   |
| Deferred Income Taxes          | 0  |  | 0   |
| Total Expenses                 | <u>19,931,191</u>                                  | <u>0</u>                                       | <u>19,931,191</u>                                   |
| Operating Income               | <u>\$725,568</u>                                   | <u>\$0</u>                                     | <u>\$0</u>  |

1/ Statement K, Page 3.

**MONTANA-DAKOTA UTILITIES CO.**  
**INCOME STATEMENT**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2015**  
**PROJECTED 2016 & 2017**

|                               | <u>Per Books<br/>2015</u> | <u>Projected<br/>2016</u> | <u>Projected<br/>2017</u> | <u>Reference</u>  |
|-------------------------------|---------------------------|---------------------------|---------------------------|-------------------|
| Operating Revenues            |                           |                           |                           |                   |
| Sales                         | \$174,647,549             | \$176,860,176             | \$182,637,355             | Page 4            |
| Sales for Resale              | 338                       | 0                         | 0                         | Page 4            |
| Other                         | 6,363,950                 | 3,663,627                 | 3,671,067                 | Page 4            |
| Total Revenues                | <u>\$181,011,837</u>      | <u>\$180,523,803</u>      | <u>\$186,308,422</u>      |                   |
| Operating Expenses            |                           |                           |                           |                   |
| Operation and Maintenance     |                           |                           |                           |                   |
| Fuel & Purchased Power        | \$52,139,001              | \$50,943,216              | \$54,200,344              | Page 13           |
| Other O&M                     | 56,208,355                | 53,538,839                | 55,385,070                | Pages 16 & 19     |
| Total O&M                     | <u>\$108,347,356</u>      | <u>\$104,482,055</u>      | <u>\$109,585,414</u>      |                   |
| Depreciation and Amortization | 25,070,368                | 23,639,860                | 26,860,910                | Page 44           |
| Taxes Other Than Income       | 5,807,956                 | 6,781,522                 | 7,040,894                 | Page 50           |
| Current Income Taxes          | 2,489,858                 | 12,397,143                | 11,187,983                | Page 55           |
| Deferred Income Taxes         | 6,146,059                 |                           |                           |                   |
| Total Expenses                | <u>\$147,861,597</u>      | <u>\$147,300,580</u>      | <u>\$154,675,201</u>      |                   |
| Operating Income              | <u>\$33,150,240</u>       | <u>\$33,223,223</u>       | <u>\$31,633,221</u>       |                   |
| Rate Base                     | <u>\$556,639,683</u>      | <u>\$514,278,032</u>      | <u>\$541,765,976</u>      | Stmt. L-1, Page 1 |
| Rate of Return                | <u>5.955%</u>             | <u>6.460%</u>             | <u>5.839%</u>             |                   |

MONTANA-DAKOTA UTILITIES CO.  
INCOME STATEMENT  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017

**WIND - RENEWABLE RIDER**

|                                | Projected<br>2016    | Projected<br>2017    | Reference         |
|--------------------------------|----------------------|----------------------|-------------------|
| Operating Revenues             |                      |                      |                   |
| Sales                          | \$13,630,451         | \$13,923,093         | Page 6            |
| Operating Expenses             |                      |                      |                   |
| Operation and Maintenance      |                      |                      |                   |
| Cost of Fuel & Purchased Power | 0                    | 0                    |                   |
| Other O&M                      | 2,395,630            | 2,214,736            | Pages 20-21       |
| Total O&M                      | <u>2,395,630</u>     | <u>2,214,736</u>     |                   |
| Depreciation and Amortization  | 8,802,679            | 9,290,281            | Page 45           |
| Taxes Other Than Income        | 680,798              | 682,781              | Page 51           |
| Current Income Taxes           | (10,192,743)         | (9,999,638)          | Page 56           |
| Deferred Income Taxes          |                      |                      |                   |
| Total Expenses                 | <u>1,686,364</u>     | <u>2,188,160</u>     |                   |
| Operating Income               | <u>\$11,944,087</u>  | <u>\$11,734,933</u>  |                   |
| Rate Base                      | <u>\$171,714,892</u> | <u>\$157,314,155</u> | Stmt. L-2, Page 1 |
| Rate of Return                 | <u>6.956%</u>        | <u>7.460%</u>        |                   |

MONTANA-DAKOTA UTILITIES CO.  
INCOME STATEMENT  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
INCOME STATEMENT

**TRANSMISSION COST ADJUSTMENT**

|                               | Projected<br>2016 | Projected<br>2017 | Reference   |
|-------------------------------|-------------------|-------------------|-------------|
| Operating Revenues            |                   |                   |             |
| Sales                         | \$6,053,161       | \$6,183,536       | Page 6      |
| Other                         | 12,880,339        | 14,473,223        | Page 12     |
| Total Revenues                | <u>18,933,500</u> | <u>20,656,759</u> |             |
| Operating Expenses            |                   |                   |             |
| Operation and Maintenance     |                   |                   |             |
| Other O&M                     | 18,847,001        | 19,931,191        | Pages 20-21 |
| Total O&M                     | <u>18,847,001</u> | <u>19,931,191</u> |             |
| Depreciation and Amortization |                   |                   |             |
| Taxes Other Than Income       |                   |                   |             |
| Current Income Taxes          |                   |                   |             |
| Deferred Income Taxes         |                   |                   |             |
| Total Expenses                | <u>18,847,001</u> | <u>19,931,191</u> |             |
| Operating Income              | <u>\$86,499</u>   | <u>\$725,568</u>  |             |
| Rate Base                     | <u>\$0</u>        | <u>\$0</u>        |             |

**MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF REVENUES  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

|                         | <u>Per Books<br/>2015 1/</u> | <u>Projected<br/>2016 2/</u> | <u>Projected<br/>2017 2/</u> |
|-------------------------|------------------------------|------------------------------|------------------------------|
| <u>Retail Sales</u>     |                              |                              |                              |
| Residential             | \$69,834,914                 | \$69,635,100                 | \$71,449,232                 |
| Small General           | 11,880,349                   | 11,939,199                   | 12,396,801                   |
| Large General           | 88,902,180                   | 90,468,765                   | 93,885,108                   |
| Municipal Lighting      | 1,545,567                    | 1,512,792                    | 1,533,268                    |
| Municipal Pumping       | 2,598,540                    | 2,627,098                    | 2,667,610                    |
| Outdoor Lighting        | 702,668                      | 677,222                      | 705,336                      |
| Unbilled Revenue        | (387,651)                    |                              |                              |
| Reserve for Refunds     | (429,018)                    |                              |                              |
| Total Sales             | <u>\$174,647,549</u>         | <u>\$176,860,176</u>         | <u>\$182,637,355</u>         |
| Sales for Resale 3/     | \$ 338                       | \$ -                         | \$ -                         |
| <u>Other Revenue</u>    |                              |                              |                              |
| Misc. Service Revenue   | \$101,249                    | \$68,510                     | \$68,510                     |
| Rent from Property      | 3,587,062                    | 2,369,747                    | 2,369,747                    |
| Other Revenue           | 2,675,639                    | 1,225,370                    | 1,232,810                    |
| Total Other Revenue     | <u>\$6,363,950</u>           | <u>\$3,663,627</u>           | <u>\$3,671,067</u>           |
| Total Operating Revenue | <u>\$181,011,837</u>         | <u>\$180,523,803</u>         | <u>\$186,308,422</u>         |

1/ Per Books 2015 includes total revenue received, including the environmental rider, generation rider, renewable rider and the transmission rider.

2/ Projected revenue includes the environmental rider and the generation rider. See pages 7-10.

3/ No projected sales for resale revenue is included as it is returned through the Fuel and Purchased Power Adjustment.

**MONTANA-DAKOTA UTILITIES CO.  
RETAIL SALES REVENUES  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

|                     | Per Books 2015 |               |
|---------------------|----------------|---------------|
|                     | Kwh            | Revenue       |
| <u>Retail Sales</u> |                |               |
| Residential         | 767,808,158    | \$69,834,914  |
| Small General       | 116,440,816    | 11,880,349    |
| Large General       | 1,123,516,392  | 88,902,180    |
| Municipal Lighting  | 19,846,309     | 1,545,567     |
| Municipal Pumping   | 39,061,646     | 2,598,540     |
| Outdoor Lighting    | 7,351,625      | 702,668       |
| Unbilled Revenue    |                | (387,651)     |
| Reserve for Refunds |                | (429,018)     |
| Total Sales         | 2,074,024,946  | \$174,647,549 |

|                     | Projected 2016 |               |
|---------------------|----------------|---------------|
|                     | Kwh            | Revenue 1/    |
| <u>Retail Sales</u> |                |               |
| Residential         | 759,578,000    | \$69,635,100  |
| Small General       | 114,022,000    | 11,939,199    |
| Large General       | 1,139,438,000  | 90,468,765    |
| Municipal Lighting  | 19,846,000     | 1,512,792     |
| Municipal Pumping   | 39,062,000     | 2,627,098     |
| Outdoor Lighting    | 7,219,000      | 677,222       |
| Total Sales         | 2,079,165,000  | \$176,860,176 |

|                     | Projected 2017 |               |
|---------------------|----------------|---------------|
|                     | Kwh            | Revenue 1/    |
| <u>Retail Sales</u> |                |               |
| Residential         | 770,939,000    | \$71,449,232  |
| Small General       | 117,869,000    | 12,396,801    |
| Large General       | 1,166,724,000  | 93,885,108    |
| Municipal Lighting  | 19,846,000     | 1,533,268     |
| Municipal Pumping   | 39,062,000     | 2,667,610     |
| Outdoor Lighting    | 7,437,000      | 705,336       |
| Total Sales         | 2,121,877,000  | \$182,637,355 |

1/ Projected revenue is based on projected Kwh at current rates including the current environmental rider and the generation rider rates. See pages 7 - 10.

**MONTANA-DAKOTA UTILITIES CO.  
RETAIL SALES REVENUES  
ELECTRIC UTILITY - NORTH DAKOTA  
PROJECTED 2016 & 2017**

**RENEWABLE AND TRANSMISSION RIDERS**

|                     | Projected 2016       |                     |                        |
|---------------------|----------------------|---------------------|------------------------|
|                     | <u>Kwh</u>           | <u>Wind 1/</u>      | <u>Transmission 1/</u> |
| <u>Retail Sales</u> |                      |                     |                        |
| Residential         | 759,578,000          | \$5,408,195         | \$2,499,012            |
| Small General       | 114,022,000          | 645,366             | 375,133                |
| Large General       | 1,139,438,000        | 7,111,805           | 3,019,938              |
| Municipal Lighting  | 19,846,000           | 155,896             | 38,681                 |
| Municipal Pumping   | 39,062,000           | 246,745             | 104,876                |
| Outdoor Lighting    | 7,219,000            | 62,444              | 15,521                 |
| Total Sales         | <u>2,079,165,000</u> | <u>\$13,630,451</u> | <u>\$6,053,161</u>     |
|                     |                      |                     |                        |
|                     | Projected 2017       |                     |                        |
|                     | <u>Kwh</u>           | <u>Wind 1/</u>      | <u>Transmission 1/</u> |
| <u>Retail Sales</u> |                      |                     |                        |
| Residential         | 770,939,000          | \$5,489,085         | \$2,536,390            |
| Small General       | 117,869,000          | 667,139             | 387,789                |
| Large General       | 1,166,724,000        | 7,299,898           | 3,099,810              |
| Municipal Lighting  | 19,846,000           | 155,896             | 38,681                 |
| Municipal Pumping   | 39,062,000           | 246,745             | 104,876                |
| Outdoor Lighting    | 7,437,000            | 64,330              | 15,990                 |
| Total Sales         | <u>2,121,877,000</u> | <u>\$13,923,093</u> | <u>\$6,183,536</u>     |

1/ Projected revenue is based on projected Kwh at current renewable and transmission rider rates. See pages 7 - 10.

MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA

Summary of Projected Revenues and Billing Determinants  
Twelve Months Ended December 31, 2015  
TOTAL REVENUE EXCLUDING RENEWABLE AND TRANSMISSION RIDERS

Projected 2016

| Rate Reporting Class              | Billing Units | Kwh                  | Billed KW          | Basic Service Charge Revenue | Energy Revenue    | Demand Revenue    | Fuel              | Riders Revenue    | Exclude            |                    | Total            | Total Revenue     |                   |
|-----------------------------------|---------------|----------------------|--------------------|------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|------------------|-------------------|-------------------|
|                                   |               |                      |                    |                              |                   |                   |                   |                   | Renewable Rider    | Transmission Rider |                  |                   |                   |
| <b>Residential Service</b>        |               |                      |                    |                              |                   |                   |                   |                   |                    |                    |                  |                   |                   |
| Rate 10                           | 78,978        | 759,324,000          |                    | \$10,089,458                 | \$34,249,820      |                   | \$18,474,353      | \$14,708,106      | \$77,521,737       | \$5,406,387        | \$2,498,176      | \$7,904,563       | \$69,617,174      |
| Rate 13                           | 4             | 127,000              |                    | 657                          | 2,976             |                   | 3,090             | 2,460             | 9,183              | 904                | 418              | 1,322             | 7,861             |
| Rate 16                           | 8             | 127,000              |                    | 1,314                        | 4,523             |                   | 3,090             | 2,460             | 11,387             | 904                | 418              | 1,322             | 10,065            |
| <b>Total Residential</b>          | <b>78,990</b> | <b>759,578,000</b>   |                    | <b>10,091,429</b>            | <b>34,257,319</b> |                   | <b>18,480,533</b> | <b>14,713,026</b> | <b>77,542,307</b>  | <b>5,408,195</b>   | <b>2,499,012</b> | <b>7,907,207</b>  | <b>69,635,100</b> |
| <b>Small General Service</b>      |               |                      |                    |                              |                   |                   |                   |                   |                    |                    |                  |                   |                   |
| Rate 20                           | 11,145        | 107,444,327          |                    | \$2,847,585                  | \$5,087,694       |                   | \$2,614,120       | \$1,762,088       | \$12,311,487       | \$608,135          | \$353,492        | \$961,627         | \$11,349,860      |
| Rate 25                           | 46            | 1,224,000            | 7,810.4            | 10,914                       | 14,798            | 16,010            | 29,780            | 20,074            | 91,576             | 6,928              | 4,027            | 10,955            | 80,621            |
| Rate 26                           | 239           | 1,277,673            |                    | 69,788                       | 49,771            |                   | 31,086            | 20,955            | 171,600            | 7,232              | 4,204            | 11,436            | 160,164           |
| Rate 40                           | 309           | 4,076,000            | 9,468.1            | 74,734                       | 95,178            | 49,107            | 99,169            | 66,847            | 385,035            | 23,071             | 13,410           | 36,481            | 348,554           |
| <b>Total Small General</b>        | <b>11,739</b> | <b>114,022,000</b>   | <b>17,278.5</b>    | <b>3,003,021</b>             | <b>5,247,441</b>  | <b>65,117</b>     | <b>2,774,155</b>  | <b>1,869,964</b>  | <b>12,959,698</b>  | <b>645,366</b>     | <b>375,133</b>   | <b>1,020,499</b>  | <b>11,939,199</b> |
| <b>General Service</b>            |               |                      |                    |                              |                   |                   |                   |                   |                    |                    |                  |                   |                   |
| Rate 30 Secondary 1/              | 4,545         | 735,488,226          | 2,220,144.0        | \$2,454,760                  | \$17,474,725      | \$20,597,595      | \$17,893,942      | \$12,802,222      | \$71,223,244       | \$5,074,731        | \$2,154,922      | \$7,229,653       | \$63,993,591      |
| Rate 30 Primary                   | 42            | 191,626,000          | 458,824.5          | 47,880                       | 4,399,733         | 3,356,127         | 4,501,295         | 3,163,342         | 15,468,377         | 1,322,219          | 561,464          | 1,883,683         | 13,584,694        |
| <b>Rate 30 Contract Rates</b>     |               |                      |                    |                              |                   |                   |                   |                   |                    |                    |                  |                   |                   |
| Rates 302 & 303 Tesor             | 2             | 75,560,000           | 138,211.0          | 2,280                        | 1,295,201         | 902,874           | 1,774,904         | 902,874           | 3,975,259          |                    |                  |                   | 3,975,259         |
| Rate 304 Sabin                    | 1             | 26,681,000           | 65,685.4           | 180                          | 522,414           | 364,554           | 626,737           | 32,256            | 1,513,885          |                    |                  |                   | 1,513,885         |
| Rate 31 Primary                   | 1             | 2,042,000            | 7,688.6            | 1,164                        | 29,460            | 33,584            | 47,967            | 32,256            | 144,431            | 14,090             | 5,983            | 20,073            | 124,368           |
| Rate 31 Secondary                 | 68            | 17,397,774           | 94,594.8           | 38,352                       | 251,126           | 499,731           | 423,288           | 292,897           | 1,505,394          | 120,045            | 50,975           | 171,020           | 1,334,374         |
| Rate 32 Secondary                 | 616           | 54,236,000           | 265,212.4          | 110,880                      | 1,559,827         | 478,420           | 1,319,562         | 769,559           | 4,238,248          | 374,228            | 158,911          | 533,139           | 3,705,109         |
| Rate 32 Primary                   | 0             | 0                    | 0.0                | 0                            | 0                 | 0                 | 0                 | 0                 | 0                  | 0                  | 0                | 0                 | 0                 |
| Rate 38                           | 2             | 17,383,000           | 52,416.0           | 5,797                        | 369,563           | 224,387           | 408,327           | 302,501           | 1,310,575          | 119,943            | 50,932           | 170,875           | 1,139,700         |
| Rate 381 Capitol 2/               | 1             | 13,937,000           | 31,567.9           | 11,892                       | 186,916           | 230,799           | 327,380           | 227,475           | 984,462            | 86,549             | 36,751           | 123,300           | 861,162           |
| Rate 39                           | 1             | 5,107,000            | 11,502.0           | 3,600                        | 46,933            | 66,137            | 119,963           | 227,475           | 236,633            |                    |                  |                   | 236,633           |
| <b>Total General</b>              | <b>5,279</b>  | <b>1,139,438,000</b> | <b>3,345,846.6</b> | <b>2,676,765</b>             | <b>26,135,898</b> | <b>26,754,208</b> | <b>27,443,365</b> | <b>17,590,252</b> | <b>100,600,508</b> | <b>7,111,805</b>   | <b>3,019,938</b> | <b>10,131,743</b> | <b>90,468,765</b> |
| <b>Municipal Lighting Service</b> |               |                      |                    |                              |                   |                   |                   |                   |                    |                    |                  |                   |                   |
| Rate 41 Secondary                 | 512           | 18,127,000           |                    |                              | \$908,014         |                   | \$441,030         | \$219,842         | \$1,568,886        | \$142,522          | \$35,363         | \$1,777,885       | \$1,391,001       |
| Rate 41 Primary                   | 49            | 1,719,000            |                    |                              | 77,475            |                   | 40,379            | 20,629            | 138,483            | 13,374             | 3,318            | 16,692            | 121,791           |
| <b>Total Municipal Lighting</b>   | <b>561</b>    | <b>19,846,000</b>    |                    |                              | <b>985,489</b>    |                   | <b>481,409</b>    | <b>240,471</b>    | <b>1,707,369</b>   | <b>155,896</b>     | <b>38,681</b>    | <b>194,577</b>    | <b>1,512,792</b>  |
| <b>Municipal Pumping Service</b>  |               |                      |                    |                              |                   |                   |                   |                   |                    |                    |                  |                   |                   |
| Rate 48 Secondary 1/              | 319           | 25,168,000           | 91,118.4           | \$37,418                     | \$603,637         | \$475,748         | \$612,337         | 424,618           | \$2,053,758        | \$160,463          | \$68,196         | \$228,659         | \$1,825,099       |
| Rate 48 Primary                   | 4             | 13,894,000           | 35,805.3           | 518                          | 257,734           | 130,541           | 326,370           | 209,798           | 924,961            | 86,282             | 36,680           | 122,962           | 801,999           |
| <b>Total Municipal Pumping</b>    | <b>323</b>    | <b>39,062,000</b>    | <b>126,923.7</b>   | <b>37,936</b>                | <b>761,371</b>    | <b>606,289</b>    | <b>938,707</b>    | <b>634,416</b>    | <b>2,978,719</b>   | <b>246,745</b>     | <b>104,876</b>   | <b>351,621</b>    | <b>2,627,098</b>  |

MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA

Summary of Projected Revenues and Billing Determinants  
Twelve Months Ended December 31, 2015  
TOTAL REVENUE EXCLUDING RENEWABLE AND TRANSMISSION RIDERS

| Rate Reporting Class          | Billing Units | Kwh                  | Billed KW          | Basic Service Charge Revenue | Energy Revenue      | Demand Revenue      | Fuel                | Riders Revenue      | Exclude             |                    | Total               | Total Revenue        |
|-------------------------------|---------------|----------------------|--------------------|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|----------------------|
|                               |               |                      |                    |                              |                     |                     |                     |                     | Renewable Rider     | Transmission Rider |                     |                      |
| Outdoor Lighting Service      | 2,602         | 7,206,000            |                    |                              | \$482,370           |                     | \$175,322           | \$96,200            | \$62,332            | \$15,493           | \$77,825            | \$676,067            |
| Rate 52 Secondary             | 2             | 13,000               |                    |                              | 817                 |                     | 305                 | 173                 | 112                 | 28                 | 140                 | 1,155                |
| Rate 52 Primary               | 2,604         | 7,219,000            |                    |                              | 483,187             |                     | 175,827             | 96,373              | 62,444              | 15,521             | 77,965              | 677,222              |
| <b>Total Outdoor Lighting</b> | <b>99,496</b> | <b>2,079,165,000</b> | <b>3,490,048.8</b> | <b>\$15,809,171</b>          | <b>\$67,870,705</b> | <b>\$27,425,614</b> | <b>\$50,293,796</b> | <b>\$35,144,502</b> | <b>\$13,630,451</b> | <b>\$6,053,161</b> | <b>\$19,683,612</b> | <b>\$176,860,176</b> |

1/ Includes 1 customer's excess facilities charges.

2/ Discount to energy revenue applicable to the renewable and transmission riders is also in that rider's excluded revenues column.

MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA

Summary of Projected Revenues and Billing Determinants  
Twelve Months Ended December 31, 2015  
TOTAL REVENUE EXCLUDING RENEWABLE AND TRANSMISSION RIDERS

| Rate Reporting Class              | Billing Units | Kwh                  | Billed KW          | Basic Service Charge Revenue | Energy Revenue    | Demand Revenue    | Fuel              | Riders Revenue    | Exclude          |                  |                    | Total Revenue     |
|-----------------------------------|---------------|----------------------|--------------------|------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|--------------------|-------------------|
|                                   |               |                      |                    |                              |                   |                   |                   |                   | Total            | Renewable Rider  | Transmission Rider |                   |
| <b>Residential Service</b>        |               |                      |                    |                              |                   |                   |                   |                   |                  |                  |                    |                   |
| Rate 10                           | 79,991        | 770,685,000          |                    | \$10,218,868                 | \$34,762,266      |                   | \$19,544,572      | \$14,928,169      | \$5,487,277      | \$2,535,554      | \$8,022,831        | \$71,431,044      |
| Rate 13                           | 4             | 127,000              |                    | 657                          | 2,976             |                   | 3,221             | 2,460             | 904              | 418              | 1,322              | 7,992             |
| Rate 16                           | 8             | 127,000              |                    | 1,314                        | 4,523             |                   | 3,221             | 2,460             | 904              | 418              | 1,322              | 10,196            |
| <b>Total Residential</b>          | <b>80,003</b> | <b>770,939,000</b>   |                    | <b>10,220,839</b>            | <b>34,769,765</b> |                   | <b>19,551,014</b> | <b>14,933,089</b> | <b>5,489,085</b> | <b>2,536,390</b> | <b>8,025,475</b>   | <b>71,449,232</b> |
| <b>Small General Service</b>      |               |                      |                    |                              |                   |                   |                   |                   |                  |                  |                    |                   |
| Rate 20                           | 11,272        | 111,247,327          |                    | \$2,880,033                  | \$5,267,773       |                   | \$2,821,232       | \$1,824,456       | \$629,660        | \$366,004        | \$995,664          | \$11,797,830      |
| Rate 25                           | 46            | 1,267,000            | 8,084.6            | 10,914                       | 15,318            | \$16,573          | 32,131            | 20,778            | 7,171            | 4,168            | 11,339             | 84,375            |
| Rate 26                           | 240           | 1,278,673            |                    | 70,080                       | 49,810            |                   | 32,427            | 20,971            | 7,237            | 4,207            | 11,444             | 161,844           |
| Rate 40                           | 309           | 4,076,000            | 9,468.1            | 74,734                       | 95,178            | 49,107            | 103,367           | 66,847            | 23,071           | 13,410           | 36,481             | 352,752           |
| <b>Total Small General</b>        | <b>11,867</b> | <b>117,869,000</b>   | <b>17,552.7</b>    | <b>3,035,761</b>             | <b>5,428,079</b>  | <b>65,680</b>     | <b>2,989,157</b>  | <b>1,933,052</b>  | <b>667,139</b>   | <b>387,789</b>   | <b>1,054,928</b>   | <b>12,396,801</b> |
| <b>General Service</b>            |               |                      |                    |                              |                   |                   |                   |                   |                  |                  |                    |                   |
| Rate 30 Secondary 1/              | 4,587         | 755,983,226          | 2,281,943.8        | \$2,477,440                  | \$17,962,161      | \$21,170,949      | \$19,171,735      | \$13,159,140      | \$5,216,284      | \$2,215,031      | \$7,431,315        | \$66,510,110      |
| Rate 30 Primary                   | 43            | 195,765,000          | 468,864.3          | 49,020                       | 4,494,764         | 3,429,564         | 4,804,073         | 3,231,856         | 1,350,779        | 573,591          | 1,924,370          | 14,084,907        |
| <b>Rate 30 Contract Rates</b>     |               |                      |                    |                              |                   |                   |                   |                   |                  |                  |                    |                   |
| Rate 302, 303 Tesoro              | 2             | 75,560,000           | 138,211.0          | 2,280                        | 1,295,201         | 902,874           | 1,854,242         |                   | 4,054,597        |                  |                    | 4,054,597         |
| Rate 304 Sabin                    | 1             | 26,681,000           | 65,685.4           | 180                          | 522,414           | 364,554           | 654,752           |                   | 1,541,900        |                  |                    | 1,541,900         |
| Rate 31 Primary                   | 1             | 2,081,000            | 7,835.7            | 1,164                        | 30,023            | 34,226            | 51,068            | 32,872            | 14,359           | 6,097            | 20,456             | 128,897           |
| Rate 31 Secondary                 | 68            | 17,694,774           | 96,323.7           | 38,352                       | 255,413           | 508,864           | 448,739           | 297,976           | 122,094          | 51,846           | 173,940            | 1,375,404         |
| Rate 32 Secondary                 | 623           | 55,941,000           | 273,550.0          | 112,140                      | 1,608,863         | 493,460           | 1,418,664         | 793,752           | 385,993          | 163,907          | 549,900            | 3,876,979         |
| Rate 32 Primary                   | 0             | 0                    | 0.0                | 0                            | 0                 | 0                 | 0                 | 0                 | 0                | 0                | 0                  | 0                 |
| Rate 38                           | 2             | 17,711,000           | 53,405.0           | 5,797                        | 376,536           | 228,620           | 434,628           | 308,209           | 122,206          | 51,893           | 174,099            | 1,179,691         |
| Rate 381 Capital 2/               | 1             | 14,200,000           | 32,163.4           | 11,892                       | 188,975           | 235,153           | 348,468           | 231,767           | 88,183           | 37,445           | 125,628            | 890,627           |
| Rate 39                           | 1             | 5,107,000            | 11,502.0           | 3,600                        | 46,933            | 66,137            | 125,326           |                   | 241,996          |                  |                    | 241,996           |
| <b>Total General</b>              | <b>5,329</b>  | <b>1,166,724,000</b> | <b>3,429,484.3</b> | <b>2,701,865</b>             | <b>26,781,283</b> | <b>27,434,401</b> | <b>29,311,655</b> | <b>18,055,572</b> | <b>7,299,888</b> | <b>3,099,810</b> | <b>10,399,708</b>  | <b>93,885,108</b> |
| <b>Municipal Lighting Service</b> |               |                      |                    |                              |                   |                   |                   |                   |                  |                  |                    |                   |
| Rate 41 Secondary                 | 512           | 18,127,000           |                    | \$908,014                    | \$908,014         |                   | \$459,701         | \$219,842         | \$142,522        | \$35,363         | \$177,885          | \$1,409,672       |
| Rate 41 Primary                   | 49            | 1,719,000            |                    | 77,475                       | 20,629            | 13,374            | 42,184            | 20,629            | 13,374           | 3,318            | 16,592             | 123,596           |
| <b>Total Municipal Lighting</b>   | <b>561</b>    | <b>19,846,000</b>    |                    | <b>985,489</b>               | <b>985,489</b>    |                   | <b>501,885</b>    | <b>240,471</b>    | <b>155,896</b>   | <b>38,681</b>    | <b>194,577</b>     | <b>1,533,268</b>  |
| <b>Municipal Pumping Service</b>  |               |                      |                    |                              |                   |                   |                   |                   |                  |                  |                    |                   |
| Rate 48 Secondary 1/              | 319           | 25,168,000           | 91,118.4           | \$37,418                     | \$503,637         | \$475,748         | \$638,280         | 424,618           | \$160,463        | \$68,196         | \$228,659          | \$1,851,022       |
| Rate 48 Primary                   | 4             | 13,894,000           | 35,805.3           | 518                          | 257,734           | 130,541           | 340,959           | 209,798           | 86,282           | 36,680           | 122,962            | 816,588           |
| <b>Total Municipal Pumping</b>    | <b>323</b>    | <b>39,062,000</b>    | <b>126,923.7</b>   | <b>37,936</b>                | <b>761,371</b>    | <b>606,289</b>    | <b>979,239</b>    | <b>634,416</b>    | <b>246,745</b>   | <b>104,876</b>   | <b>351,621</b>     | <b>2,667,610</b>  |

MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA

Summary of Projected Revenues and Billing Determinants  
Twelve Months Ended December 31, 2015  
TOTAL REVENUE EXCLUDING RENEWABLE AND TRANSMISSION RIDERS

Projected 2017

| Rate Reporting Class          | Billing Units  | Kwh                  | Billed KW          | Basic Service Charge Revenue | Energy Revenue      | Demand Revenue      | Fuel                | Riders Revenue      | Total                | Exclude             |                    | Total Revenue        |
|-------------------------------|----------------|----------------------|--------------------|------------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|--------------------|----------------------|
|                               |                |                      |                    |                              |                     |                     |                     |                     |                      | Renewable Rider     | Transmission Rider |                      |
| Outdoor Lighting Service      | 2,602          | 7,424,000            |                    |                              | \$496,963           |                     | \$188,273           | \$99,111            | \$784,347            | \$64,218            | \$15,962           | \$704,167            |
| Rate 52 Secondary             | 2              | 13,000               |                    |                              | 817                 |                     | 319                 | 173                 | 1,309                | 112                 | 28                 | 1,169                |
| Rate 52 Primary               | 2,604          | 7,437,000            |                    |                              | 497,760             |                     | 186,592             | 99,284              | 785,656              | 64,330              | 15,990             | 705,336              |
| <b>Total Outdoor Lighting</b> |                |                      |                    |                              |                     |                     |                     |                     |                      |                     |                    |                      |
| <b>Total North Dakota</b>     | <b>100,687</b> | <b>2,121,877,000</b> | <b>3,573,960.7</b> | <b>\$15,996,401</b>          | <b>\$69,223,767</b> | <b>\$28,106,370</b> | <b>\$53,521,562</b> | <b>\$35,895,884</b> | <b>\$202,743,984</b> | <b>\$13,923,093</b> | <b>\$6,183,536</b> | <b>\$20,106,629</b>  |
|                               |                |                      |                    |                              |                     |                     |                     |                     |                      |                     |                    | <b>\$182,637,355</b> |

1/ Includes 1 customer's excess facilities charges.

2/ Discount to energy revenue applicable to the renewable and transmission riders is also in that rider's excluded revenues column.

**MONTANA-DAKOTA UTILITIES CO.**  
**MISCELLANEOUS REVENUES**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2015**  
**PROJECTED 2016 & 2017**

|                                       | Per Books<br>2015 | Projected<br>2016 | Projected<br>2017 |
|---------------------------------------|-------------------|-------------------|-------------------|
| <u>Miscellaneous Service Revenue:</u> |                   |                   |                   |
| Seasonal Reconnect Fee 1/             | \$11,660          | \$13,960          | \$13,960          |
| Reconnect Fee - Nonpayment 1/         | 43,520            | 33,000            | 33,000            |
| NSF Check fees                        | 14,385            | 14,385            | 14,385            |
| Work for Others 2/                    | 29,490            | 5,399             | 5,399             |
| Energy Diversion 3/                   | 2,194             | 1,766             | 1,766             |
| Total                                 | \$101,249         | \$68,510          | \$68,510          |
| <u>Rent from Property:</u>            |                   |                   |                   |
| Buildings 4/                          | \$237,825         | \$17,205          | \$17,205          |
| General Office - COS 1/               | 916,927           | 1,226,216         | 1,226,216         |
| Equipment                             | 114,834           | 114,834           | 114,834           |
| Parking Lots                          | 1,321             | 1,321             | 1,321             |
| Pole Attachments                      | 127,455           | 127,455           | 127,455           |
| Street Lights                         | 615,165           | 615,165           | 615,165           |
| Yard Lights                           | 199,962           | 199,962           | 199,962           |
| Miscellaneous 5/                      | 94,376            | 67,589            | 67,589            |
| Joint Use agreements 6/               | 1,279,197         | 0                 | 0                 |
| Total                                 | \$3,587,062       | \$2,369,747       | \$2,369,747       |
| <u>Other Revenue:</u>                 |                   |                   |                   |
| Sale of Junk / Fly Ash 7/             | \$29,351          | \$28,519          | \$28,519          |
| Patronage Dividends                   | 5,699             | 5,699             | 5,699             |
| Joint Use / Meter Reading 1/          | 67,002            | 90,100            | 90,100            |
| Late Payment Revenue 8/               | 216,441           | 235,853           | 243,293           |
| Miscellaneous                         | 68,946            | 68,946            | 68,946            |
| Coyote Misc. Revenue 1/               | 77,561            | 17,206            | 17,206            |
| Big Stone Misc. Revenue 1/            | 255,445           | 362,616           | 362,616           |
| KVAR Penalty Revenue 3/               | 445,394           | 416,431           | 416,431           |
| Power Interchange Service 6/          | 187,924           | 0                 | 0                 |
| Sale of RECs 9/                       | 2,681             | 0                 | 0                 |
| Total                                 | \$1,356,444       | \$1,225,370       | \$1,232,810       |
| Total                                 | \$5,044,755       | \$3,663,627       | \$3,671,067       |

**MONTANA-DAKOTA UTILITIES CO.  
MISCELLANEOUS REVENUES  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

|   | <u>Per Books<br/>2015</u> | <u>Projected<br/>2016</u> | <u>Projected<br/>2017</u> |
|---|---------------------------|---------------------------|---------------------------|
| <u>Transmission Cost Adjustment (TCA) Revenue</u> |                           |                           |                           |
| <u>Other Revenue:</u>                             |                           |                           |                           |
| Facilities Credit - SPP & Basin 1/                | \$0                       | \$8,716,771               | \$10,189,776              |
| MISO Transmission Revenue 1/                      | 1,319,195                 | 2,824,103                 | 2,943,982                 |
| Schedule 26 Revenue 10/                           | 0                         | 1,339,465                 | 1,339,465                 |
|   | <u>\$1,319,195</u>        | <u>\$12,880,339</u>       | <u>\$14,473,223</u>       |
| <br>Total Miscellaneous Revenue                   | <br><u>\$6,363,950</u>    | <br><u>\$16,543,966</u>   | <br><u>\$18,144,290</u>   |

- 1/ Updated to reflect an annualized 2016 based on activity through June.
- 2/ This type of work has largely returned to 2013 levels.
- 3/ Restated to reflect a three year average.
- 4/ Reflects current rental agreements and removes employee rental income.
- 5/ Updated to reflect current rental agreement.
- 6/ Agreement ceased during 2015.
- 7/ Fly ash sales have been updated to reflect current activity.
- 8/ Based on the ratio of 2015 Late Payment to Sales Revenue of 0.12 percent.
- 9/ No REC Revenue is projected as the revenue is returned through the FPPA.
- 10/ Schedule 26 Revenue was formerly recorded as a credit to expense.

**MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF OPERATION AND MAINTENANCE EXPENSES  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

|                                | <u>Per Books 2015 1/</u>    | <u>Projected 2016 2/</u>    | <u>Projected 2017 2/</u>    |
|--------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Fuel & Purchased Power         | \$52,139,001                | \$50,943,216                | \$54,200,344                |
| Production                     | 19,091,877                  | 18,478,767                  | 18,920,886                  |
| Transmission                   | 9,503,434                   | 5,084,977                   | 5,229,567                   |
| Distribution                   | 10,256,881                  | 10,834,092                  | 11,172,726                  |
| Customer Accounting            | 2,624,990                   | 2,694,675                   | 2,781,003                   |
| Customer Service & Information | 171,898                     | 171,772                     | 174,332                     |
| Sales                          | 114,458                     | 108,206                     | 110,869                     |
| Administrative & General       | <u>14,444,817</u>           | <u>16,166,350</u>           | <u>16,995,687</u>           |
| Total Operation & Maintenance  | <u><u>\$108,347,356</u></u> | <u><u>\$104,482,055</u></u> | <u><u>\$109,585,414</u></u> |

1/ Includes total North Dakota electric operations Operation and Maintenance expenses.

2/ Wind (Renewable Rider) expenses and transmission (Transmission Cost Adjustment) expenses are excluded and summarized on pages 20-21.

MONTANA-DAKOTA UTILITIES CO.  
 OPERATION & MAINTENANCE EXPENSE  
 ELECTRIC UTILITY - NORTH DAKOTA  
 PROJECTED 2016

| Function                       | Fuel & Purchased Power | Labor        | Benefits    | Subcontract Labor | Big Stone/Coyote | Materials   | Vehicles & Work Equipment |
|--------------------------------|------------------------|--------------|-------------|-------------------|------------------|-------------|---------------------------|
| Fuel & Purchased Power         | \$50,290,596           | \$447,060    |             | \$110,603         | \$85,739         | \$8,983     | \$7                       |
| Other O&M                      |                        |              |             |                   |                  |             |                           |
| Production                     |                        | \$6,440,891  |             | \$2,357,366       | \$7,436,491      | \$1,153,560 | \$28,511                  |
| Transmission                   |                        | 2,968,901    |             | 1,174,314         | 6,378            | 254,593     | 146,231                   |
| Distribution                   |                        | 6,430,435    |             | 2,484,432         |                  | 842,010     | 962,321                   |
| Customer Accounting            |                        | 1,433,218    |             | 68,179            |                  | 1,219       | 91,312                    |
| Customer Service & Information |                        | 68,536       |             |                   |                  |             | 985                       |
| Sales                          |                        | 40,508       |             |                   |                  |             | 1,171                     |
| Administrative & General       |                        | 4,155,088    | \$4,949,392 | 685,717           |                  | 66,047      | 26,232                    |
| Total Other O&M                | \$0                    | \$21,537,577 | \$4,949,392 | \$6,770,008       | \$7,442,869      | \$2,317,430 | \$1,256,763               |
| Total O&M                      | \$50,290,596           | \$21,984,637 | \$4,949,392 | \$6,880,611       | \$7,528,608      | \$2,326,413 | \$1,256,770               |

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MONTANA-DAKOTA UTILITIES CO.  
 OPERATION & MAINTENANCE EXPENSE  
 ELECTRIC UTILITY - NORTH DAKOTA  
 PROJECTED 2016

| Function                       | Facilities Charge | Company Consumption | Postage   | Uncollectible Accounts | Advertising | Industry Dues | Insurance   |
|--------------------------------|-------------------|---------------------|-----------|------------------------|-------------|---------------|-------------|
| Fuel & Purchased Power         |                   |                     |           |                        |             |               |             |
| Other O&M                      |                   |                     |           |                        |             |               |             |
| Production                     |                   | \$26,860            | \$2,056   |                        |             |               |             |
| Transmission                   |                   | 14,621              | 52        |                        |             |               |             |
| Distribution                   | \$26,614          | 184,066             | 12,686    | \$1,570                |             |               |             |
| Customer Accounting            |                   |                     | 322,563   | 578,625                |             |               |             |
| Customer Service & Information |                   |                     |           |                        | \$92,376    |               |             |
| Sales                          |                   |                     | 16        |                        |             |               |             |
| Administrative & General       |                   | 105,422             | 130,232   |                        | 55,258      | \$190,668     | \$1,545,226 |
| Total Other O&M                | \$26,614          | \$330,969           | \$467,605 | \$580,195              | \$147,634   | \$190,668     | \$1,545,226 |
| Total O&M                      | \$26,614          | \$330,969           | \$467,605 | \$580,195              | \$147,634   | \$190,668     | \$1,545,226 |

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MONTANA-DAKOTA UTILITIES CO.  
 OPERATION & MAINTENANCE EXPENSE  
 ELECTRIC UTILITY - NORTH DAKOTA  
 PROJECTED 2016

| Function                       | Regulatory<br>Commission<br>Expense | Software<br>Maintenance | Annual<br>Easements | All Other<br>O&M | Projected<br>2016 O&M |
|--------------------------------|-------------------------------------|-------------------------|---------------------|------------------|-----------------------|
| Fuel & Purchased Power         |                                     |                         |                     | \$228            | \$50,943,216          |
| Other O&M<br>Production        |                                     | \$253,267               |                     | \$779,765        | \$18,478,767          |
| Transmission                   |                                     | 123,791                 | \$37,799            | 358,297          | 5,084,977             |
| Distribution                   |                                     | 72,938                  | 24,653              | (207,633)        | 10,834,092            |
| Customer Accounting            |                                     | 66,441                  |                     | 133,118          | 2,694,675             |
| Customer Service & Information |                                     |                         |                     | 9,875            | 171,772               |
| Sales                          |                                     |                         |                     | 66,510           | 108,206               |
| Administrative & General       | \$139,693                           | 485,597                 |                     | 3,631,778        | 16,166,350            |
| Total Other O&M                | \$139,693                           | \$1,002,034             | \$62,452            | \$4,771,710      | \$53,538,839          |
| Total O&M                      | \$139,693                           | \$1,002,034             | \$62,452            | \$4,771,938      | \$104,482,055         |

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MONTANA-DAKOTA UTILITIES CO.  
 OPERATION & MAINTENANCE EXPENSE  
 ELECTRIC UTILITY - NORTH DAKOTA  
 PROJECTED 2017

| Function                       | Fuel & Purchased Power | Labor        | Benefits    | Subcontract Labor | Big Stone/Coyote | Materials   | Vehicles & Work Equipment |
|--------------------------------|------------------------|--------------|-------------|-------------------|------------------|-------------|---------------------------|
| Fuel & Purchased Power         | \$53,528,720           | \$462,260    |             | \$112,649         | \$87,326         | \$9,149     | \$8                       |
| Other O&M Production           |                        | \$6,659,881  |             | \$2,400,977       | \$7,574,066      | \$1,174,901 | \$29,856                  |
| Transmission                   |                        | 3,069,844    |             | 1,196,039         | 6,496            | 259,303     | 153,131                   |
| Distribution                   |                        | 6,649,070    |             | 2,530,394         |                  | 867,270     | 1,007,729                 |
| Customer Accounting            |                        | 1,481,947    |             | 69,440            |                  | 1,242       | 95,620                    |
| Customer Service & Information |                        | 70,866       |             |                   |                  |             | 1,032                     |
| Sales                          |                        | 41,885       |             |                   |                  |             | 1,227                     |
| Administrative & General       |                        | 4,296,361    | \$5,340,282 | 698,403           |                  | 67,269      | 27,470                    |
| Total Other O&M                | \$0                    | \$22,269,854 | \$5,340,282 | \$6,895,253       | \$7,580,562      | \$2,369,986 | \$1,316,065               |
| Total O&M                      | \$53,528,720           | \$22,732,114 | \$5,340,282 | \$7,007,902       | \$7,667,888      | \$2,379,135 | \$1,316,073               |
| See Page Number:               | 22                     | 23           | 24          | 25                | 27               | 28          | 29                        |

MONTANA-DAKOTA UTILITIES CO.  
 OPERATION & MAINTENANCE EXPENSE  
 ELECTRIC UTILITY - NORTH DAKOTA  
 PROJECTED 2017

| Function                       | Facilities Charge | Company Consumption | Postage   | Uncollectible Accounts | Advertising | Industry Dues | Insurance   |
|--------------------------------|-------------------|---------------------|-----------|------------------------|-------------|---------------|-------------|
| Fuel & Purchased Power         |                   |                     |           |                        |             |               |             |
| Other O&M Production           |                   | \$27,006            | \$2,056   |                        |             |               |             |
| Transmission                   |                   | 15,198              | 52        |                        |             |               |             |
| Distribution                   | \$26,614          | 189,471             | 12,686    | \$1,570                |             |               |             |
| Customer Accounting            |                   |                     | 332,625   | 596,878                |             |               |             |
| Customer Service & Information |                   |                     |           |                        | \$92,376    |               |             |
| Sales                          |                   |                     |           |                        |             |               |             |
| Administrative & General       |                   | 108,975             | 130,232   |                        | 55,258      | \$190,668     | \$1,622,487 |
| Total Other O&M                | \$26,614          | \$340,650           | \$477,667 | \$598,448              | \$147,634   | \$190,668     | \$1,622,487 |
| Total O&M                      | \$26,614          | \$340,650           | \$477,667 | \$598,448              | \$147,634   | \$190,668     | \$1,622,487 |
| See Page Number:               | 30                | 31                  | 32        | 33                     | 34          | 35            | 36          |

MONTANA-DAKOTA UTILITIES CO.  
 OPERATION & MAINTENANCE EXPENSE  
 ELECTRIC UTILITY - NORTH DAKOTA  
 PROJECTED 2017

| Function                       | Regulatory<br>Commission<br>Expense | Software<br>Maintenance | Annual<br>Easements | All Other<br>O&M | Projected<br>2017 O&M |
|--------------------------------|-------------------------------------|-------------------------|---------------------|------------------|-----------------------|
| Fuel & Purchased Power         |                                     |                         |                     | \$232            | \$54,200,344          |
| Other O&M<br>Production        |                                     | \$257,952               |                     | \$794,191        | \$18,920,886          |
| Transmission                   |                                     | 126,081                 | \$38,498            | 364,925          | 5,229,567             |
| Distribution                   |                                     | 74,287                  | 25,109              | (211,474)        | 11,172,726            |
| Customer Accounting            |                                     | 67,670                  |                     | 135,581          | 2,781,003             |
| Customer Service & Information |                                     |                         |                     | 10,058           | 174,332               |
| Sales                          |                                     |                         |                     | 67,740           | 110,869               |
| Administrative & General       | \$264,735                           | 494,581                 |                     | 3,698,966        | 16,995,687            |
| Total Other O&M                | \$264,735                           | \$1,020,571             | \$63,607            | \$4,859,987      | \$55,385,070          |
| Total O&M                      | \$264,735                           | \$1,020,571             | \$63,607            | \$4,860,219      | \$109,585,414         |

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MONTANA-DAKOTA UTILITIES CO.  
OPERATION & MAINTENANCE EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
PROJECTED 2016

WIND - RENEWABLE RIDER

| Unit           | Labor            | Benefits        | Subcontract Labor  | Materials        | Equipment       | Postage      | Annual Easements | All Other O&M   | Total              |
|----------------|------------------|-----------------|--------------------|------------------|-----------------|--------------|------------------|-----------------|--------------------|
|                |                  |                 |                    |                  |                 |              |                  |                 |                    |
| Diamond Willow | \$170,505        | \$42,399        | \$28,942           | \$82,191         | \$5,255         | \$323        | \$55,212         | \$14,661        | \$399,488          |
| Cedar Hills    | 135,846          | 33,779          | 13,283             | 53,372           | 7,760           | 82           | 38,648           | 13,035          | 295,805            |
| Thunder Spirit | 49,001           | 12,184          | 1,320,759          | 196              | 5,266           | 0            | 293,313          | 19,618          | 1,700,337          |
| <b>Total</b>   | <b>\$355,352</b> | <b>\$88,362</b> | <b>\$1,362,984</b> | <b>\$135,759</b> | <b>\$18,281</b> | <b>\$405</b> | <b>\$387,173</b> | <b>\$47,314</b> | <b>\$2,395,630</b> |

See Page Number: 23

TRANSMISSION COST ADJUSTMENT

| Transmission | Subcontract Labor | Regulatory Commission Expense | Total        |    |    |    |    |
|--------------|-------------------|-------------------------------|--------------|----|----|----|----|
|              |                   |                               |              | 26 | 24 | 25 | 28 |
|              | \$18,661,310      | \$185,691                     | \$18,847,001 |    |    |    |    |

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MONTANA-DAKOTA UTILITIES CO.  
OPERATION & MAINTENANCE EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
PROJECTED 2017

WIND - RENEWABLE RIDER

| Unit           | Labor            | Benefits        | Subcontract Labor  | Materials        | Vehicles & Work Equipment | Postage      | Annual Easements | All Other O&M   | Total              |
|----------------|------------------|-----------------|--------------------|------------------|---------------------------|--------------|------------------|-----------------|--------------------|
|                |                  |                 |                    |                  |                           |              |                  |                 |                    |
| Diamond Willow | \$176,302        | \$41,375        | \$29,478           | \$83,712         | \$5,353                   | \$323        | \$55,212         | \$14,933        | \$406,688          |
| Cedar Hills    | 140,465          | 32,962          | 13,529             | 54,360           | 7,904                     | 82           | 39,338           | 13,278          | 301,918            |
| Thunder Spirit | 50,667           | 11,884          | 1,115,349          | 1,656            | 5,383                     | 0            | 301,095          | 20,096          | 1,506,130          |
| <b>Total</b>   | <b>\$367,434</b> | <b>\$86,221</b> | <b>\$1,158,356</b> | <b>\$139,728</b> | <b>\$18,640</b>           | <b>\$405</b> | <b>\$395,645</b> | <b>\$48,307</b> | <b>\$2,214,736</b> |

See Page Number: 23

TRANSMISSION COST ADJUSTMENT

| Transmission     | Subcontract Labor | Regulatory Commission Expense | Total        |
|------------------|-------------------|-------------------------------|--------------|
|                  |                   |                               |              |
|                  | \$19,745,500      | \$185,691                     | \$19,931,191 |
| See Page Number: | 26                | 37                            |              |

**MONTANA-DAKOTA UTILITIES CO.  
FUEL & PURCHASED POWER  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

|                        | Per Books           | Projected           |                     |
|------------------------|---------------------|---------------------|---------------------|
|                        | 2015                | 2016                | 2017                |
| Fuel & Purchased Power | \$51,542,484        | \$50,290,596        | \$53,528,720        |
| Production             | 1,063,177           | 0                   | 0                   |
| Transmission           | 263,993             | 0                   | 0                   |
| Total                  | <u>\$52,869,654</u> | <u>\$50,290,596</u> | <u>\$53,528,720</u> |

Projected costs recovered via the Fuel and Purchased Power Adjustment, by account:

|  | Per Books           | Projected           |                     |
|--|---------------------|---------------------|---------------------|
|  | 2015                | 2016                | 2017                |
| <u>Fuel Expense:</u>                       |                     |                     |                     |
| Acct. 501 - Coal                           | \$23,637,134        | \$33,683,874        | \$34,102,795        |
| Acct. 502 - Reagents & Sand 1/             | 1,063,177           | 2,110,135           | 1,980,510           |
| Acct. 547 - Natural Gas                    | 468,073             | 293,793             | 507,289             |
|  | <u>\$25,168,384</u> | <u>\$36,087,802</u> | <u>\$36,590,594</u> |
| <u>Purchased Power / Pipeline Charges:</u> |                     |                     |                     |
| Acct. 555 - Energy                         | \$23,256,381        | \$12,998,608        | \$14,868,822        |
| Acct. 555 - Demand                         | 1,622,477           | 455,696             | 454,532             |
| Acct. 575 - Market Administration 1/       | 263,993             | 264,413             | 265,428             |
| Acct. 547 - Pipeline Reservation Charges   | 2,001,274           | 1,975,353           | 1,975,353           |
| Total Purchased Power                      | <u>\$27,144,125</u> | <u>\$15,694,070</u> | <u>\$17,564,135</u> |
| <u>Other</u>                               |                     |                     |                     |
| Deferred F&PP                              | \$557,145           | \$0                 | \$0                 |
| Subtotal                                   | <u>\$52,869,654</u> | <u>\$51,781,872</u> | <u>\$54,154,729</u> |
| Less:                                      |                     |                     |                     |
| Fuel & PP - Sales for Resale 2/            | <u>\$790</u>        | <u>\$1,491,276</u>  | <u>\$626,009</u>    |
| Total Fuel & Purchased Power               | <u>\$52,868,864</u> | <u>\$50,290,596</u> | <u>\$53,528,720</u> |

1/ Per books Acct. 502 is recorded as production expense and Acct. 575 is recorded as transmission expense.

2/ Projected costs associated with Fuel & PP - Sales for Resale have been excluded from total Fuel & PP expense along with the revenues as they are an equal offset in the Fuel and Purchased Power adjustment.

**MONTANA-DAKOTA UTILITIES CO.**  
**LABOR EXPENSE**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2015**  
**PROJECTED 2016 & 2017**

| <b>All Other</b>               | Per Books           | Projected 1/        |                     |
|--------------------------------|---------------------|---------------------|---------------------|
|                                | 2015                | 2016                | 2017                |
| Fuel & Purchased Power         | \$419,224           | \$447,060           | \$462,260           |
| Production                     | 6,039,845           | 6,440,891           | 6,659,881           |
| Transmission 2/                | 2,627,204           | 2,968,901           | 3,069,844           |
| Distribution                   | 6,030,040           | 6,430,435           | 6,649,070           |
| Customer Accounting            | 1,343,978           | 1,433,218           | 1,481,947           |
| Customer Service & Information | 64,269              | 68,536              | 70,866              |
| Sales                          | 37,986              | 40,508              | 41,885              |
| Administrative & General       | 3,896,369           | 4,155,088           | 4,296,361           |
| <b>Total</b>                   | <b>\$20,458,915</b> | <b>\$21,984,637</b> | <b>\$22,732,114</b> |

| <b>Wind - Renewable Rider</b> | Per Books | Projected 1/ |           |
|-------------------------------|-----------|--------------|-----------|
|                               | 2015      | 2016 3/      | 2017 4/   |
| Diamond Willow                | \$126,452 | \$170,505    | \$176,302 |
| Cedar Hills                   | 97,654    | 135,846      | 140,465   |
| Thunder Spirit                | 699       | 49,001       | 50,667    |
| Production                    | \$224,805 | \$355,352    | \$367,434 |

| <b>Per Books 2015</b>          | Total               | Wind             | All Other           |
|--------------------------------|---------------------|------------------|---------------------|
| Fuel & Purchased Power         | \$419,224           | \$0              | \$419,224           |
| Production                     | 6,264,650           | 224,805          | 6,039,845           |
| Transmission                   | 2,627,204           | 0                | 2,627,204           |
| Distribution                   | 6,030,040           | 0                | 6,030,040           |
| Customer Accounting            | 1,343,978           | 0                | 1,343,978           |
| Customer Service & Information | 64,269              | 0                | 64,269              |
| Sales                          | 37,986              | 0                | 37,986              |
| Administrative & General       | 3,896,369           | 0                | 3,896,369           |
| <b>Total</b>                   | <b>\$20,683,720</b> | <b>\$224,805</b> | <b>\$20,458,915</b> |

- 1/ Reflects an increase in total labor of 6.64% and 3.40% for 2016 and 2017, respectively.  
2/ 2016 includes a correction of per books labor expense of \$156,837.  
3/ Based on level of employees as of June 2016, annualized.  
4/ Reflects an increase in total labor of 3.40%.

**MONTANA-DAKOTA UTILITIES CO.  
BENEFITS EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

|                                | Per Books          | Projected          |                    |
|--------------------------------|--------------------|--------------------|--------------------|
|                                | 2015               | 2016               | 2017               |
| <b>All Other</b>               |                    |                    |                    |
| Medical/Dental 1/              | \$2,092,847        | \$2,193,304        | \$2,550,813        |
| Pension Expense 2/             | 306,034            | 450,543            | 433,287            |
| Post-Retirement 3/             | (10,413)           | (3,187)            | (33,357)           |
| 401-K 4/                       | 2,041,551          | 2,131,379          | 2,205,977          |
| Workers Compensation 5/        | 107,963            | 108,514            | 112,314            |
| Other Benefits 6/              | 65,938             | 68,839             | 71,248             |
| Total Administrative & General | <u>\$4,603,920</u> | <u>\$4,949,392</u> | <u>\$5,340,282</u> |

|                                | Per Books       | Projected       |                 |
|--------------------------------|-----------------|-----------------|-----------------|
|                                | 2015            | 2016            | 2017            |
| <b>Wind - Renewable Rider</b>  |                 |                 |                 |
| Medical/Dental 7/              | \$26,531        | \$43,282        | \$50,337        |
| Pension Expense 2/             | 3,009           | 4,430           | 4,260           |
| Post-Retirement 3/             | 649             | 1,099           | (9,305)         |
| 401-K 8/                       | 19,849          | 31,982          | 33,101          |
| Workers Compensation 9/        | 3,789           | 6,467           | 6,687           |
| Other Benefits 6/              | 1,422           | 1,102           | 1,141           |
| Total Administrative & General | <u>\$55,249</u> | <u>\$88,362</u> | <u>\$86,221</u> |

|                                | Total              | Wind            | All Other          |
|--------------------------------|--------------------|-----------------|--------------------|
| <b>Per Books 2015</b>          |                    |                 |                    |
| Medical/Dental                 | \$2,119,378        | \$26,531        | \$2,092,847        |
| Pension Expense                | 309,043            | 3,009           | 306,034            |
| Post-Retirement                | (9,764)            | 649             | (10,413)           |
| 401-K                          | 2,061,400          | 19,849          | 2,041,551          |
| Workers Compensation           | 111,752            | 3,789           | 107,963            |
| Other Benefits                 | 67,360             | 1,422           | 65,938             |
| Total Administrative & General | <u>\$4,659,169</u> | <u>\$55,249</u> | <u>\$4,603,920</u> |

- 1/ Reflects an increase of 4.80% for 2016 based on effective 2016 premiums and 16.30% for 2017 based on projected medical premiums.
- 2/ Reflects an increase of 47.22% for 2016 and a decrease of 3.83% for 2017 based on an actuarial study.
- 3/ Reflects an increase of 69.39% for 2016 and a decrease of 946.67% for 2017 based on an actuarial study.
- 4/ Reflects the straight time labor increase of 3.40% and additional 1% for the plan change for 2016 and the straight time labor increase of 3.50% for 2017.
- 5/ Based on the ratio of 2015 workers compensation to 2015 labor expense.
- 6/ Reflects the increase in straight time labor for 2016 and 2017.
- 7/ 2016 reflects a loading factor of 12.18% of labor costs. 2017 is based on the increase in projected medical premiums.
- 8/ 2016 reflects 9% of labor consisting of 5% in-lieu of pension contribution and 4% employer match. 2017 401K amount reflects the increase in straight time labor of 3.50%
- 9/ Based on the ratio of 2015 workers compensation (wind only) to 2015 labor expense (wind only).

**MONTANA-DAKOTA UTILITIES CO.  
SUBCONTRACT LABOR EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

| <b>All Other</b>         | Per Books          | Projected          |                    |
|--------------------------|--------------------|--------------------|--------------------|
|                          | 2015               | 2016 1/            | 2017 2/            |
| Fuel & Purchased Power   | \$109,302          | \$110,603          | \$112,649          |
| Production               | 2,329,643          | 2,357,366          | 2,400,977          |
| Transmission             | 1,160,504          | 1,174,314          | 1,196,039          |
| Distribution             | 2,455,215          | 2,484,432          | 2,530,394          |
| Customer Accounting      | 67,377             | 68,179             | 69,440             |
| Administrative & General | 631,606            | 685,717            | 698,403            |
| <b>Total</b>             | <b>\$6,753,647</b> | <b>\$6,880,611</b> | <b>\$7,007,902</b> |

| <b>Transmission Cost Adjustment</b> | Per Books   | Projected    |              |
|-------------------------------------|-------------|--------------|--------------|
|                                     | 2015        | 2016         | 2017         |
| Transmission Expense 3/             | \$3,010,924 | \$18,661,310 | \$19,745,500 |

| <b>Wind - Renewable Rider</b> | Per Books       | Projected          |                    |
|-------------------------------|-----------------|--------------------|--------------------|
|                               | 2015            | 2016               | 2017               |
| Diamond Willow                | \$28,882        | \$28,942           | \$29,478           |
| Cedar Hills                   | 3,882           | 13,283             | 13,529             |
| Thunder Spirit                | 0               | 1,320,759          | 1,115,349          |
| <b>Total Wind</b>             | <b>\$32,764</b> | <b>\$1,362,984</b> | <b>\$1,158,356</b> |

| <b>Per Books 2015</b>    | Total              | Wind            | Transmission       | All Other          |
|--------------------------|--------------------|-----------------|--------------------|--------------------|
| Fuel & Purchased Power   | \$109,302          | \$0             | \$0                | \$109,302          |
| Production               | 2,362,407          | 32,764          | 0                  | 2,329,643          |
| Transmission 3/ 4/       | 4,171,428          | 0               | 3,010,924          | 1,160,504          |
| Distribution             | 2,455,215          | 0               | 0                  | 2,455,215          |
| Customer Accounting      | 67,377             | 0               | 0                  | 67,377             |
| Administrative & General | 631,606            | 0               | 0                  | 631,606            |
| <b>Total</b>             | <b>\$9,797,335</b> | <b>\$32,764</b> | <b>\$3,010,924</b> | <b>\$6,753,647</b> |

1/ Adjusted to reflect inflation of 1.19%, except A&G which was increased by \$40,060 to reflect additional costs related to the Company's aircraft and hangar and \$8,489 to reflect increases in rating agency fees.

2/ Adjusted to reflect inflation of 1.85%.

3/ See detail by schedule on page 26.

4/ Excludes Account 575 - Market Administration as it is included in the FPPA.

**NOTE:**

Inflation is based on an average of eight published forecasts for 2016 and 2017.

MONTANA-DAKOTA UTILITIES CO.  
 SUBCONTRACT LABOR EXPENSE - TRANSMISSION DETAIL  
 ELECTRIC UTILITY - NORTH DAKOTA  
 TWELVE MONTHS ENDED DECEMBER 31, 2015  
 PROJECTED 2016 & 2017

**TRANSMISSION COST ADJUSTMENT**

| <u>Transmission Cost Adjustment</u> | Per Books          | Projected           |                     |
|-------------------------------------|--------------------|---------------------|---------------------|
|                                     | 2015               | 2016                | 2017                |
| MISO Sched 10                       | \$979,035          | \$800,000           | \$800,000           |
| MISO Sched 26/26a                   | 3,191,422          | 5,161,103           | 5,501,630           |
| SPP Schedule 1 & 1a                 |                    | 1,482,000           | 1,544,000           |
| SPP Schedule 2                      |                    | 75,000              | 75,000              |
| SPP NITS - Schedule 9 & 11          |                    | 18,447,000          | 19,553,000          |
| Totals                              | <u>\$4,170,457</u> | <u>\$25,965,103</u> | <u>\$27,473,630</u> |
| North Dakota Share                  | 72.196505%         | 71.870735%          | 71.870735%          |
| Transmission Expense                | <u>\$3,010,924</u> | <u>\$18,661,310</u> | <u>\$19,745,500</u> |

**MONTANA-DAKOTA UTILITIES CO.  
BIG STONE & COYOTE EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

| <b><u>Big Stone</u></b> | Per Books          | Projected          |                    |
|-------------------------|--------------------|--------------------|--------------------|
|                         | 2015               | 2016 1/            | 2017 2/            |
| Fuel & Purchased Power  | \$36,214           | \$61,165           | \$62,297           |
| Production              | 3,584,790          | 2,959,807          | 3,014,563          |
| Transmission            | 5,962              | 760                | 774                |
| <b>Total</b>            | <b>\$3,626,966</b> | <b>\$3,021,732</b> | <b>\$3,077,634</b> |

| <b><u>Coyote</u></b>   | Per Books          | Projected          |                    |
|------------------------|--------------------|--------------------|--------------------|
|                        | 2015               | 2016 1/            | 2017 2/            |
| Fuel & Purchased Power | \$22,563           | \$24,574           | \$25,029           |
| Production             | 3,297,142          | 4,476,684          | 4,559,503          |
| Transmission           | 9,260              | 5,618              | 5,722              |
| <b>Total</b>           | <b>\$3,328,965</b> | <b>\$4,506,876</b> | <b>\$4,590,254</b> |

| <b><u>Total</u></b>    | Per Books          | Projected          |                    |
|------------------------|--------------------|--------------------|--------------------|
|                        | 2015               | 2016 1/            | 2017 2/            |
| Fuel & Purchased Power | \$58,777           | \$85,739           | \$87,326           |
| Production             | 6,881,932          | 7,436,491          | 7,574,066          |
| Transmission           | 15,222             | 6,378              | 6,496              |
| <b>Total</b>           | <b>\$6,955,931</b> | <b>\$7,528,608</b> | <b>\$7,667,888</b> |

1/ 2016 updated to reflect expected cost of operations.

2/ 2017 adjusted to reflect inflation of 1.85%.

**MONTANA-DAKOTA UTILITIES CO.  
MATERIALS EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

| <b>All Other</b>         | Per Books          | Projected          |                    |
|--------------------------|--------------------|--------------------|--------------------|
|                          | 2015               | 2016               | 2017 1/            |
| Fuel & Purchased Power   | \$8,983            | \$8,983            | \$9,149            |
| Production               | 1,153,560          | 1,153,560          | 1,174,901          |
| Transmission             | 254,593            | 254,593            | 259,303            |
| Distribution 2/          | 817,485            | 842,010            | 867,270            |
| Customer Accounting      | 1,219              | 1,219              | 1,242              |
| Sales                    | 1                  | 1                  | 1                  |
| Administrative & General | 66,047             | 66,047             | 67,269             |
| <b>Total</b>             | <b>\$2,301,888</b> | <b>\$2,326,413</b> | <b>\$2,379,135</b> |

| <b>Wind - Renewable Rider</b> | Per Books | Projected |           |
|-------------------------------|-----------|-----------|-----------|
|                               | 2015      | 2016 3/   | 2017 4/   |
| Diamond Willow                | \$95,037  | \$82,191  | \$83,712  |
| Cedar Hills                   | 46,036    | 53,372    | 54,360    |
| Thunder Spirit                | 24        | 196       | 1,656     |
| Production                    | \$141,097 | \$135,759 | \$139,728 |

| <b>Per Books 2015</b>    | Total              | Wind             | All Other          |
|--------------------------|--------------------|------------------|--------------------|
| Fuel & Purchased Power   | \$8,983            | \$0              | \$8,983            |
| Production               | 1,294,657          | 141,097          | 1,153,560          |
| Transmission             | 254,593            | 0                | 254,593            |
| Distribution             | 817,485            | 0                | 817,485            |
| Customer Accounting      | 1,219              | 0                | 1,219              |
| Sales                    | 1                  | 0                | 1                  |
| Administrative & General | 66,047             | 0                | 66,047             |
| <b>Total</b>             | <b>\$2,442,985</b> | <b>\$141,097</b> | <b>\$2,301,888</b> |

- 1/ Adjusted by inflation rate of 1.85%, except for distribution.  
2/ Adjusted 2016 and 2017 by expected cost increases of 3%.  
3/ Adjusted to reflect a three year average.  
4/ Adjusted by inflation rate of 1.85%.

**MONTANA-DAKOTA UTILITIES CO.  
VEHICLES & WORK EQUIPMENT EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

| <b>All Other</b>               | Per Books          | Projected 1/       |                    |
|--------------------------------|--------------------|--------------------|--------------------|
|                                | 2015               | 2016               | 2017               |
| Fuel & Purchased Power         | \$6                | \$7                | \$8                |
| Production                     | 24,925             | 28,511             | 29,856             |
| Transmission                   | 127,841            | 146,231            | 153,131            |
| Distribution                   | 841,297            | 962,321            | 1,007,729          |
| Customer Accounting            | 79,828             | 91,312             | 95,620             |
| Customer Service & Information | 861                | 985                | 1,032              |
| Sales                          | 1,024              | 1,171              | 1,227              |
| Administrative & General       | 22,934             | 26,232             | 27,470             |
| <b>Total</b>                   | <b>\$1,098,716</b> | <b>\$1,256,770</b> | <b>\$1,316,073</b> |

| <b>Wind - Renewable Rider</b> | Per Books | Projected 1/ |          |
|-------------------------------|-----------|--------------|----------|
|                               | 2015      | 2016         | 2017     |
| Diamond Willow                | \$4,722   | \$5,255      | \$5,353  |
| Cedar Hills                   | 10,714    | 7,760        | 7,904    |
| Thunder Spirit                | 0         | 5,266        | 5,383    |
| Production                    | \$15,436  | \$18,281     | \$18,640 |

| <b>Per Books 2015</b>          | Total              | Wind            | All Other          |
|--------------------------------|--------------------|-----------------|--------------------|
| Fuel & Purchased Power         | \$6                | \$0             | \$6                |
| Production                     | 40,361             | 15,436          | 24,925             |
| Transmission                   | 127,841            | 0               | 127,841            |
| Distribution                   | 841,297            | 0               | 841,297            |
| Customer Accounting            | 79,828             | 0               | 79,828             |
| Customer Service & Information | 861                | 0               | 861                |
| Sales                          | 1,024              | 0               | 1,024              |
| Administrative & General       | 22,934             | 0               | 22,934             |
| <b>Total</b>                   | <b>\$1,114,152</b> | <b>\$15,436</b> | <b>\$1,098,716</b> |

1/ Increase reflects changes in projected plant and proposed depreciation rates.

**MONTANA-DAKOTA UTILITIES CO.  
FACILITIES CHARGE EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

|                 | Per Books          | Projected       |                 |
|-----------------|--------------------|-----------------|-----------------|
|                 | 2015               | 2016            | 2017            |
| Transmission 1/ | \$1,508,136        | \$0             | \$0             |
| Distribution    | 26,614             | 26,614          | 26,614          |
| <b>Total</b>    | <b>\$1,534,750</b> | <b>\$26,614</b> | <b>\$26,614</b> |

1/ Facility charge (or joint use) costs ceased during 2015 due to Basin Electric Cooperative becoming a member of the Southwest Power Pool.

**MONTANA-DAKOTA UTILITIES CO.  
COMPANY CONSUMPTION  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

| <u>Company Consumption - Total</u> | Per Books        | Projected        |                  |
|------------------------------------|------------------|------------------|------------------|
|                                    | 2015             | 2016             | 2017             |
| Production                         | \$31,464         | \$26,860         | \$27,006         |
| Transmission                       | 13,090           | 14,621           | 15,198           |
| Distribution                       | 179,864          | 184,066          | 189,471          |
| Administrative & General           | 99,305           | 105,422          | 108,975          |
| Total                              | <u>\$323,723</u> | <u>\$330,969</u> | <u>\$340,650</u> |

| <u>Company Consumption - Electric</u> | Per Books        | Projected 1/     |                  |
|---------------------------------------|------------------|------------------|------------------|
|                                       | 2015             | 2016             | 2017             |
| Production                            | \$3,181          | \$3,594          | \$3,740          |
| Transmission                          | 12,544           | 14,172           | 14,749           |
| Distribution                          | 117,545          | 132,802          | 138,207          |
| Administrative & General              | 77,261           | 87,289           | 90,842           |
| Total                                 | <u>\$210,531</u> | <u>\$237,857</u> | <u>\$247,538</u> |

| <u>Company Consumption - Gas</u> | Per Books        | Projected       |                 |
|----------------------------------|------------------|-----------------|-----------------|
|                                  | 2015             | 2016 2/         | 2017            |
| Production                       | \$28,283         | \$23,266        | \$23,266        |
| Transmission                     | 546              | 449             | 449             |
| Distribution                     | 62,319           | 51,264          | 51,264          |
| Administrative & General         | 22,044           | 18,133          | 18,133          |
| Total                            | <u>\$113,192</u> | <u>\$93,112</u> | <u>\$93,112</u> |

1/ Based on increase of retail sales revenue.

2/ Decreased to reflect normalized volumes at current rates.

**MONTANA-DAKOTA UTILITIES CO.  
POSTAGE EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

| <b>All Other</b>         | Per Books        | Projected        |                  |
|--------------------------|------------------|------------------|------------------|
|                          | 2015             | 2016             | 2017             |
| Production               | \$2,056          | \$2,056          | \$2,056          |
| Transmission             | 52               | 52               | 52               |
| Distribution             | 12,686           | 12,686           | 12,686           |
| Customer Accounting      | 330,719          | 322,563 1/       | 332,625 2/       |
| Sales                    | 16               | 16               | 16               |
| Administrative & General | 130,232          | 130,232          | 130,232          |
| <b>Total</b>             | <b>\$475,761</b> | <b>\$467,605</b> | <b>\$477,666</b> |

| <b>Wind - Renewable Rider</b> | Per Books    | Projected    |              |
|-------------------------------|--------------|--------------|--------------|
|                               | 2015         | 2016         | 2017         |
| Diamond Willow                | \$323        | \$323        | \$323        |
| Cedar Hills                   | 82           | 82           | 82           |
| Thunder Spirit                | 0            | 0            | 0            |
| <b>Production</b>             | <b>\$405</b> | <b>\$405</b> | <b>\$405</b> |

| <b>Per Books 2015</b>    | Total            | Wind         | All Other        |
|--------------------------|------------------|--------------|------------------|
| Production               | \$2,461          | \$405        | \$2,056          |
| Transmission             | 52               | 0            | 52               |
| Distribution             | 12,686           | 0            | 12,686           |
| Customer Accounting      | 330,719          | 0            | 330,719          |
| Sales                    | 16               | 0            | 16               |
| Administrative & General | 130,232          | 0            | 130,232          |
| <b>Total</b>             | <b>\$476,166</b> | <b>\$405</b> | <b>\$475,761</b> |

1/ Adjusted 2016 to reflect annualization of 2015 year end ebill customers.  
2/ Adjusted to reflect expected postage rate increase of 2.15% during 2017.

**MONTANA-DAKOTA UTILITIES CO.  
UNCOLLECTIBLE ACCOUNTS EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

|                        | Per Books        | Projected        |                  |
|------------------------|------------------|------------------|------------------|
|                        | 2015             | 2016             | 2017             |
| Distribution           | \$1,570          | \$1,570          | \$1,570          |
| Customer Accounting 1/ | 626,222          | 578,625          | 596,878          |
| <b>Total</b>           | <b>\$627,792</b> | <b>\$580,195</b> | <b>\$598,448</b> |

1/ Based on a three year average of net write-offs to projected revenues:

|                            | Net<br>Write Offs  | Sales<br>Revenue     | % Write Off<br>to Revenue |
|----------------------------|--------------------|----------------------|---------------------------|
| 12 Months Ending December: |                    |                      |                           |
| 2013                       | \$363,873          | \$150,879,708        | 0.2412%                   |
| 2014                       | 497,328            | 170,406,761          | 0.2918%                   |
| 2015                       | 601,347            | 175,464,218          | 0.3427%                   |
| <b>Total</b>               | <b>\$1,462,548</b> | <b>\$496,750,687</b> | <b>0.2944%</b>            |

Projected revenue is based on projected volumes at current rates, including revenue collected from all current riders.

|                | Expense   | Revenue       |         |
|----------------|-----------|---------------|---------|
| 2016 Projected | \$578,625 | \$196,543,788 | 0.2944% |
| 2017 Projected | 596,878   | 202,743,984   | 0.2944% |

**MONTANA-DAKOTA UTILITIES CO.  
ADVERTISING EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

|                                   | Per Books        | Projected        |                  |
|-----------------------------------|------------------|------------------|------------------|
|                                   | 2015             | 2016             | 2017             |
| Production 1/                     | \$1,094          | \$0              | \$0              |
| Customer Service & Information 2/ | 97,009           | 92,376           | 92,376           |
| Sales 3/                          | 9,703            | 0                | 0                |
| Administrative & General 4/       | 57,357           | 55,258           | 55,258           |
| Total                             | <u>\$165,163</u> | <u>\$147,634</u> | <u>\$147,634</u> |

- 1/ Advertising incorrectly charged to production expense. Eliminated in projected periods.
- 2/ **Informational** advertising adjusted to reflect 2016 expense and remove expense not applicable to North Dakota electric operations.
- 3/ **Promotional** advertising was eliminated.
- 4/ **Institutional** advertising adjusted to reflect 2016 expense and remove expense not applicable to North Dakota electric operations.

**MONTANA-DAKOTA UTILITIES CO.  
INDUSTRY DUES  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

| <u>Description</u>                           | <u>Per Books</u> | <u>Projected</u> |                  |
|--|------------------|------------------|------------------|
|  |                  | <u>2016 1/</u>   | <u>2017</u>      |
| Ashley Chamber of Commerce                   | \$36             | \$85             | \$85             |
| Avian Power Line Interaction Committee       | 3,321            | 1,661            | 1,661            |
| Beach Area Chamber                           | 85               | 89               | 89               |
| Beulah Chamber of Commerce                   | 650              | 675              | 675              |
| Beulah Convention & Visitors Bureau          | 25               | 25               | 25               |
| Bismarck-Mandan Convention & Visitors Bureau | 273              | 273              | 273              |
| Bismarck-Mandan Development Association      | 5,220            | 4,592            | 4,592            |
| Bismarck-Mandan Home Builders Association    | 205              | 205              | 205              |
| Bowman Area Chamber of Commerce              | 99               | 103              | 103              |
| Consortium for Energy Efficiency             | 1,675            | 1,764            | 1,764            |
| Dickinson Area Builders Association          | 175              | 183              | 183              |
| Dickinson Area Chamber of Commerce           | 313              | 327              | 327              |
| Dickinson Builders Exchange                  | 51               | 53               | 53               |
| Economic Development Assoc. of North Dakota  | 573              | 520              | 520              |
| Edison Electric Institute                    | 59,597           | 63,578           | 63,578           |
| Elgin Community Betterment                   | 50               | 50               | 50               |
| Ellendale Chamber of Commerce                | 88               | 180              | 180              |
| Hebron Business Club                         | 13               | 13               | 13               |
| Hettinger Area Chamber of Commerce           | 56               | 59               | 59               |
| Kenmare Assoc. of Commerce                   | 260              | 260              | 260              |
| Lignite Energy Council                       | 76,331           | 69,099           | 69,099           |
| Linton Chamber of Commerce                   | 27               | 64               | 64               |
| Linton Industrial Development                | 13               | 40               | 40               |
| Mandan Progress Organization                 | 52               | 52               | 52               |
| Midcontinent Independent System Operator     | 664              | 651              | 651              |
| Midwest Energy Association                   | 4,616            | 4,619            | 4,619            |
| Mohall Chamber of Commerce                   | 0                | 65               | 65               |
| National Regulatory Research Institute       | 2,000            | 2,000            | 2,000            |
| North Central Electric Association           | 8,448            | 9,453            | 9,453            |
| North Dakota Ethanol Producers Association   | 287              | 287              | 287              |
| North American Transmission Forum            | 18,252           | 14,925           | 14,925           |
| Stanley Commercial Club                      | 0                | 350              | 350              |
| Stark Development Corporation                | 141              | 147              | 147              |
| Theodore Roosevelt Expressway Association    | 0                | 230              | 230              |
| Tioga Area Economic Corporation              | 100              | 100              | 100              |
| Utilities Telecom Council                    | 1,539            | 1,538            | 1,538            |
| Utility Solid Waste Activities Group         | 13,140           | 11,065           | 11,065           |
| Watford City Area Chamber of Commerce        | 0                | 600              | 600              |
| Williston Area Chamber of Commerce           | 352              | 358              | 358              |
| Williston Area Safety Association            | 250              | 80               | 80               |
| Williston Economic Development               | 0                | 250              | 250              |
| Other/Corporate Charges 2/                   | 50,995           | 0                | 0                |
| <b>Total</b>                                 | <b>\$249,972</b> | <b>\$190,668</b> | <b>\$190,668</b> |

1/ Reflects 2016 actual expense.

2/ Eliminated. Not applicable to North Dakota electric operations.

**MONTANA-DAKOTA UTILITIES CO.  
INSURANCE EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

|  | Per Books          | Projected          |                    |
|--|--------------------|--------------------|--------------------|
|  | 2015               | 2016 1/            | 2017 2/            |
| Director's & Officer's Liability Insurance | \$82,423           | \$105,300          | \$110,565          |
| Excess Liability:                          |                    |                    |                    |
| Fiduciary & Employee Benefits Liability    | 13,824             | 11,410             | 11,981             |
| Public Liab. & Damage of Others            | 606,323            | 624,777            | 656,016            |
| All Risk                                   | 409,795            | 427,851            | 449,244            |
| Blanket Crime                              | 3,896              | 5,287              | 5,551              |
| Special Contingency                        | 374                | 375                | 394                |
| Hired and Non-Owned Aircraft Liability     | 98                 | 105                | 110                |
| Coyote Station                             | 119,172            | 104,468            | 109,691            |
| Big Stone Station                          | 111,048            | 118,784            | 124,723            |
| Self Insurance                             | 135,461            | 146,869            | 154,212            |
| Total Administrative & General             | <u>\$1,482,414</u> | <u>\$1,545,226</u> | <u>\$1,622,487</u> |

1/ Based on 2016 premiums.  
2/ Reflects an increase of 5%.

**MONTANA-DAKOTA UTILITIES CO.  
REGULATORY COMMISSION EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

| <b>All Other</b>                  | Per Books        | Projected        |                  |
|-----------------------------------|------------------|------------------|------------------|
|                                   | 2015             | 2016             | 2017             |
| Ongoing Regulatory Comm. Exp. 1/  | \$146,039        | \$139,693        | \$139,693        |
| Rate Case Expense Amortization 2/ | 0                | 0                | 125,042          |
| Total Administrative & General    | <u>\$146,039</u> | <u>\$139,693</u> | <u>\$264,735</u> |

| <b>Transmission Cost Adjustment</b> | Per Books | Projected |           |
|-------------------------------------|-----------|-----------|-----------|
|                                     | 2015      | 2016      | 2017      |
| Administrative & General 3/         | \$153,484 | \$185,691 | \$185,691 |

| <b>Per Books 2015</b>    | Total     | Transmission | All Other |
|--------------------------|-----------|--------------|-----------|
| Administrative & General | \$299,523 | \$153,484    | \$146,039 |

- 1/ Reflects a three year average of ongoing regulatory commission expense.  
2/ Reflects a three year amortization of rate case expense.  
3/ FERC assessment fees (MISO Schedule 10/SPP Schedule 12).

MONTANA-DAKOTA UTILITIES CO.  
SOFTWARE MAINTENANCE EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017

|                          | Per Books        | Projected          |                    |
|--------------------------|------------------|--------------------|--------------------|
|                          | 2015             | 2016 1/            | 2017 2/            |
| Production               | \$251,650        | \$253,267          | \$257,952          |
| Transmission             | 130,438          | 123,791            | 126,081            |
| Distribution             | 72,938           | 72,938             | 74,287             |
| Customer Accounting      | 44,094           | 66,441             | 67,670             |
| Administrative & General | 362,919          | 485,597            | 494,581            |
| Total                    | <u>\$862,039</u> | <u>\$1,002,034</u> | <u>\$1,020,571</u> |

1/ Based on actual 2016 expenses.

2/ Increased to reflect inflation of 1.85%.

**MONTANA-DAKOTA UTILITIES CO.  
ANNUAL EASEMENTS EXPENSE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

| <b>All Other</b> | Per Books       | Projected       |                 |
|------------------|-----------------|-----------------|-----------------|
|                  | 2015            | 2016 1/         | 2017 2/         |
| Transmission     | \$37,354        | \$37,799        | \$38,498        |
| Distribution     | 24,363          | 24,653          | 25,109          |
| <b>Total</b>     | <b>\$61,717</b> | <b>\$62,452</b> | <b>\$63,607</b> |

| <b>Wind - Renewable Rider</b> | Per Books       | 2016             | 2017             |
|-------------------------------|-----------------|------------------|------------------|
|                               | 2015            |                  |                  |
| Diamond Willow                | \$57,757        | \$55,212         | \$55,212         |
| Cedar Hills                   | 39,985          | 38,648           | 39,338           |
| Thunder Spirit                | 0               | 293,313          | 301,095          |
| <b>Production</b>             | <b>\$97,742</b> | <b>\$387,173</b> | <b>\$395,645</b> |

| <b>Per Books 2015</b> | Total            | Wind            | All Other       |
|-----------------------|------------------|-----------------|-----------------|
| Production            | \$97,742         | \$97,742        | \$0             |
| Transmission          | 37,354           | 0               | 37,354          |
| Distribution          | 24,363           | 0               | 24,363          |
| <b>Total</b>          | <b>\$159,459</b> | <b>\$97,742</b> | <b>\$61,717</b> |

1/ Increased to reflect inflation of 1.19%.  
2/ Increased to reflect inflation of 1.85%.

**MONTANA-DAKOTA UTILITIES CO.**  
**ALL OTHER O&M**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDING DECEMBER 31, 2015**  
**PROJECTED 2016 & 2017**

| <b>All Other</b>               | Per Books          | Projected          |                    |
|--------------------------------|--------------------|--------------------|--------------------|
|                                | 2015               | 2016 1/            | 2017 2/            |
| Fuel & Purchased Power         | \$225              | \$228              | \$232              |
| Production                     | 770,595            | 779,765            | 794,191            |
| Transmission                   | 354,083            | 358,297            | 364,925            |
| Distribution 3/                | (205,191)          | (207,633)          | (211,474)          |
| Customer Accounting            | 131,553            | 133,118            | 135,581            |
| Customer Service & Information | 9,759              | 9,875              | 10,058             |
| Sales                          | 65,728             | 66,510             | 67,740             |
| Administrative & General       | 2,486,836          | 3,631,778          | 3,698,966          |
| <b>Total Other O&amp;M</b>     | <b>\$3,613,588</b> | <b>\$4,771,938</b> | <b>\$4,860,219</b> |

| <b>Wind - Renewable Rider</b> | Per Books       | Projected       |                 |
|-------------------------------|-----------------|-----------------|-----------------|
|                               | 2015            | 2016 4/         | 2017 2/         |
| Diamond Willow                | \$13,565        | \$14,661        | \$14,933        |
| Cedar Hills                   | 15,155          | 13,035          | 13,278          |
| Thunder Spirit                | 1,101           | 19,618          | 20,096          |
| <b>Production</b>             | <b>\$29,821</b> | <b>\$47,314</b> | <b>\$48,307</b> |

| <b>Per Books 2015</b>          | Total              | Wind            | All Other          |
|--------------------------------|--------------------|-----------------|--------------------|
| Fuel & Purchased Power         | \$225              | \$0             | \$225              |
| Production                     | 800,282            | 29,687          | 770,595            |
| Transmission                   | 354,083            | 0               | 354,083            |
| Distribution 3/                | (205,191)          | 0               | (205,191)          |
| Customer Accounting            | 131,553            | 0               | 131,553            |
| Customer Service & Information | 9,759              | 0               | 9,759              |
| Sales                          | 65,728             | 0               | 65,728             |
| Administrative & General       | 2,486,970          | 134             | 2,486,836          |
| <b>Total Other O&amp;M</b>     | <b>\$3,643,409</b> | <b>\$29,821</b> | <b>\$3,613,588</b> |

- 1/ Adjusted to reflect inflation of 1.19%, except A&G. A&G was adjusted to reflect the 2016 actual MDU Resources corporate allocation factor:  
Responsibility 752 - Corporate Campus \$299,469  
Responsibility 994 - Corporate Services - O&M \$823,223
- 2/ Adjusted to reflect inflation of 1.85%.
- 3/ Includes capital installation credits of \$738,656.
- 4/ Based on three-year average for Diamond Willow and Cedar Hills and expected other expenses for Thunder Spirit.

MONTANA-DAKOTA UTILITIES CO.  
 TOTAL OPERATION & MAINTENANCE EXPENSE  
 ELECTRIC UTILITY - NORTH DAKOTA  
 TWELVE MONTHS ENDING DECEMBER 31, 2015  
 ITEMS ADJUSTED INDIVIDUALLY

| Function                                    | Per Books<br>2015          | Fuel &<br>Purchased<br>Power | Labor        | Benefits                   | Subcontract<br>Labor   | Big Stone/<br>Coyote | Materials             |
|---|----------------------------|------------------------------|--------------|----------------------------|------------------------|----------------------|-----------------------|
| Fuel & Purchased Power                      | \$52,139,001               | \$51,542,484                 | \$419,224    |                            | \$109,302              | \$58,777             | \$8,983               |
| <u>Other O&amp;M</u><br>Production          | \$19,091,877               | \$1,063,177                  | \$6,264,650  |                            | \$2,362,407            | \$6,881,932          | \$1,294,657           |
| Transmission                                | 9,503,434                  | 263,993                      | 2,627,204    |                            | 4,171,428              | 15,222               | 254,593               |
| Distribution                                | 10,256,881                 |                              | 6,030,040    |                            | 2,455,215              |                      | 817,485               |
| Customer Accounting                         | 2,624,990                  |                              | 1,343,978    |                            | 67,377                 |                      | 1,219                 |
| Customer Service & Information              | 171,898                    |                              | 64,269       |                            |                        |                      |                       |
| Sales                                       | 114,458                    |                              | 37,986       |                            |                        |                      | 1                     |
| Administrative & General<br>Total Other O&M | 14,444,817<br>\$56,208,355 | 3,896,369<br>\$1,327,170     | \$20,264,496 | \$4,659,169<br>\$4,659,169 | 631,606<br>\$9,688,033 | \$6,897,154          | 66,047<br>\$2,434,002 |
| Total O&M                                   | \$108,347,356              | \$52,869,654                 | \$20,683,720 | \$4,659,169                | \$9,797,335            | \$6,955,931          | \$2,442,985           |
| See Page Number:                            | 13                         | 22                           | 23           | 24                         | 25                     | 27                   | 28                    |

MONTANA-DAKOTA UTILITIES CO.  
 OPERATION & MAINTENANCE EXPENSE  
 ELECTRIC UTILITY - NORTH DAKOTA  
 TWELVE MONTHS ENDING DECEMBER 31, 2015  
 ITEMS ADJUSTED INDIVIDUALLY

| Function                       | Vehicles & Work Equipment | Facilities Charge | Company Consumption | Postage   | Uncollectible Accounts | Advertising | Industry Dues |
|--------------------------------|---------------------------|-------------------|---------------------|-----------|------------------------|-------------|---------------|
| Fuel & Purchased Power         | \$6                       |                   |                     |           |                        |             |               |
| Other O&M Production           | \$40,361                  |                   | \$31,464            | \$2,461   |                        | \$1,094     |               |
| Transmission                   | 127,841                   | \$1,508,136       | 13,090              | 52        |                        |             |               |
| Distribution                   | 841,297                   | 26,614            | 179,864             | 12,686    | \$1,570                |             |               |
| Customer Accounting            | 79,828                    |                   |                     | 330,719   | 626,222                |             |               |
| Customer Service & Information | 861                       |                   |                     |           |                        | 97,009      |               |
| Sales                          | 1,024                     |                   |                     | 16        |                        | 9,703       |               |
| Administrative & General       | 22,934                    |                   | 99,305              | 130,232   |                        | 57,357      | \$249,972     |
| Total Other O&M                | \$1,114,146               | \$1,534,750       | \$323,723           | \$476,166 | \$627,792              | \$165,163   | \$249,972     |
| Total O&M                      | \$1,114,152               | \$1,534,750       | \$323,723           | \$476,166 | \$627,792              | \$165,163   | \$249,972     |

See Page Number:

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MONTANA-DAKOTA UTILITIES CO.  
 OPERATION & MAINTENANCE EXPENSE  
 ELECTRIC UTILITY - NORTH DAKOTA  
 TWELVE MONTHS ENDING DECEMBER 31, 2015  
 ITEMS ADJUSTED INDIVIDUALLY

| Function                                    | Insurance                  | Regulatory<br>Commission<br>Expense | Software<br>Maintenance | Annual<br>Easements | Items<br>Adjusted<br>Individually | Total Items<br>All Other<br>O&M |
|---|----------------------------|-------------------------------------|-------------------------|---------------------|-----------------------------------|---------------------------------|
| Fuel & Purchased Power                      |                            |                                     |                         |                     | \$52,138,776                      | \$225                           |
| Other O&M<br>Production                     |                            |                                     | \$251,650               | \$97,742            | \$18,291,595                      | \$800,282                       |
| Transmission                                |                            |                                     | 130,438                 | 37,354              | 9,149,351                         | 354,083                         |
| Distribution                                |                            |                                     | 72,938                  | 24,363              | 10,462,072                        | (205,191)                       |
| Customer Accounting                         |                            |                                     | 44,094                  |                     | 2,493,437                         | 131,553                         |
| Customer Service & Information              |                            |                                     |                         |                     | 162,139                           | 9,759                           |
| Sales                                       |                            |                                     |                         |                     | 48,730                            | 65,728                          |
| Administrative & General<br>Total Other O&M | \$1,482,414<br>\$1,482,414 | \$299,523<br>\$299,523              | 362,919<br>\$862,039    | \$159,459           | 11,957,847<br>\$52,565,171        | 2,486,970<br>\$3,643,184        |
| Total O&M                                   | \$1,482,414                | \$299,523                           | \$862,039               | \$159,459           | \$104,703,947                     | \$3,643,409                     |

See Page Number: 36 37 38 39 40

**MONTANA-DAKOTA UTILITIES CO.  
DEPRECIATION EXPENSE AND AMORTIZATION  
ELECTRIC UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016-2017**

|  | Per Books<br>2015 1/ | Projected<br>2016 1/ | Projected<br>2017 1/ |
|--|----------------------|----------------------|----------------------|
| Steam Production                         | \$6,918,234          | \$8,355,001          | \$8,679,578          |
| Other Production                         | 1,913,541            | 3,217,984            | 3,243,434            |
| Total Production                         | <u>\$8,831,775</u>   | <u>\$11,572,985</u>  | <u>\$11,923,012</u>  |
| Transmission                             | 3,299,725            | 3,376,753            | 3,628,912            |
| Distribution                             | 6,681,993            | 6,102,984            | 6,508,657            |
| General                                  | 385,515              | 273,863              | 302,990              |
| General - Intangible                     | 219,695              | 334,461              | 477,615              |
| Common                                   | 1,089,679            | 940,484              | 999,051              |
| Common - Intangible                      | 856,133              | 1,038,330            | 1,183,455            |
| Acquisition Adjustment                   | 0                    | 0                    | 0                    |
| Amort. of Decomm. of Power Plants        | 0                    | 0                    | 1,900,146            |
| Amort. of Gain/Loss on Sale of Buildings | 0                    | 0                    | (62,928)             |
| Total                                    | <u>\$21,364,515</u>  | <u>\$23,639,860</u>  | <u>\$26,860,910</u>  |

1/ Includes depreciation on all assets excluding wind production assets shown on page 45.

MONTANA-DAKOTA UTILITIES CO.  
DEPRECIATION EXPENSE AND AMORTIZATION  
ELECTRIC UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016-2017

WIND - RENEWABLE RIDER

|                                   | <u>Per Books</u>   | <u>Projected<br/>2016</u> | <u>Projected<br/>2017</u> |
|-----------------------------------|--------------------|---------------------------|---------------------------|
| Diamond Willow                    | \$2,144,584        | \$1,788,932               | \$1,805,063               |
| Cedar Hills                       | 1,516,400          | 1,170,900                 | 1,175,502                 |
| Thunder Spirit                    | 70                 | 5,762,218                 | 5,692,392                 |
| Total Wind Production             | <u>\$3,661,054</u> | <u>\$8,722,050</u>        | <u>\$8,672,957</u>        |
| Transmission                      | 44,799             | 80,629                    | 123,839                   |
| Amort. of Decomm. of Power Plants | 0                  | 0                         | 493,485                   |
| Total                             | <u>\$3,705,853</u> | <u>\$8,802,679</u>        | <u>\$9,290,281</u>        |

**MONTANA-DAKOTA UTILITIES CO.**  
**ACCUMULATED RESERVE FOR DEPRECIATION - EXCLUDING RENEWABLES**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**PROJECTED 2016**

|  | Accumulated Reserve 12/31/2015 | 2016                        |                     | Composite Rate 2/ | Depreciation/Amortization Existing Plant | Retirements/Removal | Accumulated Reserve 12/31/2016 | 2016 Average Balance |
|--|--------------------------------|-----------------------------|---------------------|-------------------|--|---------------------|--------------------------------|----------------------|
|  |                                | Average Plant In Service 1/ | Retirements/Removal |                   |  |                     |                                |                      |
| Steam Production                           | \$159,534,536                  | \$338,259,152               | \$8,355,001         | 2.47%             | \$8,355,001                              | (\$1,603,159)       | \$166,286,378                  | \$162,910,457        |
| Other Production                           | 14,392,897                     | 106,204,079                 | 3,217,984           | 3.03%             | 3,217,984                                | 0                   | 17,610,881                     | 16,001,889           |
| Total Production                           | \$173,927,433                  | \$444,463,231               | \$11,572,985        |                   | \$11,572,985                             | (\$1,603,159)       | \$183,897,259                  | \$178,912,346        |
| Transmission                               | \$63,996,381                   | \$196,322,835               | \$3,376,753         | 1.72%             | \$3,376,753                              | (\$854,811)         | \$66,518,323                   | \$65,257,352         |
| Distribution                               | \$78,267,081                   | \$256,427,886               | \$6,102,984         | 2.38%             | \$6,102,984                              | (\$2,478,797)       | \$81,891,268                   | \$80,079,175         |
| General                                    |                                |                             |                     |                   |  |                     |                                |                      |
| Other                                      | \$1,100,657                    | \$3,396,797                 | \$188,522           | 5.55%             | \$188,522                                | (\$130,648)         | \$1,158,531                    | \$1,129,594          |
| Structures & Improvements                  | 569,341                        | 986,556                     | 7,991               | 0.81%             | 7,991                                    | (14,112)            | 563,220                        | 566,281              |
| Computer Equipment                         | 254,916                        | 394,239                     | 77,350              | 19.62%            | 77,350                                   | (16,521)            | 315,745                        | 285,331              |
| Transportation                             | 2,340,454                      | 5,666,433                   | 303,721             | 5.36%             | 303,721                                  | (228,340)           | 2,415,835                      | 2,378,145            |
| Work Equipment                             | 3,133,191                      | 9,211,940                   | 496,524             | 5.39%             | 496,524                                  | (359,448)           | 3,270,267                      | 3,201,729            |
| Total General                              | \$7,398,559                    | \$19,655,965                | \$1,074,108         |                   | \$1,074,108                              | (\$749,069)         | \$7,723,598                    | \$7,561,080          |
| General - Intangible                       | \$1,151,435                    | \$3,015,222                 | \$334,451           | 4/                | \$334,451                                | \$0                 | \$1,485,896                    | \$1,318,666          |
| Common                                     |                                |                             |                     |                   |  |                     |                                |                      |
| Other                                      | \$2,180,106                    | \$6,086,174                 | \$357,867           | 5.88%             | \$357,867                                | (\$121,072)         | \$2,416,901                    | \$2,298,504          |
| Structures & Improvements                  | 6,811,057                      | 23,439,793                  | 199,238             | 0.85%             | 199,238                                  | (248,664)           | 6,761,631                      | 6,786,344            |
| Computer Equipment                         | 875,596                        | 1,916,893                   | 383,379             | 20.00%            | 383,379                                  | (35,859)            | 1,223,116                      | 1,049,356            |
| Vehicles                                   | 1,338,859                      | 3,133,847                   | 208,401             | 6.65%             | 208,401                                  | (57,250)            | 1,490,010                      | 1,414,435            |
| Work Equipment                             | 0                              | 0                           | 0                   | 0.00%             | 0  | 0                   | 0                              | 0                    |
| Total Common                               | \$11,205,618                   | \$34,576,707                | \$1,148,885         |                   | \$1,148,885                              | (\$462,845)         | \$11,891,658                   | \$11,548,639         |
| Common - Intangible                        | \$7,277,028                    | \$16,075,169                | \$1,038,330         | 4/                | \$1,038,330                              | \$0                 | \$8,315,358                    | \$7,796,193          |
| Acquisition Adjustment                     | \$7,499,515                    | \$7,499,515                 | \$0                 | 0.00%             | \$0                                      | \$0                 | \$7,499,515                    | \$7,499,515          |
| Amort. of Decomm. of Generating Facilities | \$0                            | \$0                         | \$0                 | 4/                | \$0                                      | \$0                 | 5/                             | 5/                   |
| Amort. of Gain/Loss on Sale of Buildings   | \$0                            | \$0                         | \$0                 | 4/                | \$0                                      | \$0                 | 6/                             | 6/                   |
| Total Accumulated Reserve                  | \$350,723,050                  | \$978,036,530               | \$24,648,506        |                   | \$24,648,506                             | (\$6,148,681)       | \$369,222,875                  | \$359,972,966        |
| Book Depreciation Expense                  |                                |                             | \$23,639,860        | 3/                | \$23,639,860                             |                     |                                |                      |

- 1/ Please see Statement L-1, page 2.
- 2/ Composite rates based on proposed depreciation rates by account. See Statement G, page 2.
- 3/ Excludes depreciation on vehicles and work equipment, which are charged to a clearing account.
- 4/ Amortization based on the life of each item.
- 5/ The balance is included in the decommissioning of generating facilities on Statement L-1, page 1.
- 6/ The balance is included in the gain on sale of buildings on Statement L-1, page 1.

**MONTANA-DAKOTA UTILITIES CO.  
ACCUMULATED RESERVE FOR DEPRECIATION - EXCLUDING RENEWABLES  
ELECTRIC UTILITY - NORTH DAKOTA  
PROJECTED 2017**

|  | Accumulated Reserve<br>12/31/2016 | 2017<br>Average Plant<br>In Service 1/ | Composite<br>Rate 2/ | Depreciation/<br>Amortization<br>Expense | 2017                    |                                      | 2017<br>Average<br>Balance |
|--|-----------------------------------|--|----------------------|--|-------------------------|--------------------------------------|----------------------------|
|  |                                   |  |                      |  | Retirements/<br>Removal | Accumulated<br>Reserve<br>12/31/2017 |                            |
| Steam Production                           | \$166,286,378                     | \$351,399,907                          | 2.47%                | \$8,679,578                              | (\$1,711,781)           | \$173,254,175                        | \$169,770,277              |
| Other Production                           | 17,610,881                        | 107,044,037                            | 3.03%                | 3,243,434                                | 0                       | 20,854,315                           | 19,232,598                 |
| Total Production                           | \$183,897,259                     | \$458,443,944                          |                      | \$11,923,012                             | (\$1,711,781)           | \$194,108,490                        | \$189,002,875              |
| Transmission                               | \$66,518,323                      | \$210,983,254                          | 1.72%                | \$3,628,912                              | (\$912,095)             | \$69,235,140                         | \$67,876,732               |
| Distribution                               | \$81,891,268                      | \$273,472,996                          | 2.38%                | \$6,508,657                              | (\$2,649,761)           | \$85,750,164                         | \$83,820,716               |
| General                                    |                                   |  |                      |  |                         |                                      |                            |
| Other                                      | \$1,158,531                       | \$3,976,418                            | 5.55%                | \$220,691                                | (\$150,607)             | \$1,228,615                          | \$1,193,573                |
| Structures & Improvements                  | 563,220                           | 923,189                                | 0.81%                | 7,478                                    | 0                       | 570,698                              | 566,959                    |
| Computer Equipment                         | 315,745                           | 381,351                                | 19.62%               | 74,821                                   | (16,122)                | 374,444                              | 345,095                    |
| Transportation                             | 2,415,835                         | 5,911,042                              | 5.36%                | 316,832                                  | (240,841)               | 2,491,826                            | 2,453,831                  |
| Work Equipment                             | 3,270,267                         | 10,384,327                             | 5.39%                | 559,715                                  | (403,301)               | 3,426,681                            | 3,348,474                  |
| Total General                              | \$7,723,598                       | \$21,576,327                           |                      | \$1,179,537                              | (\$810,871)             | \$8,092,264                          | \$7,907,932                |
| General - Intangible                       | \$1,485,896                       | \$4,314,311                            | 4/                   | \$477,615                                | \$0                     | \$1,963,511                          | \$1,724,704                |
| Common                                     |                                   |  |                      |  |                         |                                      |                            |
| Other                                      | \$2,416,901                       | \$6,379,266                            | 5.88%                | \$375,101                                | (\$126,026)             | \$2,665,976                          | \$2,541,439                |
| Structures & Improvements                  | 6,761,631                         | 21,887,470                             | 0.85%                | 186,043                                  | 0                       | 6,947,674                            | 6,854,653                  |
| Computer Equipment                         | 1,223,116                         | 2,189,537                              | 20.00%               | 437,907                                  | (41,967)                | 1,619,056                            | 1,421,086                  |
| Vehicles                                   | 1,490,010                         | 3,590,413                              | 6.65%                | 238,762                                  | (69,985)                | 1,658,787                            | 1,574,399                  |
| Work Equipment                             | 0                                 | 0                                      | 0.00%                | 0  | 0                       | 0                                    | 0                          |
| Total Common                               | \$11,891,658                      | \$34,046,686                           |                      | \$1,237,813                              | (\$237,978)             | \$12,891,493                         | \$12,391,577               |
| Common - Intangible                        | \$8,315,358                       | \$17,535,683                           | 4/                   | \$1,183,455                              | \$0                     | \$9,498,813                          | \$8,907,086                |
| Acquisition Adjustment                     | \$7,499,515                       | \$7,499,515                            | 0.00%                | \$0                                      | \$0                     | \$7,499,515                          | \$7,499,515                |
| Amort. of Decomm. of Generating Facilities | \$0                               | \$0                                    | 4/                   | \$1,900,146                              | \$0                     | 5/                                   | 5/                         |
| Amort. of Gain/Loss on Sale of Buildings   | \$0                               | \$0                                    | 4/                   | (\$62,928)                               | \$0                     | 6/                                   | 6/                         |
| Total Accumulated Reserve                  | \$369,222,875                     | \$1,027,872,716                        |                      | \$27,976,219                             | (\$6,322,486)           | \$389,039,390                        | \$379,131,137              |
| Book Depreciation Expense                  |                                   |  |                      | \$26,860,910                             | 3/                      |                                      |                            |

1/ Please see Statement L-1, page 2.  
2/ Composite rates based on proposed depreciation rates by account. See Statement G, page 2.  
3/ Excludes depreciation on vehicles and work equipment, which are charged to a clearing account.  
4/ Amortization based on the life of each item.  
5/ The balance is included in the decommissioning of generating facilities on Statement L-1, page 1.  
6/ The balance is included in the gain on sale of buildings on Statement L-1, page 1.

**MONTANA-DAKOTA UTILITIES CO.  
ACCUMULATED RESERVE FOR DEPRECIATION  
ELECTRIC UTILITY - NORTH DAKOTA  
PROJECTED 2016**

**WIND - RENEWABLE RIDER**

|  | Accumulated Reserve<br>12/31/2015 | 2016<br>Average Plant<br>In Service 1/ | Composite<br>Rate 2/ | Depreciation/<br>Amortization<br>Existing Plant | 2016                    |                                      | 2016<br>Average<br>Balance |
|--|-----------------------------------|--|----------------------|---|-------------------------|--------------------------------------|----------------------------|
|  |                                   |  |                      |   | Retirements/<br>Removal | Accumulated<br>Reserve<br>12/31/2016 |                            |
| Diamond Willow                             | \$13,695,627                      | \$42,492,440                           | 4.21%                | \$1,788,932                                     | \$0                     | \$15,484,559                         | \$14,590,093               |
| Cedar Hills                                | 8,300,249                         | 30,412,975                             | 3.85%                | 1,170,900                                       | 0                       | 9,471,149                            | 8,885,699                  |
| Thunder Spirit                             | 70                                | 144,055,440                            | 4.00%                | 5,762,218                                       | 0                       | 5,762,288                            | 2,881,179                  |
| Total Wind Production                      | <u>\$21,995,946</u>               | <u>\$216,960,855</u>                   |                      | <u>\$8,722,050</u>                              | <u>\$0</u>              | <u>\$30,717,996</u>                  | <u>\$26,356,971</u>        |
| Transmission                               | \$331,615                         | \$5,039,300                            | 1.60% 3/             | \$80,629  | (\$10,445)              | \$401,799                            | \$366,707                  |
| Amort. of Decomm. of Generating Facilities | \$0                               | \$0                                    | 4/                   | \$0   | \$0                     | 5/                                   | 5/                         |
| Total Accumulated Reserve                  | <u>\$22,327,561</u>               | <u>\$222,000,155</u>                   |                      | <u>\$8,802,679</u>                              | <u>(\$10,445)</u>       | <u>\$31,119,795</u>                  | <u>\$26,723,678</u>        |
| Book Depreciation Expense                  |                                   |  |                      | <u>\$8,802,679</u> 3/                           |                         |                                      |                            |

1/ Please see Statement L-2, page 2.

2/ Composite rates based on proposed depreciation rates by account. See Statement G, page 2.

3/ Transmission composite rate based on 2016 activity.

4/ Amortization based on the life of each item.

5/ The balance is included in the decommissioning of generating facilities on Statement L-2, page 1.

**MONTANA-DAKOTA UTILITIES CO.  
ACCUMULATED RESERVE FOR DEPRECIATION  
ELECTRIC UTILITY - NORTH DAKOTA  
PROJECTED 2017**

**WIND - RENEWABLE RIDER**

|  | Accumulated Reserve 12/31/2016 | 2017                        |          | Composite Rate 2/  | Depreciation/ Amortization Expense | Retirements/ Removal | Accumulated Reserve 12/31/2017 | 2017 Average Balance |
|--|--------------------------------|-----------------------------|----------|--------------------|------------------------------------|----------------------|--------------------------------|----------------------|
|  |                                | Average Plant In Service 1/ |          |                    |                                    |                      |                                |                      |
| Diamond Willow                             | \$15,484,559                   | \$42,875,599                | 4.21%    | \$1,805,063        | \$0                                | \$17,289,622         | \$16,387,091                   |                      |
| Cedar Hills                                | 9,471,149                      | 30,532,526                  | 3.85%    | 1,175,502          | 0                                  | 10,646,651           | 10,058,900                     |                      |
| Thunder Spirit                             | 5,762,288                      | 142,309,798                 | 4.00%    | 5,692,392          | 0                                  | 11,454,680           | 8,608,484                      |                      |
| Total Wind Production                      | <u>\$30,717,996</u>            | <u>\$215,717,923</u>        |          | <u>\$8,672,957</u> | <u>\$0</u>                         | <u>\$39,390,953</u>  | <u>\$35,054,475</u>            |                      |
| Transmission                               | \$401,799                      | \$7,739,933                 | 1.60% 3/ | \$123,839          | (\$34,908)                         | \$490,730            | \$446,265                      |                      |
| Amort. of Decomm. of Generating Facilities | \$0                            | \$0                         | 4/       | \$493,485          | \$0                                | 5/                   | 5/                             |                      |
| Total Accumulated Reserve                  | <u>\$31,119,795</u>            | <u>\$223,457,856</u>        |          | <u>\$9,290,281</u> | <u>(\$34,908)</u>                  | <u>\$39,881,683</u>  | <u>\$35,500,740</u>            |                      |
| Book Depreciation Expense                  |                                |                             |          | <u>\$9,290,281</u> | 3/                                 |                      |                                |                      |

1/ Please see Statement L-2, page 2.

2/ Composite rates based on proposed depreciation rates by account. See Statement G, page 2.

3/ Transmission composite rate based on 2016 activity.

4/ Amortization based on the life of each item.

5/ The balance is included in the decommissioning of generating facilities on Statement L-2, page 1.

**MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF TAXES OTHER THAN INCOME  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

| <u>Type of Tax</u>            | Per Books          | Projected          |                    |
|-------------------------------|--------------------|--------------------|--------------------|
|                               | 2015               | 2016               | 2017               |
| Ad Valorem:                   |                    |                    |                    |
| Production                    | \$1,290,383        | \$1,743,813        | \$1,761,449        |
| Transmission                  | 832,634            | 1,128,768          | 1,221,163          |
| Distribution                  | 1,105,204          | 1,181,529          | 1,257,304          |
| General                       | 78,329             | 124,431            | 137,377            |
| Common                        | 224,886            | 212,654            | 218,173            |
| Intangible                    | 13,437             | 15,429             | 17,608             |
| Total Ad Valorem Taxes        | <u>\$3,544,873</u> | <u>\$4,406,624</u> | <u>\$4,613,074</u> |
| O&M Related Taxes - Other:    |                    |                    |                    |
| Payroll Taxes                 | \$1,454,289        | \$1,545,520        | \$1,598,068        |
| Delaware Franchise            | 67,948             | 67,948             | 67,948             |
| Total O&M Related Taxes       | <u>\$1,522,237</u> | <u>\$1,613,468</u> | <u>\$1,666,016</u> |
| Electric Production Taxes: 1/ |                    |                    |                    |
| Montana Electric              | \$126,378          | \$124,335          | \$119,999          |
| North Dakota Coal Conversion  | 610,628            | 633,255            | 637,965            |
| Total Electric Production     | <u>\$737,006</u>   | <u>\$757,590</u>   | <u>\$757,964</u>   |
| Other:                        |                    |                    |                    |
| Highway Use Tax               | \$2,902            | \$2,902            | \$2,902            |
| Secretary of State            | 938                | 938                | 938                |
| Total Other                   | <u>\$3,840</u>     | <u>\$3,840</u>     | <u>\$3,840</u>     |
| Total Taxes Other Than Income | <u>\$5,807,956</u> | <u>\$6,781,522</u> | <u>\$7,040,894</u> |

1/ Projected 2016 & 2017 production taxes are based on projected generation level, capacity, and sales volumes, as applicable.

**MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF TAXES OTHER THAN INCOME  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 AND 2017**

**WIND - RENEWABLE RIDER**

| <u>Type of Tax</u>                | <u>Projected</u>            |                             |
|-----------------------------------|-----------------------------|-----------------------------|
|                                   | <u>2016</u>                 | <u>2017</u>                 |
| Ad Valorem:                       |                             |                             |
| Production                        | \$279,700                   | \$281,579                   |
| Transmission                      | 43,201                      | 43,006                      |
| Total Ad Valorem Taxes            | <u>322,901</u>              | <u>324,585</u>              |
| O&M Related Taxes - Other:        |                             |                             |
| Payroll Taxes                     | 24,981                      | 25,831                      |
| Electric Production Taxes: 1/     |                             |                             |
| Thunder Spirit                    | 332,916                     | 332,365                     |
| <br>Total Taxes Other Than Income | <br><u><u>\$680,798</u></u> | <br><u><u>\$682,781</u></u> |

1/ Projected 2016 & 2017 production taxes are based on projected generation level, capacity, and sales volumes, as applicable.

**MONTANA-DAKOTA UTILITIES CO.  
AD VALOREM TAXES  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

| <u>Function</u> | <u>Effective<br/>Tax Rate</u> | <u>Plant<br/>Balance</u> | <u>Ad Valorem<br/>Tax</u> |
|-----------------|-------------------------------|--------------------------|---------------------------|
|                 |                               | <u>Projected 2016</u>    |                           |
| Production      | 0.3823%                       | \$456,137,337            | \$1,743,813               |
| Transmission    | 0.5569%                       | 202,687,765              | 1,128,768                 |
| Distribution    | 0.4459%                       | 264,976,119              | 1,181,529                 |
| General         | 0.6067%                       | 20,509,416               | 124,431                   |
| Common          | 0.6327%                       | 33,610,528               | 212,654                   |
| Intangible      | 0.0756%                       | 20,408,603               | 15,429                    |
| Total           |                               | <u>\$998,329,768</u>     | <u>\$4,406,624</u>        |
|                 |                               | <u>Projected 2017</u>    |                           |
| Production      | 0.3823%                       | \$460,750,550            | \$1,761,449               |
| Transmission    | 0.5569%                       | 219,278,742              | 1,221,163                 |
| Distribution    | 0.4459%                       | 281,969,872              | 1,257,304                 |
| General         | 0.6067%                       | 22,643,237               | 137,377                   |
| Common          | 0.6327%                       | 34,482,843               | 218,173                   |
| Intangible      | 0.0756%                       | 23,291,384               | 17,608                    |
| Total           |                               | <u>\$1,042,416,628</u>   | <u>\$4,613,074</u>        |

Development of Effective Tax Rate:

| <u>Function</u> | <u>Plant<br/>Balance<br/>@ 12/31/2015</u> | <u>Ad Valorem<br/>Tax<br/>@ 12/31/2015</u> | <u>Effective<br/>Tax Rate 3/</u> |
|-----------------|---|--|----------------------------------|
| Production 1/   | \$505,437,620                             | \$1,290,383                                | 0.3823%                          |
| Transmission    | 192,279,118                               | 832,634                                    | 0.5569%                          |
| Distribution    | 247,879,653                               | 1,105,204                                  | 0.4459%                          |
| General         | 18,802,512                                | 78,329                                     | 0.6067%                          |
| Common          | 35,542,884                                | 224,886                                    | 0.6327%                          |
| Intangible 2/   | 17,772,178                                | 13,437                                     | 0.0756%                          |
| Total           | <u>\$1,017,713,965</u>                    | <u>\$3,544,873</u>                         |                                  |

1/ Excludes Thunder Spirit Wind which is taxed via production tax.

2/ General and common intangible.

3/ Effective tax rate is adjusted to reflect Montana property tax changes (increases related to RICE/MATS not in 2015 and operating income).

Increases: Production of \$642,060, Transmission of \$238,183 and General of \$35,752.

**MONTANA-DAKOTA UTILITIES CO.  
AD VALOREM TAXES  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

**WIND - RENEWABLE RIDER**

| <u>Function</u> | <u>Effective<br/>Tax Rate</u> | <u>Plant<br/>Balance 1/</u> | <u>Ad Valorem<br/>Tax</u> |
|-----------------|-------------------------------|-----------------------------|---------------------------|
|                 |                               | <u>Projected 2016</u>       |                           |
| Production      | 0.3823%                       | \$73,162,333                | \$279,700                 |
| Transmission    | 0.5569%                       | 7,757,387                   | 43,201                    |
| Total           |                               | <u>\$80,919,720</u>         | <u>\$322,901</u>          |
|                 |                               | <u>Projected 2017</u>       |                           |
| Production      | 0.3823%                       | \$73,653,916                | \$281,579                 |
| Transmission    | 0.5569%                       | 7,722,479                   | 43,006                    |
| Total           |                               | <u>\$81,376,395</u>         | <u>\$324,585</u>          |

See L-2, page 2. Excludes Thunder Spirit which is tax via generation tax.

**MONTANA-DAKOTA UTILITIES CO.  
PAYROLL TAXES  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016 & 2017**

|                          | Per Books    | Projected    |              |
|--------------------------|--------------|--------------|--------------|
|                          | 2015         | 2016         | 2017         |
| Labor Expense 1/         | \$20,683,720 | \$21,984,637 | \$22,732,114 |
| Payroll Taxes            | \$1,454,289  | \$1,545,520  | \$1,598,068  |
| % Payroll Taxes to Labor | 7.03%        | 7.03%        | 7.03%        |

**WIND - RENEWABLE RIDER**

|                          |  |           |           |
|--------------------------|--|-----------|-----------|
| Labor Expense 1/         |  | \$355,352 | \$367,434 |
| Payroll Taxes            |  | \$24,981  | \$25,831  |
| % Payroll Taxes to Labor |  | 7.03%     | 7.03%     |

1/ See page 23 for per books and projected straight time labor.

**MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA  
CALCULATION OF INCOME TAXES  
PROJECTED 2016 & 2017**

|                                       | Projected           |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | 2016                | 2017                |
| <u>Operating Revenues</u>             |                     |                     |
| Sales Revenues                        | \$176,860,176       | \$182,637,355       |
| Sales for Resale                      | 0                   | 0                   |
| Other Revenues                        | 3,663,627           | 3,671,067           |
| Total Operating Revenues              | <u>180,523,803</u>  | <u>186,308,422</u>  |
| <u>Operating Expenses</u>             |                     |                     |
| Operation and Maintenance             |                     |                     |
| Cost of Fuel & Purchased Power        | 50,943,216          | 54,200,344          |
| Other O&M                             | 53,538,839          | 55,385,070          |
| Total O&M                             | <u>104,482,055</u>  | <u>109,585,414</u>  |
| Depreciation and Amortization Expense | 23,639,860          | 26,860,910          |
| Taxes other Than Income               | 6,781,522           | 7,040,894           |
| Total Operating Expenses              | <u>134,903,437</u>  | <u>143,487,218</u>  |
| Operating Income                      | 45,620,366          | 42,821,204          |
| Adjustments to Taxable Income:        |                     |                     |
| AFUDC Equity Add Back                 | 399,300             | 399,300             |
| Interest Deduction 1/                 | (12,543,241)        | (12,942,789)        |
| Total Adjustments to Taxable Income   | <u>(12,143,941)</u> | <u>(12,543,489)</u> |
| Net Taxable Income 2/                 | 33,476,425          | 30,277,715          |
| Federal & State Income Taxes          | 12,654,591          | 11,445,431          |
| Full Normalization                    | (257,448)           | (257,448)           |
| Total Income Taxes                    | <u>\$12,397,143</u> | <u>\$11,187,983</u> |

1/ Page 57.

2/ Based on book depreciation.

MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA  
CALCULATION OF INCOME TAXES  
PROJECTED 2016 AND 2017

WIND - RENEWABLE RIDER

|                                       | Projected      |               |
|---------------------------------------|----------------|---------------|
|                                       | 2016           | 2017          |
| <u>Operating Revenues</u>             |                |               |
| Sales Revenues                        | \$13,630,451   | \$13,923,093  |
| Sales for Resale                      |                |               |
| Other Revenues                        |                |               |
| Total Operating Revenues              | 13,630,451     | 13,923,093    |
| <u>Operating Expenses</u>             |                |               |
| Operation and Maintenance             |                |               |
| Cost of Fuel & Purchased Power        |                |               |
| Other O&M                             | 2,395,630      | 2,214,736     |
| Total O&M                             | 2,395,630      | 2,214,736     |
| Depreciation and Amortization Expense | 8,802,679      | 9,290,281     |
| Taxes other Than Income               | 680,798        | 682,781       |
| Total Operating Expenses              | 11,879,107     | 12,187,798    |
| Operating Income                      | 1,751,344      | 1,735,295     |
| Adjustments to Taxable Income:        |                |               |
| AFUDC Equity Add Back                 | 319,381        | 319,381       |
| Interest Deduction 1/                 | (4,188,126)    | (3,758,235)   |
| Total Adjustments to Taxable Income   | (3,868,745)    | (3,438,854)   |
| Net Taxable Income 2/                 | (2,117,401)    | (1,703,559)   |
| Federal & State Income Taxes          | (800,409)      | (643,971)     |
| Production Tax Credits 3/             | (9,392,334)    | (9,355,667)   |
| Total Income Taxes                    | (\$10,192,743) | (\$9,999,638) |

1/ Page 58.

2/ Based on book depreciation.

3/ Page 59.

MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA  
INTEREST EXPENSE DEDUCTION  
PROJECTED 2016 & 2017

|                          | Projected           |                     |
|--------------------------|---------------------|---------------------|
|                          | 2016                | 2017                |
| Rate Base 1/             | \$514,278,032       | \$541,765,975       |
| Weighted Cost of Debt 2/ | 2.439%              | 2.389%              |
| Interest Expense         | <u>\$12,543,241</u> | <u>\$12,942,789</u> |

1/ Statement L-1, page 1.

2/ Statement D, page 1. Includes short and long-term debt.

MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA  
INTEREST EXPENSE DEDUCTION  
PROJECTED 2016 AND 2017

WIND - RENEWABLE RIDER

|                          | Projected     |               |
|--------------------------|---------------|---------------|
|                          | 2016          | 2017          |
| Rate Base 1/             | \$171,714,892 | \$157,314,155 |
| Weighted Cost of Debt 2/ | 2.439%        | 2.389%        |
| Interest Expense         | \$4,188,126   | \$3,758,235   |

1/ Statement L-2, page 1.

2/ Statement D, page 1. Includes short and long-term debt.

**MONTANA-DAKOTA UTILITIES CO.  
PRODUCTION TAX CREDIT  
ELECTRIC UTILITY - NORTH DAKOTA  
PROJECTED 2016 & 2017**

**WIND - RENEWABLE RIDER**

|  | Projected            |                      |
|--|----------------------|----------------------|
|  | 2016                 | 2017                 |
| <u>Generation - Kwh</u>                  |                      |                      |
| Diamond Willow                           | 99,658,000           | 99,226,000           |
| Cedar Hills                              | 64,778,000           | 64,497,000           |
| Thunder Spirit                           | 427,266,000          | 425,669,000          |
| Total                                    | <u>591,702,000</u>   | <u>589,392,000</u>   |
| Production Tax Credit                    | (\$0.023)            | (\$0.023)            |
| Total Production Tax Credit              | (\$13,609,146)       | (\$13,556,016)       |
| Factor 271 - Intergrated Peak and Energy | 69.014868%           | 69.014868%           |
| Allocated to North Dakota                | <u>(\$9,392,334)</u> | <u>(\$9,355,667)</u> |

**MONTANA-DAKOTA UTILITIES CO.  
TOTAL AVERAGE RATE BASE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016-2017**

|                                      | Per Books 1/         | Projected            |                      |
|--------------------------------------|----------------------|----------------------|----------------------|
|                                      |                      | 2016 1/              | 2017 1/              |
| Plant in Service                     | \$1,016,400,756      | \$1,200,036,685      | \$1,251,330,572      |
| Accumulated Reserve for Depreciation | 362,807,164          | 386,696,644          | 414,631,877          |
| Net Plant in Service                 | <u>\$653,593,592</u> | <u>\$813,340,041</u> | <u>\$836,698,695</u> |
| CWIP AQCS - Big Stone                | 22,959,955           | 0                    | 0                    |
| Total Electric Plant in Service      | <u>\$676,553,547</u> | <u>\$813,340,041</u> | <u>\$836,698,695</u> |
| <b>Additions</b>                     |                      |                      |                      |
| Materials and Supplies               | \$10,250,012         | \$11,124,832         | \$11,124,832         |
| Fuel Stocks                          | 3,249,582            | 3,464,841            | 3,464,841            |
| Prepayments                          | 145,051              | 661,572              | 663,551              |
| Unamortized Loss on Debt             | 3,210,633            | 2,895,242            | 2,510,585            |
| Decommissioning of Retired Plants    | (238,621)            | (219,008)            | (199,395)            |
| Generation Facility Decommissioning  | 0                    | 0                    | (1,196,816)          |
| Gain/Loss on Sale of Buildings       | 0                    | 629,276              | 1,227,087            |
| Total Additions                      | <u>\$16,616,657</u>  | <u>\$18,556,755</u>  | <u>\$17,594,685</u>  |
| Total Before Deductions              | \$693,170,204        | \$831,896,796        | \$854,293,380        |
| <b>Deductions</b>                    |                      |                      |                      |
| Accumulated Deferred Income Taxes    | \$131,736,677        | \$141,385,821        | \$150,763,075        |
| Accumulated Investment Tax Credits   | 2,082,018            | \$1,707,370          | 1,617,508            |
| Customer Advances                    | 2,711,826            | \$2,810,681          | 2,832,666            |
| Total Deductions                     | <u>\$136,530,521</u> | <u>\$145,903,872</u> | <u>\$155,213,249</u> |
| Average Rate Base                    | <u>\$556,639,683</u> | <u>\$685,992,924</u> | <u>\$699,080,131</u> |

1/ Sum of the detailed rate base from L-1 (Base Rates - Excluding Renewable) and L-2 (Base Rates - Renewable).

**MONTANA-DAKOTA UTILITIES CO.**  
**AVERAGE RATE BASE - EXCLUDING RENEWABLES**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2015**  
**PROJECTED 2016-2017**

|                                      | 2015                 | Projected            |                      | Reference |
|--------------------------------------|----------------------|----------------------|----------------------|-----------|
|                                      | <u>2015</u>          | <u>2016</u>          | <u>2017</u>          |           |
| Electric Plant in Service            | \$869,047,205        | \$978,036,530        | \$1,027,872,716      | Page 2    |
| Accumulated Reserve for Depreciation | 342,449,135          | 359,972,966          | 379,131,137          | Page 12   |
| Net Electric Plant in Service        | <u>\$526,598,070</u> | <u>\$618,063,564</u> | <u>\$648,741,579</u> |           |
| CWIP AQCS - Big Stone                | 22,959,955           | 0                    | 0                    |           |
| Total Electric Plant in Service      | <u>\$549,558,025</u> | <u>\$618,063,564</u> | <u>\$648,741,579</u> |           |
| <b>Additions</b>                     |                      |                      |                      |           |
| Materials and Supplies               | \$10,250,012 1/      | \$11,124,832         | \$11,124,832         | Page 13   |
| Fuel Stocks                          | 3,249,582 1/         | 3,464,841            | 3,464,841            | Page 13   |
| Prepayments                          | 145,051 1/           | 661,572              | 663,551              | Page 13   |
| Unamortized Loss on Debt             | 3,210,633            | 2,895,242            | 2,510,585            | Page 13   |
| Decommissioning of Retired Plants    | (238,621)            | (219,008)            | (199,395)            | Page 13   |
| Generation Facility Decommissioning  | 0                    | 0                    | (950,073)            | Page 13   |
| Gain/Loss on Sale of Buildings       | 0                    | 629,276              | 1,227,087            | Page 13   |
| Total Additions                      | <u>\$16,616,657</u>  | <u>\$18,556,755</u>  | <u>\$17,841,428</u>  |           |
| Total Before Deductions              | \$566,174,682        | \$636,620,319        | \$666,583,007        |           |
| <b>Deductions</b>                    |                      |                      |                      |           |
| Accumulated Deferred Income Taxes    | \$114,809,458        | \$119,531,606        | \$121,984,365        | Page 22   |
| Accumulated Investment Tax Credits   | 0                    | 0                    | 0                    |           |
| Customer Advances                    | 2,711,826 1/         | 2,810,681            | 2,832,666            | Page 13   |
| Total Deductions                     | <u>\$117,521,284</u> | <u>\$122,342,287</u> | <u>\$124,817,031</u> |           |
| Average Rate Base                    | <u>\$448,653,398</u> | <u>\$514,278,032</u> | <u>\$541,765,976</u> |           |

1/ Please see Statement C, Page 1 of 2.

MONTANA-DAKOTA UTILITIES CO.  
 PLANT IN SERVICE - EXCLUDING RENEWABLES  
 ELECTRIC UTILITY - NORTH DAKOTA  
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015

|                            | Per Books     | Projected<br>2016 1/ | Average<br>2016 1/ | Projected<br>2017 1/ | Average<br>2017 1/ |
|----------------------------|---------------|----------------------|--------------------|----------------------|--------------------|
| Plant in Service           |               |                      |                    |                      |                    |
| Steam Production           | \$327,175,210 | \$349,343,093        | \$338,259,152      | \$353,456,720        | \$351,399,907      |
| Other Production           | 105,613,913   | 106,794,244          | 106,204,079        | 107,293,830          | 107,044,037        |
| Total Production           | \$432,789,123 | \$456,137,337        | \$444,463,231      | \$460,750,550        | \$458,443,944      |
| Transmission               | 189,957,905   | 202,687,765          | 196,322,835        | 219,278,742          | 210,983,254        |
| Distribution               | 247,879,653   | 264,976,119          | 256,427,886        | 281,969,872          | 273,472,996        |
| General                    | 18,802,512    | 20,509,416           | 19,655,965         | 22,643,237           | 21,576,327         |
| Intangible Plant - General | 2,431,901     | 3,598,543            | 3,015,222          | 5,030,079            | 4,314,311          |
| Common                     | 35,542,884    | 33,610,528           | 34,576,707         | 34,482,843           | 34,046,686         |
| Intangible Plant - Common  | 15,340,277    | 16,810,060           | 16,075,169         | 18,261,305           | 17,535,683         |
| Subtotal                   | \$942,744,255 | \$998,329,768        | \$970,537,015      | \$1,042,416,628      | \$1,020,373,201    |
| Acquisition Adjustment     | 7,499,515     | 7,499,515            | 7,499,515          | 7,499,515            | 7,499,515          |
| Total Plant in Service     | \$950,243,770 | \$1,005,829,283      | \$978,036,530      | \$1,049,916,143      | \$1,027,872,716    |

**MONTANA-DAKOTA UTILITIES CO.**  
**PLANT IN SERVICE - EXCLUDING RENEWABLES**  
**TWELVE MONTHS ENDING DECEMBER 31, 2015**  
**PROJECTED 2016-2017**

|                           | Per Books     | Projected 2016                 |                 | Average<br>2016 | Projected 2017                 |               | Average<br>2017 |
|---------------------------|---------------|--------------------------------|-----------------|-----------------|--------------------------------|---------------|-----------------|
|                           |               | Additions 1/<br>Retirements 2/ | Balance         |                 | Additions 1/<br>Retirements 2/ | Balance       |                 |
| Steam Production          | \$327,175,210 | \$23,771,042                   | \$349,343,093   | \$338,259,152   | \$5,825,408                    | (\$1,711,781) | \$353,456,720   |
| Other Production          | 105,613,913   | 1,180,331                      | 106,794,244     | 106,204,079     | 499,586                        | 0             | 107,293,830     |
| Total Production          | \$432,789,123 | \$24,951,373                   | \$456,137,337   | \$444,463,231   | \$6,324,994                    | (\$1,711,781) | \$460,750,550   |
| Transmission              | \$189,957,905 | \$13,584,671                   | \$202,687,765   | \$196,322,835   | \$17,503,072                   | (\$912,095)   | \$219,278,742   |
| Distribution              | \$247,879,653 | \$19,575,263                   | \$264,976,119   | \$256,427,886   | \$19,643,514                   | (\$2,649,761) | \$281,969,872   |
| <u>General</u>            |               |                                |                 |                 |                                |               |                 |
| Other                     | \$3,155,747   | \$612,748                      | \$3,637,847     | \$3,396,797     | \$827,749                      | (\$150,607)   | \$4,314,989     |
| Structures & Improvements | 1,049,922     | 37,743                         | 923,189         | 986,556         | 0                              | 0             | 923,189         |
| Computer Equipment        | 399,066       | 6,867                          | 389,412         | 394,239         | 0                              | (16,122)      | 373,290         |
| Transportation            | 5,515,461     | 530,284                        | 5,817,405       | 5,666,433       | 428,115                        | (240,841)     | 6,004,679       |
| Work Equipment            | 8,682,316     | 1,418,695                      | 9,741,563       | 9,211,940       | 1,688,828                      | (403,301)     | 11,027,090      |
| Total General             | \$18,802,512  | \$2,606,337                    | \$20,509,416    | \$19,655,965    | \$2,944,692                    | (\$810,871)   | \$22,643,237    |
| General Intangible        | \$2,431,901   | \$1,166,642                    | \$3,598,543     | \$3,015,222     | \$1,431,536                    | \$0           | \$5,030,079     |
| <u>Common</u>             |               |                                |                 |                 |                                |               |                 |
| Other                     | \$5,964,161   | \$365,098                      | \$6,208,187     | \$6,086,174     | \$468,184                      | (\$126,026)   | \$6,550,345     |
| Structures & Improvements | 24,992,115    | 130,703                        | 21,887,470      | 23,439,793      | 0                              | 0             | 21,887,470      |
| Computer Equipment        | 1,766,431     | 336,782                        | 2,067,354       | 1,916,893       | 286,333                        | (41,967)      | 2,311,720       |
| Vehicles                  | 2,820,177     | 684,590                        | 3,447,517       | 3,133,847       | 355,776                        | (69,985)      | 3,733,308       |
| Work Equipment            | 0             | 0                              | 0               | 0               | 0                              | 0             | 0               |
| Total Common              | \$35,542,884  | \$1,517,173                    | \$33,610,528    | \$34,576,707    | \$1,110,293                    | (\$237,978)   | \$34,482,843    |
| Common Intangible         | \$15,340,277  | \$1,469,783                    | \$16,810,060    | \$16,075,169    | \$1,451,245                    | \$0           | \$18,261,305    |
| Acquisition Adjustment    | \$7,499,515   | \$0                            | \$7,499,515     | \$7,499,515     | \$0                            | \$0           | \$7,499,515     |
| Total Plant in Service    | \$950,243,770 | \$64,871,242                   | \$1,005,829,283 | \$978,036,530   | \$50,409,346                   | (\$6,322,486) | \$1,049,916,143 |
|                           |               |                                |                 |                 |                                |               | \$1,027,872,716 |

1/ See Schedule L-1 pages 4-11.  
2/ Based on average retirements for 2013-2015.

**MONTANA-DAKOTA UTILITIES CO.  
PLANT ADDITIONS - EXCLUDING RENEWABLES  
ELECTRIC UTILITY - NORTH DAKOTA  
PRO FORMA 2016 - 2017**

| Project No.                    | Acct. | Description   | 2016        | 2017        |
|--------------------------------|-------|---|-------------|-------------|
| <b><u>Steam Production</u></b> |       |   |             |             |
| <b>Heskett</b>                 |       |   |             |             |
| FP-100031                      | 311   | Replace Pavement - Heskett                              | \$50,813    | \$109,844   |
| FP-100032                      | 311   | Replace Asbestos Insulation - Heskett                   | 0           | 90,825      |
| FP-302567                      | 311   | Replace Rail Road Ties & Subgrade - Heskett             | 0           | 86,685      |
| FP-100747                      | 311   | Minor Construction Projects - Heskett                   | 2,471       | 0           |
| FP-305341                      | 311   | Capture Capital Costs for Bldg Replace - Heskett        | 91,271      | 0           |
| FP-100004                      | 312   | Purchase Bed Ash/Limestone Equipment - Heskett          | 6,388,859   | 0           |
| FP-100226                      | 312   | Update Control Room - Heskett                           | 78,140      | 0           |
| FP-100492                      | 312   | Replace Precipitation Optimization System - Heskett     | 108,010     | 0           |
| FP-100747                      | 312   | Minor Construction Projects - Heskett                   | 322,210     | 338,827     |
| FP-307241                      | 312   | Replace Sand Processor Control - Heskett U2             | 0           | 171,924     |
| FP-310700                      | 312   | Replace LP Heater Bundle - Heskett U1                   | 108,553     | 0           |
| FP-311535                      | 312   | Replace Boiler Casing & Refractory - Heskett U1         | 0           | 128,405     |
| FP-311577                      | 312   | Replace Air Heater Expansion Joint - Heskett U1         | 0           | 106,958     |
| FP-312521                      | 312   | Replace ID Fan Rotor - Heskett U2                       | 246,477     | 0           |
| FP-314862                      | 312   | Replace Environmental System Corp Data Logger - Heskett | 0           | 43,382      |
| FP-100032                      | 312   | Replace Asbestos Insulation - Heskett                   | (77)        | 0           |
| FP-100505                      | 312   | Install Material Handling Upgrade - Heskett             | 435         | 0           |
| FP-307302                      | 314   | Replace Turbine Major Parts - Heskett U1                | 0           | 340,256     |
| FP-314822                      | 314   | Replace Generator Collector Rings - Heskett U1          | 0           | 85,350      |
| FP-314824                      | 314   | Install Lube Oil Purification Skid - Heskett U2         | 0           | 59,420      |
| FP-100747                      | 314   | Minor Construction Projects - Heskett                   | 9,273       | 0           |
| FP-311601                      | 314   | Replace Exciter Board - Heskett U1                      | (152)       | 0           |
| FP-100747                      | 315   | Minor Construction Projects - Heskett                   | 8,028       | 0           |
| FP-100308                      | 316   | Purchase Experion Console - Heskett                     | 0           | 33,883      |
| FP-100764                      | 316   | Minor Work Equipment - Heskett                          | 20,499      | 0           |
| FP-307262                      | 316   | Replace Plant Uninterruptible Power Supply - Heskett    | 0           | 216,411     |
| FP-100747                      | 316   | Minor Construction Projects - Heskett                   | 1,928       | 0           |
| FP-100825                      | 316   | Trade CAT Skid Steer - Heskett                          | (155)       | 0           |
| Total Heskett                  |       |   | \$7,436,583 | \$1,812,170 |
| <b>Lewis &amp; Clark</b>       |       |   |             |             |
| FP-100020                      | 311   | Install Fire Protection System - L&C                    | \$0         | \$220,462   |
| FP-314142                      | 311   | Install Potable Water Line - L&C                        | 142,820     | 0           |
| FP-314182                      | 311   | Install Scrubber Well Monitoring Network - L&C          | 56,992      | 0           |
| FP-100363                      | 311   | Replace Lime Scrubber Ponds - L&C                       | 4,215       | 0           |
| FP-100365                      | 312   | Replace Ash Pump - L&C                                  | 28,303      | 0           |
| FP-100382                      | 312   | FPM Pollution Control Equipment - L&C                   | 991,294     | 0           |
| FP-100749                      | 312   | Minor Construction Projects - L&C                       | 306,438     | 296,474     |
| FP-300237                      | 312   | Replace Both IP Drip Pumps - L&C                        | 103,817     | 0           |
| FP-307245                      | 312   | Replace APH Hot/Cold Baskets - L&C                      | 182,279     | 0           |
| FP-311255                      | 312   | Replace Coal Crusher Motor - L&C                        | 43,065      | 0           |
| FP-311477                      | 312   | Install Settling Tank For Concrete Ash - L&C            | 7,039,268   | 1,325,296   |
| FP-311579                      | 312   | Rebuild Coal Mills - L&C                                | 115,738     | 0           |
| FP-311580                      | 312   | Rebuild Coal Mills - L&C                                | 0           | 127,595     |
| FP-200747                      | 314   | Purchase Circulating Water Pump - L&C                   | (128,854)   | 0           |
| FP-302583                      | 314   | Replace Turbine Valve Parts - L&C                       | 24,315      | 0           |
| FP-100705                      | 316   | Minor Work Equipment - L&C                              | 7,306       | 0           |
| FP-302581                      | 316   | Replace Control System Computers - L&C                  | 10,888      | 0           |
| FP-100749                      | 316   | Minor Construction Projects - L&C                       | (85)        | 0           |
| Total Lewis & Clark            |       |   | \$8,927,799 | \$1,969,827 |

MONTANA-DAKOTA UTILITIES CO.  
PLANT ADDITIONS - EXCLUDING RENEWABLES  
ELECTRIC UTILITY - NORTH DAKOTA  
PRO FORMA 2016 - 2017

| Project No.            | Acct. | Description                                       | 2016         | 2017        |
|------------------------|-------|---|--------------|-------------|
| <b>Coyote</b>          |       |   |              |             |
| FP-302225              | 311   | Replace Mercury Vapor Fixture - Coyote            | \$9,523      | \$9,467     |
| FP-100757              | 312   | Minor Construction Projects - Coyote              | 245,627      | 138,952     |
| FP-300130              | 312   | Add Overfire Air NOX Control - Coyote             | 0            | 836,800     |
| FP-301801              | 312   | Replace Lower Boiler Wall - Coyote                | 3,311,177    | 0           |
| FP-302224              | 312   | Replace Boiler Insulation - Coyote                | 126,484      | 56,398      |
| FP-302231              | 312   | Replace Conveyor - Coyote                         | 10,868       | 5,324       |
| FP-302235              | 312   | Blue Pit Capping & Phase Development - Coyote     | 0            | 74,158      |
| FP-302236              | 312   | Replace Air Heater Hot & Interm. Baskets - Coyote | 311,229      | 0           |
| FP-307150              | 312   | Replace LP Feedwater Heater - Coyote              | 189,578      | 0           |
| FP-307151              | 312   | Coal Creek Mine Capital Additions - Coyote        | 944,466      | 0           |
| FP-311341              | 312   | Replace Circulating Water Pump - Coyote           | 222,301      | 0           |
| FP-100009              | 312   | MATS Compliance Project - Coyote                  | (55)         | 0           |
| FP-100027              | 312   | Rebuild Coal Mills - Coyote                       | 79,186       | 0           |
| FP-100394              | 312   | Auxiliary Boiler Controls to Ovation - Coyote     | (384)        | 0           |
| FP-301803              | 312   | Replace Sootblowers - Coyote                      | 2,622        | 0           |
| FP-309080              | 312   | Boiler Feed Pump Repair - Coyote                  | 294,177      | 0           |
| FP-301802              | 314   | Replace Clarifier with MIC Filtration - Coyote    | 135,244      | 0           |
| FP-302229              | 314   | Replace Surge Pond Pump - Coyote                  | 27,357       | 27,809      |
| FP-311339              | 314   | Replace Air Heater Inlet Expansion Joint - Coyote | 45,781       | 0           |
| FP-301800              | 314   | Replace Gas Recirculating Fan - Coyote            | 288          | 0           |
| FP-100757              | 315   | Minor Construction Projects - Coyote              | 11           | 0           |
| FP-302227              | 315   | Replace General Transmitter - Coyote              | (342)        | 0           |
| FP-100710              | 316   | Minor Work Equipment - Coyote                     | 18,879       | 49,796      |
| FP-100713              | 316   | Personal Computers - Coyote                       | 2,726        | 2,746       |
| FP-100714              | 316   | Vehicles - Coyote                                 | 6,107        | 5,858       |
| FP-302230              | 316   | Replace PLC-5 Controls - Coyote                   | 42,247       | 20,827      |
| FP-311343              | 316   | Upgrade Ovation Evergreen Software - Coyote       | 112,236      | 0           |
| FP-311350              | 316   | Replace Grove Hydraulic Crane - Coyote            | 0            | 65,987      |
| Total Coyote           |       |   | \$6,137,333  | \$1,294,122 |
| <b>Big Stone</b>       |       |   |              |             |
| FP-100281              | 312   | AQCS Project - BSP                                | \$979,988    | \$3,589     |
| FP-100759              | 312   | Minor Construction Projects - BSP                 | 183,000      | 218,708     |
| FP-300119              | 312   | Replace Dust Collector System - BSP               | 618          | 0           |
| FP-302201              | 314   | Add 3rd Level Catalyst Scrubber - BSP             | 0            | 330,774     |
| FP-307141              | 314   | Replace Main Station Sump Pump - BSP              | 6,860        | 0           |
| FP-311376              | 314   | Replace Brine Recirculating Pump - BSP            | 0            | 54,879      |
| FP-311377              | 314   | Replace IK Soot blowers - BSP                     | 19,197       | 0           |
| FP-311379              | 314   | Replace IK Soot blowers 2017 - BSP                | 0            | 30,600      |
| FP-314942              | 314   | Upgrade Turbine Deck Crane Controls - BSP         | 0            | 61,854      |
| FP-100759              | 314   | Minor Construction Projects - BSP                 | (1,732)      | 0           |
| FP-100759              | 315   | Minor Construction Projects - BSP                 | 73,223       | 0           |
| FP-200758              | 315   | Replace Water Sample Panel - BSP                  | 111          | 0           |
| FP-100870              | 316   | Personal Computers - BSP                          | 3,734        | 3,325       |
| FP-100871              | 316   | Vehicles - BSP                                    | 4,328        | 7,231       |
| FP-311381              | 316   | Replace Air Dryer & Compressor - BSP              | 0            | 38,329      |
| Total Big Stone        |       |   | \$1,269,327  | \$749,289   |
| Total Steam Production |       |   | \$23,771,042 | \$5,825,408 |

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|--------------------------------|-------|---|--------------------|------------------|
| <b><u>Other Production</u></b> |       |   |                    |                  |
| FP-100881                      | 344   | Minor Construction Projects - Glendive                | \$17,968           | \$66,071         |
| FP-100888                      | 346   | Minor Work Equipment - Glendive                       | 0                  | 14,646           |
| FP-302467                      | 342   | Modified Hot Gas Path - Miles City                    | 0                  | 330,774          |
| FP-303100                      | 342   | Replace foundation, piping, pump & cages - Miles City | 2,702              | 0                |
| FP-100880                      | 344   | Minor Construction Projects - Miles City              | 7,187              | 45,742           |
| FP-307454                      | 344   | Minor Construction Projects - Portable Generators     | 7,690              | 0                |
| FP-100878                      | 344   | Minor Construction Projects - Ormat                   | 65,104             | 42,353           |
| FP-314702                      | 341   | Enhance Security - Heskett U3                         | 46,218             | 0                |
| FP-101667                      | 344   | Install 88 MW Combustion Turbine - Heskett U3         | (696,357)          | 0                |
| FP-101667                      | 346   | Install 88 MW Combustion Turbine - Heskett U3         | (110,072)          | 0                |
| FP-306561                      | 342   | Install RICE Units - L&C                              | 53,793             | 0                |
| FP-306561                      | 344   | Install RICE Units - L&C                              | 1,786,098          | 0                |
| Total Other Production         |       |   | <u>\$1,180,331</u> | <u>\$499,586</u> |
| <b><u>Transmission</u></b>     |       |   |                    |                  |
| FP-313182                      | 350.2 | Purchase Easement at Memorial Bridge - Bismarck       | \$168,229          | \$0              |
| FP-100025                      | 353   | Replace Relays - New England Jct Sub                  | 61,065             | 0                |
| FP-100105                      | 353   | Replace 87T1 Relay & SATCLCK - E Bismarck Sub         | 0                  | 36,024           |
| FP-100106                      | 353   | Upgrade Relays - Elgin Jct Sub                        | 366,039            | 0                |
| FP-100114                      | 353   | Replace Relays - Coyote Sub                           | 234,713            | 0                |
| FP-100118                      | 353   | Upgrade South 115kV Heskett Loop                      | 54,477             | 0                |
| FP-100177                      | 353   | Add 115kV Bay Ellendale Junction                      | 0                  | 896,484          |
| FP-200003                      | 353   | Electric Minor Transmission Sub - ND                  | 303,311            | 200,362          |
| FP-200766                      | 353   | Replace Auxiliary Transformer - Heskett Unit 1        | 85,864             | 0                |
| FP-200777                      | 353   | Upgrade Kenmare 115/57kV Substation                   | (79,992)           | 371,652          |
| FP-200916                      | 353   | Add 115/69kV Bay at Stanley REC                       | 0                  | 1,033,003        |
| FP-300155                      | 353   | Install Wishek Junction Reactor                       | 778,545            | 0                |
| FP-300240                      | 353   | Baker Jct - Add 115/57 Transformer, Bay & Relay       | 1,670,730          | 0                |
| FP-302607                      | 353   | Add - Circuit Switch - Glen Ullin/Ormat               | 0                  | 172,144          |
| FP-307543                      | 353   | Replace Auxiliary Transformer - L&C Station           | 36,534             | 0                |
| FP-307544                      | 353   | Replace Heskett 230/115kV Auto Transformer            | 0                  | 2,095,432        |
| FP-311626                      | 353   | Install Security System - Little Muddy Sub            | 0                  | 157,562          |
| FP-311659                      | 353   | Replace Replay 46kV Dickinson Basin Sub               | (14,583)           | 0                |
| FP-314121                      | 353   | Purchase Spare Transformer Bismarck                   | 0                  | 471,634          |
| FP-315427                      | 353   | Replace 4 Revenue Meters on Glendive Unit 1 & 2       | 0                  | 33,224           |
| FP-100112                      | 353   | Upgrade Line Relays - Glendive CT                     | 91,551             | 0                |
| FP-100123                      | 353   | Upgrade Breaker 7010 Relays - Heskett Sub             | 7,372              | 0                |
| FP-100124                      | 353   | Upgrade Relays Heskett to Sweet Avenue Sub            | 135,374            | 0                |
| FP-100191                      | 353   | Replace relay at Wishek for Merricourt Wind Farm      | 16,158             | 0                |
| FP-100270                      | 353   | Add 46kv MTR CTS at Glen Ullin                        | 2,648              | 0                |
| FP-100271                      | 353   | Add 115kv MTR CTS at Coyote                           | 2,996              | 0                |
| FP-101524                      | 353   | Electric Communication Equipment                      | 3,055              | 0                |
| FP-101659                      | 353   | Construct Collins 115kv Jct Sub - Mandan              | (893)              | 0                |
| FP-101660                      | 353   | Replace Relay at Tatanka for Merricourt Wind Farm     | 5,099              | 0                |
| FP-300162                      | 353   | Add 230kv Bay Hettinger Jct Sub                       | 638,496            | 0                |
| FP-302381                      | 353   | Replace Electric SCADA RTUS - GO                      | 48,737             | 0                |

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| FP-306561                  | 353   | Install RICE Units - L&C                              | 4,066        | 0            |
| FP-101668                  | 355   | Install 115kV Line to South 9th Street Sub - Bismarck | 495,117      | 0            |
| FP-200790                  | 355   | Reroute - Crosby - Zahl TL019-1                       | 0            | 266,681      |
| FP-200917                  | 355   | Williston Water Plant 60kV                            | 0            | 523,096      |
| FP-300152                  | 355   | Reroute Beulah To Heskett                             | 0            | 320,686      |
| FP-300248                  | 355   | Install Ellendale - Leola Transmission Line           | 0            | 9,294,939    |
| FP-300252                  | 355   | Install 46kV Collins Sub to Tesoro Sub                | 0            | (14,957)     |
| FP-302524                  | 355   | Construct 46kV Sub - Hebron                           | 0            | 376,783      |
| FP-303300                  | 355   | Raise Bismarck - Wishek 115kV - NERC                  | 25,163       | 0            |
| FP-307484                  | 355   | Replace 10 Miles Of TL212-1 for SD DOT                | 3,165        | 0            |
| FP-307646                  | 355   | Construct 34.5kV Line to Watford City NW Sub          | 314,117      | 0            |
| FP-309180                  | 355   | Relocate TL011-1 for ND DOT                           | 553,438      | 0            |
| FP-311993                  | 355   | Install Motor Oper. Switches & Fault Ind. TL403-1     | 0            | 167,930      |
| FP-313564                  | 355   | Replace TL071-1 to Up-rate Line                       | (56,479)     | 0            |
| FP-314261                  | 355   | Relocate TL156-1 Williston                            | 0            | 291,436      |
| FP-315008                  | 355   | Replace 115 Structures on TL089-1 Storm Damage        | 3,289,180    | 0            |
| FP-315546                  | 355   | Increase Ratings on 115kV Bismarck Loop               | 0            | 169,230      |
| FP-100021                  | 355   | Replace Switch, Ray-Kincaid TL006-1, 60kv             | (3,250)      | 0            |
| FP-100893                  | 355   | Elect Minor Trans Lines - Dak Hrtld ND                | 13,167       | 0            |
| FP-100895                  | 355   | Elect Minor Trans Lines - Badlands ND                 | 25,919       | 0            |
| FP-200785                  | 355   | Raise Beulah to Dickinson 115kv Line                  | (162)        | 0            |
| FP-200789                  | 355   | Install 115kv Line Kenmare to Lignite                 | 1,120,043    | 0            |
| FP-200915                  | 355   | Add 9 Miles TL156-1 Little Muddy                      | 375,405      | 0            |
| FP-200921                  | 355   | Replace Dickinson 46kV Line                           | 789,581      | 0            |
| FP-300162                  | 355   | Add 230kv Bay Hettinger Jct Sub                       | (11,846)     | 0            |
| FP-302529                  | 355   | Reconfigure TL408-1 Hebron                            | 318          | 0            |
| FP-306180                  | 355   | Relocate TL011-1 for Billings & Stark Cnty Road Work  | (1,247)      | 0            |
| FP-309181                  | 355   | Relocate TL011-5 for ND DOT                           | 276,534      | 0            |
| FP-313161                  | 355   | Replace 35 structures on TL126-1 Storm Damage         | 182,268      | 0            |
| FP-100052                  | 356   | Install Lightning Protection                          | 300,000      | 359,667      |
| FP-100893                  | 356   | Elect Minor Trans Lines - Dak Hrtld ND                | 123,145      | 103,222      |
| FP-100895                  | 356   | Elect Minor Trans Lines - Badlands ND                 | 327,613      | 176,838      |
| FP-307483                  | 356   | Replace Conductor TL059-1 Beulah to Coyote            | 461,233      | 0            |
| FP-312642                  | 356   | Replace OPGW, WAPA Sub to Little Muddy Sub            | 362,658      | 0            |
| Total Transmission         |       |   | \$13,584,671 | \$17,503,072 |
| <b><u>Distribution</u></b> |       |   |              |              |
| FP-307661                  | 360.1 | Construct Wishek 41.6/4.16Kv Sub                      | \$724        | \$0          |
| FP-100186                  | 362   | Replace 20 Reclosers for Arc Flash                    | 383,551      | 0            |
| FP-100249                  | 362   | Construct 115/12kV S 9 St Sub - Bismarck              | 0            | 1,037,591    |
| FP-100353                  | 362   | Add Regulator to Oilfield Subs                        | 0            | 120,361      |
| FP-100899                  | 362   | Elect Minor Dist Subs - Dak Hrtld ND                  | 500,646      | 294,650      |
| FP-100901                  | 362   | Elect Minor Dist Subs - Badlands ND                   | 369,383      | 235,720      |
| FP-101541                  | 362   | Purchase Dist Sub Automation Equipment - GO           | 0            | 1,584,596    |
| FP-200700                  | 362   | Purchase 2 Sets 2500V Regulators - Badlands           | 36,238       | 0            |
| FP-302785                  | 362   | Growth - Williston Halliburton Sub                    | 714,678      | 0            |
| FP-307645                  | 362   | Construct Watford City Dist Sub                       | 531,853      | 0            |
| FP-307648                  | 362   | Construct Williston Oasis Sub                         | 704,310      | 0            |
| FP-307652                  | 362   | Replace Crosby Substation                             | 0            | 546,195      |
| FP-307656                  | 362   | Replace Glen Ullin 41.6/4.16kV Transformer            | 112,909      | 0            |
| FP-307657                  | 362   | Replace Transformer/Regulator - Bismarck Range Sub    | 143,385      | 0            |
| FP-307661                  | 362   | Construct Wishek 41.6/4.16kV Sub                      | 370,864      | 0            |
| FP-307662                  | 362   | Replace Transformers/Regulators - Ashley Sub          | 242,942      | 0            |

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|-------------|-------|---|-----------|-----------|
| FP-309400   | 362   | Construct Waste Water Sub - Williston                 | 578,280   | 0         |
| FP-309840   | 362   | Construct Phase 2 Harvest Hills Sub                   | 245,353   | 0         |
| FP-311986   | 362   | Install SEL Relays Stein Sub - Bismack                | 0         | 48,858    |
| FP-311987   | 362   | Install SEL Relays Century Sub - Bismarck             | 42,836    | 0         |
| FP-311988   | 362   | Install SEL Relays Burlington Northern - Mandan       | 0         | 48,044    |
| FP-311989   | 362   | Install Arc Flash Front Ave Sub - Bismarck            | 42,979    | 0         |
| FP-311991   | 362   | Rebuild Heil Substation                               | 0         | 361,881   |
| FP-312163   | 362   | Replace Regulators Watford City S Sub                 | 36,587    | 0         |
| FP-312164   | 362   | Install Regulators Marmarth Sub                       | 45,002    | 0         |
| FP-312165   | 362   | Replace Regulators Hettinger North Sub                | 80,356    | 0         |
| FP-312167   | 362   | Install Regulators to Zahl Sub                        | 53,661    | 0         |
| FP-312169   | 362   | Install Reclosers Kenmare West Sub                    | 96,631    | 0         |
| FP-312170   | 362   | Install Recloser Kenmare East Sub                     | 64,424    | 0         |
| FP-312172   | 362   | Purchase Spare Transformer 1500 kVA - Badlands        | 143,270   | 0         |
| FP-312173   | 362   | Purchase Spare Transformer 5000 kVA - Badlands        | 0         | 207,995   |
| FP-312261   | 362   | Replace Regulators Stanley Sub                        | 53,750    | 0         |
| FP-312681   | 362   | Purchase Spare Transformer - Coyote Creek             | 392,909   | 0         |
| FP-100244   | 362   | Construct Collins Distribution Sub - Mandan           | 1,013     | 0         |
| FP-100303   | 362   | Replace 26th & Avenue D Sub with 115kv                | 1,108     | 0         |
| FP-302783   | 362   | Replace transformers at Halliday                      | (28)      | 0         |
| FP-304141   | 362   | Purchase & Install Reclosers in Belfield and Killdeer | 828       | 0         |
| FP-307860   | 362   | Purchase 7.5 MVA Transformer for Badlands Region      | 90,303    | 0         |
| FP-313427   | 362   | Purchase 5 MVA Transformer as a Williston Spare       | 53,901    | 0         |
| FP-313428   | 362   | Purchase 3.75 MVA Transformer as a Williston Spare    | 41,180    | 0         |
| FP-311526   | 364   | Mods To 41.6kV for Dist Use - Mandan                  | 0         | 63,753    |
| FP-315002   | 364   | Replace Poles Hazelton/Napoleon Storm Damage          | 112,573   | 0         |
| FP-100768   | 364   | OH & UG Lines - Dak Hrtld - Growth ND                 | 51,985    | 0         |
| FP-100771   | 364   | OH & UG Lines - Badlands - Replace ND                 | 10,141    | 0         |
| FP-100772   | 364   | OH & UG Lines - Badlands - Growth - ND                | 45,026    | 0         |
| FP-100955   | 364   | OH & UG Lines - Dak Hrtld - Replace ND                | 809       | 0         |
| FP-300485   | 364   | Rebuild Ray to Epping Line                            | 67,986    | 0         |
| FP-100548   | 365   | Replace Distribution Recloser - Arc Flash             | 374,751   | 0         |
| FP-311900   | 365   | Install Neutral 22kV Line - Lignite                   | 167,280   | 0         |
| FP-313061   | 365   | Upgrade Tioga OH Line - Williston                     | 181,520   | 0         |
| FP-313121   | 365   | Replace OH Lines - Richardton                         | 55,118    | 0         |
| FP-314023   | 365   | Install OH at Zahl - Williston                        | 0         | 42,289    |
| FP-100771   | 365   | OH & UG Lines - Badlands - Replace ND                 | 912       | 0         |
| FP-100772   | 365   | OH & UG Lines - Badlands - Growth - ND                | 5,789     | 0         |
| FP-100955   | 365   | OH & UG Lines - Dak Hrtld - Replace ND                | 6,673     | 0         |
| FP-306496   | 365   | Reconductoring Feeders U1 & F1 at Crosby              | 1,706     | 0         |
| FP-310080   | 365   | Replace OH Line - Williston Little Muddy              | 243,387   | 0         |
| FP-312981   | 365   | Replace OH Line over Cherry Creek - Watford City      | 74,047    | 0         |
| FP-100506   | 367   | Replace NX Fuse Peds 2013 - 15                        | 64,168    | 0         |
| FP-100768   | 367   | OH & UG Lines - Dak Hrtld - Growth - ND               | 793,210   | 978,238   |
| FP-100771   | 367   | OH & UG Lines - Badlands - Replace - ND               | 1,395,335 | 2,083,262 |
| FP-100772   | 367   | OH & UG Lines - Badlands - Growth - ND                | 1,911,662 | 2,810,961 |
| FP-100955   | 367   | OH & UG Lines - Dak Hrtld - Replace - ND              | 788,348   | 978,238   |
| FP-305041   | 367   | Install Distribution Facilities for Dickinson Hills   | 0         | 0         |
| FP-307149   | 367   | Replace Feeder 782 Stein Sub - Bismarck               | 76,518    | 117,860   |
| FP-307153   | 367   | Replace URD Wachter & Washington Bismarck             | 48,517    | 0         |
| FP-307155   | 367   | Construct Feeder Out of South 9th Sub - Bismarck      | 0         | 178,483   |
| FP-311518   | 367   | Install Circuit Tie Sunrise - Century Bismarck        | 64,450    | 0         |
| FP-311519   | 367   | Install Circuits - 9th St Sub - Bismarck              | 75,088    | 0         |

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| FP-311525   | 367    | Install URD - New Mandan Sports Complex                    | 22,527       | 53,037       |
| FP-311582   | 367    | Upgrade Circuit at Collins Ave Sub                         | 175,000      | 0            |
| FP-311639   | 367    | Reconfigure Circuit 6169 NW Sub - Dickinson                | 267,204      | 0            |
| FP-311640   | 367    | Extend Curcuit 5983 to North Dickinson                     | 107,089      | 0            |
| FP-311914   | 367    | Replace I94 Primary Dickinson                              | 0            | 266,170      |
| FP-311976   | 367    | Install New Circuit Harvest Hills North                    | 475,245      | 0            |
| FP-312039   | 367    | Replace UG North Washington - Bismarck                     | 86,000       | 0            |
| FP-313841   | 367    | Replace OH to UG - 1533 N 12th St - Bismarck               | (30,000)     | 0            |
| FP-314041   | 367    | Install UG Meadowlands Trailer Court - Mandan              | 58,928       | 0            |
| FP-314342   | 367    | Extend 3-Phase UG to a Nursing Home - SE Mandan            | 86,567       | 0            |
| FP-314441   | 367    | Replace UG Line Front St - Williston                       | 177,642      | 0            |
| FP-314984   | 367    | Install Distribution Line from New 69 Sub - Heil           | 0            | 296,714      |
| FP-314985   | 367    | Install 3Phase Distribution to JMAC - Bismarck             | 0            | 350,726      |
| FP-314988   | 367    | Replace Old Cable on Capitol Ave - Bismarck                | 0            | 106,546      |
| FP-315243   | 367    | Install Circuit b/t Harvest Hills & Oasis Subs - Williston | 0            | 674,419      |
| FP-100099   | 367    | Install Circuits at Collins Sub - Mandan                   | 2,998        | 0            |
| FP-302487   | 367    | Install new URD feeder from Sunrise Sub - Bismarck         | 121          | 0            |
| FP-304061   | 367    | Install UG Distribution for Emerald Ridge - Watford City   | 15,367       | 0            |
| FP-304200   | 367    | Install Feeders to Fair Hills & Granit Peak - Williston    | (15,454)     | 0            |
| FP-304924   | 367    | Install Feeder from SW Sub to South Park - Watford City    | 4,941        | 0            |
| FP-307205   | 367    | Install UG Conductor for Airport Loop - Watford City       | 23,311       | 0            |
| FP-307206   | 367    | Install UG Conductor for Emerald Loop - Watford City       | (3,195)      | 0            |
| FP-308280   | 367    | Install UG to High School & Event Center - Watford City    | 4,941        | 0            |
| FP-312161   | 367    | Install UG Conductor for Fox Hills Loop - Watford City     | 5,536        | 0            |
| FP-312162   | 367    | Install UG for New School - Dickinson                      | 2,134        | 0            |
| FP-301340   | 368    | Replace Electric Transformer                               | 2,828,178    | 3,346,811    |
| FP-311736   | 368    | Replace PCB Transformers                                   | 334,878      | 346,028      |
| FP-100785   | 368    | Elect Service Lines Growth - Dakota Heartlands, ND         | 281,320      | 383,045      |
| FP-100792   | 368    | Elect Service Lines Growth - Badlands, ND                  | 481,500      | 698,321      |
| FP-311081   | 368    | Elect Service Lines Replace - Dakota Heartlands, ND        | 64,200       | 88,395       |
| FP-311085   | 368    | Elect Service Lines Replace - Badlands, ND                 | 108,070      | 166,110      |
| FP-100785   | 369    | Elect Service Lines Growth - Dakota Heartlands, ND         | 53,274       | 0            |
| FP-100792   | 369    | Elect Service Lines Growth - Badlands, ND                  | 163,997      | 0            |
| FP-311081   | 369    | Elect Service Lines Replace - Dakota Heartlands, ND        | 12,633       | 0            |
| FP-311085   | 369    | Elect Service Lines Replace - Badlands, ND                 | 32,539       | 0            |
| FP-100794   | 370    | Electric Meters  | 573,430      | 786,423      |
| FP-100797   | 371    | Street & Yard Lights - Dakota Heartlands, ND               | 6,500        | 0            |
| FP-100799   | 371    | Street & Yard Lights - Badlands ND                         | 30,903       | 0            |
| FP-100797   | 373    | Street & Yard Lights - Dakota Heartlands, ND               | 31,581       | 53,037       |
| FP-100799   | 373    | Street & Yard Lights - Badlands, ND                        | 312,533      | 288,757      |
|             |        | Total Distribution   | \$19,575,263 | \$19,643,514 |
|             |        | <b>General</b>   |              |              |
| FP-312082   | G390   | Construct Berm/Gravel to Site - Kenmare                    | \$30,300     | \$0          |
| FP-314722   | G390   | Replace Roof Storage Shed Site - Mohall                    | 7,443        | 0            |
| FP-100002   | G391.3 | Upgrade EMS/Sun Computer System                            | 6,867        | 0            |
| FP-100810   | G392.2 | Vehicles - Electric Utility                                | 530,284      | 428,115      |
| FP-100819   | G394.1 | Elect Minor Work Equip - Dakota Heartlands, ND             | 16,502       | 31,076       |
| FP-100821   | G394.1 | Electric Minor Work Equip - Badlands, ND                   | 58,708       | 59,198       |
| FP-311912   | G394.1 | Minor Work Equipment Substation                            | 47,596       | 110,336      |
| FP-100825   | G394.1 | Electric Work Equipment                                    | (661)        | 0            |
| FP-312083   | G395   | Purchase Substation Meter Test Equip                       | 7,040        | 0            |
| FP-311912   | G395   | Minor Work Equipment Substation                            | 82,511       | 0            |

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| FP-100825   | G396.2 | Electric Work Equipment                               | 1,418,695   | 1,688,828   |
| FP-100833   | G397.1 | Electric Communication Equip - Bismarck, ND           | 60,544      | 44,693      |
| FP-100837   | G397.1 | Electric Communication Equip - Dickinson, ND          | 8,898       | 0           |
| FP-101524   | G397.2 | Electric Communication Equipment                      | 77,662      | 79,556      |
| FP-100005   | G397.4 | Replace GO Power Line Carrier                         | 31,827      | 35,057      |
| FP-100002   | G397.6 | Upgrade EMS/Sun Computer System                       | 43,441      | 21,929      |
| FP-302381   | G397.6 | Replace Electric SCADA RTUS - GO                      | 178,680     | 213,799     |
| FP-311921   | G397.6 | Upgrade OSI EMS SCADA - GO                            | 0           | 232,105     |
|             |        | Total General   | \$2,606,337 | \$2,944,692 |
|             |        | <b><u>General Intangible</u></b>                      |             |             |
| FP-307004   | G303   | Purchase Electric Analytics - GO                      | \$0         | \$243,219   |
| FP-307783   | G303   | Purchase Substation Database Software - GO            | 575,000     | 200,000     |
| FP-309100   | G303   | Install Distribution SCADA - GO                       | 0           | 988,317     |
| FP-312056   | G303   | Upgrade GIS Data Addition SCADA - GO                  | 551,313     | 0           |
| FP-313081   | G303   | Add nMarket for SPP - GO                              | 40,329      | 0           |
|             |        | Total General Intangible                              | \$1,166,642 | \$1,431,536 |
|             |        | <b><u>Common</u></b>                                  |             |             |
| FP-306916   | C390   | Replace Roof on Annex Building - Bismarck             | \$29,997    | \$0         |
| FP-311919   | C390   | Demolish Warehouse - Glen Ullin                       | 14,137      | 0           |
| FP-314282   | C390   | Site Grading Warehouse Yard - Dickinson               | 3,886       | 0           |
| FP-100377   | C390   | Build Williston Office                                | (1,981)     | 0           |
| FP-100755   | C390   | Office Structures & Equipment                         | 5,778       | 0           |
| FP-301820   | C390   | New Office - Watford City                             | (327)       | 0           |
| FP-307506   | C390   | Install Card Access System - Bismarck Svc. Center     | 2,365       | 0           |
| FP-308560   | C390   | Install DryVit System on Building - Tioga             | 7,928       | 0           |
| FP-311098   | C390   | Replace Multistack Water Cooled Chiller Unit - GO     | 55,240      | 0           |
| FP-311499   | C390   | Install Warehouse Driveway - Dickinson                | 5,551       | 0           |
| FP-313764   | C390   | Remodel Bismarck Svc. Center for GIS Dept. - Bismarck | 8,129       | 0           |
| FP-100752   | C391.1 | Common Office Equipment - Dakota Heartlands, ND       | 2,172       | 2,191       |
| FP-100753   | C391.1 | Common Office Equipment - Badlands, ND                | 28,965      | 29,220      |
| FP-100755   | C391.1 | Office Structures & Equipment                         | 37,964      | 116,041     |
| FP-313744   | C391.1 | Purchase Office Equipment - GIS Bismarck Svc Center   | 11,668      | 0           |
| FP-313548   | C391.1 | Purchase Cabinets for Electric Engineering - GO       | 3,580       | 0           |
| FP-314022   | C391.1 | Install Shelving in Warehouse - Williston             | 4,539       | 0           |
| FP-100014   | C391.3 | Toughbook Replacements - MobileUp                     | 0           | 71,563      |
| FP-100756   | C391.3 | Personal Computers                                    | 244,289     | 81,786      |
| FP-307540   | C391.3 | Replace Data Center / Networking Equipment            | 68,725      | 30,670      |
| FP-311620   | C391.3 | Purchase Field GIS Survey Devices                     | 0           | 102,314     |
| FP-100753   | C391.3 | Common Office Equipment - Badlands, ND                | (57)        | 0           |
| FP-313271   | C391.3 | Purchase 6 FC300 for Meter Reading - Williston        | 23,825      | 0           |
| FP-100719   | C392.2 | Common Vehicles - Company                             | 684,590     | 355,776     |
| FP-100718   | C394.1 | Common Minor Work Equipment - GO                      | 7,094       | 12,268      |
| FP-100735   | C394.1 | Common Minor Work Equip - Dakota Heartlands, ND       | 2,172       | 3,652       |
| FP-100736   | C394.1 | Common Minor Work Equip - Badlands, ND                | 3,259       | 29,220      |
| FP-313266   | C394.1 | Purchase Lifeline System - Williston                  | 398         | 0           |
| FP-313267   | C394.1 | Purchase LifeLine System for Warehouse - Watford City | 1,824       | 0           |
| FP-100729   | C397.1 | Common Communication Equip - Dakota Heartlands, ND    | 14,959      | 27,885      |
| FP-100739   | C397.1 | Common Communication Equip - Badlands, ND             | 11,123      | 19,435      |
| FP-100744   | C397.1 | Common Communication Equip - GO                       | 171,305     | 165,971     |
| FP-311918   | C397.1 | Replace FN Communication Control Units                | 19,773      | 0           |
| FP-300071   | C397.2 | Replace Mobile Collectors                             | 0           | 58,212      |

MONTANA-DAKOTA UTILITIES CO.  
 PLANT ADDITIONS - EXCLUDING RENEWABLES  
 ELECTRIC UTILITY - NORTH DAKOTA  
 PRO FORMA 2016 - 2017

| Project No. | Acct.  | Description   | 2016                | 2017                |
|-------------|--------|---|---------------------|---------------------|
| FP-307441   | C397.3 | Upgrade CISCO VOIP                                    | 2,365               | 4,089               |
| FP-302563   | C397.3 | Replace District Phone Systems with CISCO VOIP        | 19,226              | 0                   |
| FP-307540   | C397.8 | Replace Data Center / Networking Equip                | 16,564              | 0                   |
| FP-313782   | C397.8 | Network Equip for GIS Dept. Relocation - Bis Srvc Ctr | 5,678               | 0                   |
| FP-100755   | C398   | Office Structures & Equipment                         | 470                 | 0                   |
|             |        | Total Common  | \$1,517,173         | \$1,110,293         |
|             |        | <b><u>Common Intangible</u></b>                       |                     |                     |
| FP-100336   | C303   | Upgrade GLE Essentials Software                       | \$306,621           | \$102,233           |
| FP-100575   | C303   | Upgrade IVR - Web Soft                                | 0                   | 649,590             |
| FP-200709   | C303   | Purchase Environmental Computer Software              | 32,429              | 0                   |
| FP-301563   | C303   | MDU GIS Data Conversion                               | 466,202             | 240,808             |
| FP-302570   | C303   | CC&B Upgrade  | 0                   | 186,445             |
| FP-302611   | C303   | PowerPlan Upgrade                                     | 474,556             | 0                   |
| FP-302615   | C303   | Upgrade Human Capital Management Software             | 28                  | 72,477              |
| FP-302618   | C303   | JDE Upgrade   | 101,629             | 0                   |
| FP-303201   | C303   | Replace Personal Information Security                 | 29,967              | 10,000              |
| FP-311881   | C303   | Upgrade PCAD to Version 6.5                           | 0                   | 189,692             |
| FP-100256   | C303   | Upgrade Mobile Workforce Software                     | 3,911               | 0                   |
| FP-100744   | C303   | Common Communication Equip - GO                       | 2,875               | 0                   |
| FP-101673   | C303   | Replace Customer Information System Software          | 2,012               | 0                   |
| FP-200714   | C303   | Upgrade GIS Enhance Software                          | 22,413              | 0                   |
| FP-200902   | C303   | Upgrade EndPoint Link Pro to Field Deployment Mgr.    | 21,509              | 0                   |
| FP-307421   | C303   | Implement PowerPlan CPI Tax Calculation Software      | 5,631               | 0                   |
|             |        | Total Common Intangible                               | \$1,469,783         | \$1,451,245         |
|             |        | <b>Total Plant Additions</b>                          | <b>\$64,871,242</b> | <b>\$50,409,346</b> |

**MONTANA-DAKOTA UTILITIES CO.**  
**ACCUMULATED RESERVE FOR DEPRECIATION - EXCLUDING RENEWABLES**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**  
**PROJECTED 2016-2017**

|                            | Per Books     | Projected<br>2016 1/ | Average<br>2016 | Projected<br>2017 2/ | Average<br>2017 |
|----------------------------|---------------|----------------------|-----------------|----------------------|-----------------|
| Steam Production           | \$159,534,536 | \$166,286,378        | \$162,910,457   | \$173,254,175        | \$169,770,277   |
| Other Production           | 14,392,897    | 17,610,881           | 16,001,889      | 20,854,315           | 19,232,598      |
| Total Production           | \$173,927,433 | \$183,897,259        | \$178,912,346   | \$194,108,490        | \$189,002,875   |
| Transmission               | 63,996,381    | 66,518,323           | 65,257,352      | 69,235,140           | 67,876,732      |
| Distribution               | 78,267,081    | 81,891,268           | 80,079,175      | 85,750,164           | 83,820,716      |
| General                    | 7,398,559     | 7,723,598            | 7,561,080       | 8,092,264            | 7,907,932       |
| Intangible Plant - General | 1,151,435     | 1,485,896            | 1,318,666       | 1,963,511            | 1,724,704       |
| Common                     | 11,205,618    | 11,891,658           | 11,548,639      | 12,891,493           | 12,391,577      |
| Intangible Plant - Common  | 7,277,028     | 8,315,358            | 7,796,193       | 9,498,813            | 8,907,086       |
| Acquisition Adjustment     | 7,499,515     | 7,499,515            | 7,499,515       | 7,499,515            | 7,499,515       |
| Total                      | \$350,723,050 | \$369,222,875        | \$359,972,966   | \$389,039,390        | \$379,131,137   |

1/ Statement K, page 46.

2/ Statement K, page 47.

MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF WORKING CAPITAL AND  
CUSTOMER ADVANCES FOR CONSTRUCTION - EXCLUDING RENEWABLES  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016-2017

|  | Per Books     | Projected<br>2016 | Average<br>2016 | Projected<br>2017 | Average<br>2017 | Reference |
|--|---------------|-------------------|-----------------|-------------------|-----------------|-----------|
| Working Capital                          | \$10,458,783  | \$10,458,783      | \$11,124,832    | \$10,458,783      | \$11,124,832    | Page 14   |
| Materials and Supplies                   |               |                   |                 |                   |                 |           |
| Fuel Stores                              | 3,562,217     | 3,562,217         | 3,464,841       | 3,562,217         | 3,464,841       | Page 15   |
| Prepaid Insurance                        | 154,198       | 179,928           | 661,572         | 179,928           | 663,551         | Page 16   |
| Unamortized Loss on Debt                 | 3,087,570     | 2,702,913         | 2,895,242       | 2,318,256         | 2,510,585       | Page 17   |
| Decommissioning of Retired Plant         | (219,008)     | (219,008)         | (219,008)       | (179,782)         | (199,395)       | Page 18   |
| Amort. of Generation Facility Decomm.    | 0             | 0                 | 0               | (1,900,146)       | (950,073)       | Page 19   |
| Amort. of Gain/Loss on Sale of Buildings | 0             | 1,258,551         | 629,276         | 1,195,623         | 1,227,087       | Page 20   |
| Total Working Capital                    | \$17,043,760  | \$17,943,384      | \$18,556,755    | \$15,634,879      | \$17,841,428    |           |
| Customer Advances for Construction       | (\$2,772,638) | (\$2,832,666)     | (\$2,810,681)   | (\$2,832,666)     | (\$2,832,666)   | Page 21   |

**MONTANA-DAKOTA UTILITIES CO.  
MATERIALS AND SUPPLIES - EXCLUDING RENEWABLES  
ELECTRIC UTILITY - NORTH DAKOTA  
PROJECTED 2016-2017**

|                        | <u>Per Books</u> | <u>Projected<br/>2016 1/</u> | <u>Projected<br/>2017</u> |
|------------------------|------------------|------------------------------|---------------------------|
| December 2014          | \$10,041,240     | \$10,458,783                 | \$10,458,783              |
| January 2015           | 9,511,471        | 9,488,354                    | 9,488,354                 |
| February               | 9,626,524        | 9,505,767                    | 9,505,767                 |
| March                  | 10,066,624       | 9,750,272                    | 9,750,272                 |
| April                  | 10,248,265       | 10,201,700                   | 10,201,700                |
| May                    | 10,870,629       | 10,209,557                   | 10,209,557                |
| June                   | 11,606,936       | 10,611,893                   | 10,611,893                |
| July                   | 12,507,627       | 10,784,855                   | 10,784,855                |
| August                 | 12,783,831       | 12,783,831                   | 12,783,831                |
| September              | 13,788,541       | 13,788,541                   | 13,788,541                |
| October                | 13,421,339       | 13,421,339                   | 13,421,339                |
| November               | 13,159,137       | 13,159,137                   | 13,159,137                |
| December               | 10,458,783       | 10,458,783                   | 10,458,783                |
| Thirteen month average |                  | <u>\$11,124,832</u>          | <u>\$11,124,832</u>       |

1/ Actuals through July 2016.

**MONTANA-DAKOTA UTILITIES CO.  
FUEL STORES - EXCLUDING RENEWABLES  
ELECTRIC UTILITY - NORTH DAKOTA  
PROJECTED 2016-2017**

|                        | Per Books   | Projected<br>2016 1/ | Projected<br>2017  |
|------------------------|-------------|----------------------|--------------------|
| December 2014          | \$2,936,946 | \$3,562,217          | \$3,562,217        |
| January 2015           | 3,332,605   | 3,369,625            | 3,369,625          |
| February               | 3,337,799   | 3,323,043            | 3,323,043          |
| March                  | 3,552,352   | 3,370,872            | 3,370,872          |
| April                  | 3,607,394   | 3,375,295            | 3,375,295          |
| May                    | 3,497,670   | 3,417,694            | 3,417,694          |
| June                   | 3,560,078   | 3,342,605            | 3,342,605          |
| July                   | 3,660,881   | 3,381,741            | 3,381,741          |
| August                 | 3,655,889   | 3,655,889            | 3,655,889          |
| September              | 3,659,808   | 3,659,808            | 3,659,808          |
| October                | 3,423,799   | 3,423,799            | 3,423,799          |
| November               | 3,598,129   | 3,598,129            | 3,598,129          |
| December               | 3,562,217   | 3,562,217            | 3,562,217          |
| Thirteen month average |             | <u>\$3,464,841</u>   | <u>\$3,464,841</u> |

1/ Actuals through July 2016.

**MONTANA-DAKOTA UTILITIES CO.  
PREPAID INSURANCE - EXCLUDING RENEWABLES  
ELECTRIC UTILITY - NORTH DAKOTA  
PROJECTED 2016-2017**

|                        | Per Books | Projected<br>2016 1/ | Projected<br>2017 |
|------------------------|-----------|----------------------|-------------------|
| December 2014          | \$135,904 | \$154,198            | \$179,928         |
| January 2015           | 1,066,156 | 1,208,284            | 1,208,284         |
| February               | 956,375   | 1,085,170            | 1,085,170         |
| March                  | 839,079   | 952,277              | 952,277           |
| April                  | 918,456   | 1,048,808            | 1,048,808         |
| May                    | 824,196   | 922,569              | 922,569           |
| June                   | 708,410   | 794,988              | 794,988           |
| July                   | 597,234   | 672,860              | 672,860           |
| August                 | 486,058   | 549,809              | 549,809           |
| September              | 374,883   | 426,082              | 426,082           |
| October                | 263,707   | 303,031              | 303,031           |
| November               | 267,434   | 302,427              | 302,427           |
| December               | 154,198   | 179,928              | 179,928           |
| Thirteen month average |           | \$661,572            | \$663,551         |

1/ Actuals through July 2016; August - December 2016 based on premiums.

**MONTANA-DAKOTA UTILITIES CO.  
UNAMORTIZED LOSS ON DEBT - EXCLUDING RENEWABLES  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016-2017**

|                                 | Total Electric<br>Company | North<br>Dakota           |
|---------------------------------|---------------------------|---------------------------|
| Balance at December 31, 2015 1/ | <u>\$4,530,318</u>        | <u>\$3,087,570</u>        |
| Amortization of Loss 2/         | <u>(556,291)</u>          | <u>(384,657)</u>          |
| Balance at December 31, 2016 1/ | \$3,974,027               | \$2,702,913               |
| Amortization of Loss 2/         | <u>(556,291)</u>          | <u>(384,657)</u>          |
| Balance at December 31, 2017 1/ | <u><u>\$3,417,736</u></u> | <u><u>\$2,318,256</u></u> |

1/ Allocated on Net Plant in Service.

2/ Allocated on Monthly Average Rate Base.

MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA  
DECOMMISSIONING OF RETIRED PLANTS - EXCLUDING RENEWABLES  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016-2017

|                              | North<br>Dakota           |
|------------------------------|---------------------------|
| Balance at December 31, 2015 | <u>(\$219,008)</u>        |
| Amortization 1/              | <u>0</u>                  |
| Balance at December 31, 2016 | (\$219,008)               |
| Amortization 1/              | <u>39,226</u>             |
| Balance at December 31, 2017 | <u><u>(\$179,782)</u></u> |

1/ Amortized over ten years.

MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA  
AMORT. OF GENERATION FACILITY DECOMMISSIONING EXPENSE  
EXCLUDING RENEWABLES  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016-2017

|                              | North<br>Dakota             |
|------------------------------|-----------------------------|
| Balance at December 31, 2015 | <u>\$0</u>                  |
| Amortization 1/              | <u>0</u>                    |
| Balance at December 31, 2016 | \$0                         |
| Amortization 1/              | <u>(1,900,146)</u>          |
| Balance at December 31, 2017 | <u><u>(\$1,900,146)</u></u> |

1/ Amortized over the remaining life of each plant.

MONTANA-DAKOTA UTILITIES CO.  
**GAIN/LOSS ON SALE OF BUILDINGS - EXCLUDING RENEWABLES**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2015**  
**PROJECTED 2016-2017**

|                                  | 2015     |             | 2016        |              | Average<br>2016 | 2017       |                            | Average<br>2017 |
|----------------------------------|----------|-------------|-------------|--------------|-----------------|------------|----------------------------|-----------------|
|                                  | 1/<br>2/ |             | Additions   | Amortization |                 | Balance    | Amortization 3/<br>Balance |                 |
| Gain on Sale of Office Buildings | \$0      |             | (\$872,362) | \$0          | (\$436,181)     | \$43,618   | (\$828,744)                | (\$850,553)     |
| Loss on Sale of Employee Housing | 0        | 2,130,913   | 2,130,913   | 0            | 1,065,457       | (106,546)  | 2,024,367                  | 2,077,640       |
| Gain/Loss on Sale of Buildings   | \$0      | \$1,258,551 | \$1,258,551 | \$0          | \$629,276       | (\$62,928) | \$1,195,623                | \$1,227,087     |

1/ Net regulatory liability on the gain on sale of Williston and Watford City office buildings.

2/ Net regulatory asset on the loss on sale of manufactured homes used for employee housing.

3/ Amortized over 20 years.

**MONTANA-DAKOTA UTILITIES CO.**  
**CUSTOMER ADVANCES FOR CONSTRUCTION - EXCLUDING RENEWABLES**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**PROJECTED 2016-2017**

|                  | Per Books     | Projected<br>2016 1/ | Projected<br>2017    |
|------------------|---------------|----------------------|----------------------|
| December 2014    | (\$2,651,014) | (\$2,772,638)        | (\$2,832,666)        |
| January 2015     | (2,650,806)   | (2,755,084)          | (2,832,666)          |
| February         | (2,502,558)   | (2,755,084)          | (2,832,666)          |
| March            | (2,317,564)   | (2,755,084)          | (2,832,666)          |
| April            | (2,544,525)   | (2,839,638)          | (2,832,666)          |
| May              | (2,525,025)   | (2,832,666)          | (2,832,666)          |
| June             | (2,604,437)   | (2,832,666)          | (2,832,666)          |
| July             | (2,609,399)   | (2,832,666)          | (2,832,666)          |
| August           | (2,643,560)   | (2,832,666)          | (2,832,666)          |
| September        | (2,643,560)   | (2,832,666)          | (2,832,666)          |
| October          | (2,847,019)   | (2,832,666)          | (2,832,666)          |
| November         | (2,768,348)   | (2,832,666)          | (2,832,666)          |
| December         | (2,772,638)   | (2,832,666)          | (2,832,666)          |
| 13 month average |               | <u>(\$2,810,681)</u> | <u>(\$2,832,666)</u> |

1/ Actuals through July 2016.

**MONTANA-DAKOTA UTILITIES CO.**  
**SUMMARY OF ACCUMULATED DEFERRED INCOME TAXES - EXCLUDING RENEWABLES**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2015**  
**PROJECTED 2016-2017**

|                                     | Per Books            | Projected<br>2016    | Average<br>2016      | Projected<br>2017    | Average<br>2017      |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Liberalized Depreciation            | \$119,555,781        | \$122,093,044        | \$120,731,149        | \$125,324,852        | \$123,590,152        |
| Full Normalization                  | 1,492,877            | 1,235,430            | 1,364,154            | 1,235,173            | 1,235,302            |
| Retired Power Plant Decommissioning | (84,438)             | (82,785)             | (83,612)             | (67,958)             | (75,372)             |
| Generation Facility Decommissioning | 0                    | 0                    | 0                    | (718,255)            | (359,128)            |
| Gain/Loss on Sale of Buildings      | 0                    | 474,471              | 237,236              | 450,748              | 462,609              |
| Unamortized Loss on Debt            | 1,170,799            | 1,021,701            | 1,096,250            | 876,301              | 949,001              |
| Production Tax Credit Carryforward  | 0                    | 0                    | 0                    | 0                    | 0                    |
| Contribution in Aid of Construction | (2,747,451)          | (2,747,451)          | (2,747,451)          | (2,747,451)          | (2,747,451)          |
| Investment Tax Credits              | 0                    | 0                    | 0                    | 0                    | 0                    |
| Customer Advances                   | (1,061,492)          | (1,070,748)          | (1,066,120)          | (1,070,748)          | (1,070,748)          |
| <b>Total</b>                        | <b>\$118,326,076</b> | <b>\$120,923,662</b> | <b>\$119,531,606</b> | <b>\$123,282,662</b> | <b>\$121,984,365</b> |

1/ Average Liberalized Depreciation balances based on monthly proration methodology.

**MONTANA-DAKOTA UTILITIES CO.  
AVERAGE RATE BASE  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDING DECEMBER 31, 2015  
PROJECTED 2016-2017**

**WIND - RENEWABLE RIDER**

|                                      | Per Books                   | Projected                   |                             | Reference |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------|
|                                      |                             | 2016                        | 2017                        |           |
| Electric Plant in Service            | <u>\$147,353,551</u>        | <u>\$222,000,155</u>        | <u>\$223,457,856</u>        | Page 2    |
| Accumulated Reserve for Depreciation | 20,358,029                  | 26,723,678                  | 35,500,740                  | Page 6    |
| Net Electric Plant in Service        | <u>\$126,995,522</u>        | <u>\$195,276,477</u>        | <u>\$187,957,116</u>        |           |
| <b>Additions</b>                     |                             |                             |                             |           |
| Generation Facility Decommissioning  | <u>\$0</u>                  | <u>\$0</u>                  | <u>(\$246,743)</u>          | Page 7    |
| Total Additions                      | <u>\$0</u>                  | <u>\$0</u>                  | <u>(\$246,743)</u>          |           |
| Total Before Deductions              | \$126,995,522               | \$195,276,477               | \$187,710,373               |           |
| <b>Deductions</b>                    |                             |                             |                             |           |
| Accumulated Deferred Income Taxes    | \$16,927,219                | \$21,854,215                | \$28,778,710                | Page 9    |
| Accumulated Investment Tax Credits   | <u>2,082,018</u>            | <u>1,707,370</u>            | <u>1,617,508</u>            | Page 10   |
| Total Deductions                     | <u>\$19,009,237</u>         | <u>\$23,561,585</u>         | <u>\$30,396,218</u>         |           |
| Average Rate Base                    | <u><u>\$107,986,285</u></u> | <u><u>\$171,714,892</u></u> | <u><u>\$157,314,155</u></u> |           |

MONTANA-DAKOTA UTILITIES CO.  
 PLANT IN SERVICE  
 ELECTRIC UTILITY - NORTH DAKOTA  
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015

WIND - RENEWABLE RIDER

| <u>Plant in Service</u> | <u>Per Books</u>     | <u>Projected<br/>2016 1/</u> | <u>Average<br/>2016 1/</u> | <u>Projected<br/>2017 1/</u> | <u>Average<br/>2017 1/</u> |
|-------------------------|----------------------|------------------------------|----------------------------|------------------------------|----------------------------|
| Diamond Willow          | \$42,320,503         | \$42,664,377                 | \$42,492,440               | \$43,086,820                 | \$42,875,599               |
| Cedar Hills             | 30,327,994           | 30,497,956                   | 30,412,975                 | 30,567,096                   | 30,532,526                 |
| Thunder Spirit          | 145,821,416          | 142,289,463                  | 144,055,440                | 142,330,133                  | 142,309,798                |
| Total Wind Production   | <u>\$218,469,913</u> | <u>\$215,451,796</u>         | <u>\$216,960,855</u>       | <u>\$215,984,049</u>         | <u>\$215,717,923</u>       |
| Transmission            | 2,321,213            | 7,757,387                    | 5,039,300                  | 7,722,479                    | 7,739,933                  |
| Total Plant in Service  | <u>\$220,791,126</u> | <u>\$223,209,183</u>         | <u>\$222,000,155</u>       | <u>\$223,706,528</u>         | <u>\$223,457,856</u>       |

MONTANA-DAKOTA UTILITIES CO.  
 PLANT IN SERVICE  
 TWELVE MONTHS ENDING DECEMBER 31, 2015  
 PROJECTED 2016-2017

WIND - RENEWABLE RIDER

|                             | Per Books     | Projected 2016 |                |               | Average<br>2016 | Projected 2017 |                |               | Average<br>2017 |
|-----------------------------|---------------|----------------|----------------|---------------|-----------------|----------------|----------------|---------------|-----------------|
|                             |               | Additions 1/   | Retirements 2/ | Balance       |                 | Additions 1/   | Retirements 2/ | Balance       |                 |
| Diamond Willow              | \$42,320,503  | \$343,874      | \$0            | \$42,664,377  | \$42,492,440    | \$422,443      | \$0            | \$43,086,820  | \$42,875,599    |
| Cedar Hills                 | 30,327,994    | 169,962        | 0              | 30,497,956    | 30,412,975      | 69,140         | 0              | 30,567,096    | 30,532,526      |
| Thunder Spirit              | 145,821,416   | (3,531,953)    | 0              | 142,289,463   | 144,055,440     | 40,670         | 0              | 142,330,133   | 142,309,798     |
| Total Wind Production       | \$218,469,913 | (\$3,018,117)  | \$0            | \$215,451,796 | \$216,960,855   | \$532,253      | \$0            | \$215,984,049 | \$215,717,923   |
| Transmission                | 2,321,213     | 5,446,619      | (10,445)       | 7,757,387     | 5,039,300       | 0              | (34,908)       | 7,722,479     | 7,739,933       |
| Total Wind Plant in Service | \$220,791,126 | \$2,428,502    | (\$10,445)     | \$223,209,183 | \$222,000,155   | \$532,253      | (\$34,908)     | \$223,706,528 | \$223,457,856   |

1/ See pages 4-5.

2/ Based on average retirements for 2013-2015.

MONTANA-DAKOTA UTILITIES CO.  
PLANT ADDITIONS SUMMARY  
ELECTRIC UTILITY - NORTH DAKOTA

WIND - RENEWABLE RIDER

|                         | <u>2016</u>               | <u>2017</u>             |
|-------------------------|---------------------------|-------------------------|
| Diamond Willow          | \$343,874                 | \$422,443               |
| Cedar Hills             | 169,962                   | 69,140                  |
| Thunder Spirit          | <u>(3,531,953)</u>        | <u>40,670</u>           |
| Total Wind Production   | (\$3,018,117)             | \$532,253               |
| <br>                    |                           |                         |
| Station Equipment - TSW | \$4,999,625               | \$0                     |
| Poles & Fixtures - TSW  | 293,111                   | 0                       |
| OH Conductors - TSW     | <u>153,883</u>            | <u>0</u>                |
| Total Transmission      | \$5,446,619               | \$0                     |
| <br>                    |                           |                         |
| Total Additions         | <u><u>\$2,428,502</u></u> | <u><u>\$532,253</u></u> |

MONTANA-DAKOTA UTILITIES CO.  
 PLANT ADDITIONS  
 ELECTRIC UTILITY - NORTH DAKOTA  
 PRO FORMA 2016 - 2017

WIND - RENEWABLE RIDER

| Project No.            | Acct. | Description  | 2016                      | 2017                    |
|------------------------|-------|--|---------------------------|-------------------------|
| <b>Wind Production</b> |       |  |                           |                         |
| FP-300105              | 341   | Add Shop/Office Building - Diamond Willow                | \$151,896                 | \$0                     |
| FP-100879              | 344   | Minor Construction Projects - Diamond Willow             | 57,282                    | 89,475                  |
| FP-311902              | 344   | Replace Gearbox 2017 - Diamond Willow                    | 0                         | 332,968                 |
| FP-311621              | 344   | Replace Tower #10 Gearbox - Diamond Willow               | 8,213                     | 0                       |
| FP-311903              | 345   | Upgrade Human Machine Interface - Diamond Willow         | 126,483                   | 0                       |
| FP-100877              | 344   | Minor Construction Projects - Cedar Hills                | 43,479                    | 69,140                  |
| FP-311906              | 345   | Upgrade Human Machine Interface - Cedar Hills            | 126,483                   | 0                       |
| FP-308840              | 344   | Plant Additions - Thunder Spirit                         | 1,914,666                 | 0                       |
| FP-308840              | 344   | Plant Transfers to Transmission - Thunder Spirit         | (5,446,619)               |                         |
| FP-311911              | 344   | Minor Construction Projects - Thunder Spirit             | 0                         | 40,670                  |
|                        |       | Total Wind Production                                    | <u>(\$3,018,117)</u>      | <u>\$532,253</u>        |
| <b>Transmission</b>    |       |  |                           |                         |
| FP-308840              | 353   | Substation - Transfer from Generation - Thunder Spirit   | \$4,999,625               | \$0                     |
| FP-308840              | 355   | Trans. Line - Transfer from Generation - Thunder Spirit  | 293,111                   | 0                       |
| FP-308840              | 356   | OH Conductor - Transfer from Generation - Thunder Spirit | 153,883                   | 0                       |
|                        |       | Total Transmission                                       | <u>\$5,446,619</u>        | <u>\$0</u>              |
|                        |       | <b>Total Plant Additions</b>                             | <b><u>\$2,428,502</u></b> | <b><u>\$532,253</u></b> |

**MONTANA-DAKOTA UTILITIES CO.  
ACCUMULATED RESERVE FOR DEPRECIATION  
ELECTRIC UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016-2017**

**WIND - RENEWABLE RIDER**

|                       | <u>Per Books</u>           | <u>Projected<br/>2016 1/</u> | <u>Average<br/>2016</u>    | <u>Projected<br/>2017 2/</u> | <u>Average<br/>2017</u>    |
|-----------------------|----------------------------|------------------------------|----------------------------|------------------------------|----------------------------|
| Diamond Willow        | \$13,695,627               | \$15,484,559                 | \$14,590,093               | \$17,289,622                 | \$16,387,091               |
| Cedar Hills           | 8,300,249                  | 9,471,149                    | 8,885,699                  | 10,646,651                   | 10,058,900                 |
| Thunder Spirit        | 70                         | 5,762,288                    | 2,881,179                  | 11,454,680                   | 8,608,484                  |
| Total Wind Production | <u>\$21,995,946</u>        | <u>\$30,717,996</u>          | <u>\$26,356,971</u>        | <u>\$39,390,953</u>          | <u>\$35,054,475</u>        |
| Transmission          | 331,615                    | 401,799                      | 366,707                    | 490,730                      | 446,265                    |
| Total                 | <u><u>\$22,327,561</u></u> | <u><u>\$31,119,795</u></u>   | <u><u>\$26,723,678</u></u> | <u><u>\$39,881,683</u></u>   | <u><u>\$35,500,740</u></u> |

1/ Statement K, page 48.

2/ Statement K, page 49.

**MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF WORKING CAPITAL AND  
CUSTOMER ADVANCES FOR CONSTRUCTION  
ELECTRIC UTILITY - NORTH DAKOTA  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016-2017**

**WIND - RENEWABLE RIDER**

| <u>Working Capital</u>                | <u>Per Books</u> | <u>Projected<br/>2016</u> | <u>Average<br/>2016</u> | <u>Projected<br/>2017</u> | <u>Average<br/>2017</u> |
|---------------------------------------|------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| Amort. of Generation Facility Decomm. | 0                | 0                         | 0                       | (493,485)                 | (246,743)               |
| Total Working Capital                 | <u>\$0</u>       | <u>\$0</u>                | <u>\$0</u>              | <u>(\$493,485)</u>        | <u>(\$246,743)</u>      |

MONTANA-DAKOTA UTILITIES CO.  
ELECTRIC UTILITY - NORTH DAKOTA  
AMORT. OF GENERATION FACILITY DECOMMISSIONING  
TWELVE MONTHS ENDED DECEMBER 31, 2015  
PROJECTED 2016-2017

WIND - RENEWABLE RIDER

|                              | North<br>Dakota           |
|------------------------------|---------------------------|
| Balance at December 31, 2015 | <u>\$0</u>                |
| Amortization 1/              | <u>0</u>                  |
| Balance at December 31, 2016 | \$0                       |
| Amortization 1/              | <u>(493,485)</u>          |
| Balance at December 31, 2017 | <u><u>(\$493,485)</u></u> |

1/ Amortized over the remaining life of each plant.

MONTANA-DAKOTA UTILITIES CO.  
SUMMARY OF ACCUMULATED DEFERRED INCOME TAXES  
ELECTRIC UTILITY - NORTH DAKOTA  
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2015  
PROJECTED 2016-2017

**WIND - RENEWABLE RIDER**

|                                     | Per Books           | Projected<br>2016   | Average<br>2016     | Projected<br>2017   | Average<br>2017     |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Liberalized Depreciation            | \$20,535,527        | \$37,315,906        | \$28,308,898        | \$46,043,687        | \$41,358,979        |
| Generation Facility Decommissioning | 0                   | 0                   | 0                   | (186,537)           | (93,269)            |
| Production Tax Credit Carryforward  | (2,323,398)         | (9,295,169)         | (5,809,284)         | (14,455,996)        | (11,875,582)        |
| Investment Tax Credits              | (662,396)           | (628,402)           | (645,399)           | (594,434)           | (611,418)           |
| <b>Total</b>                        | <b>\$17,549,733</b> | <b>\$27,392,335</b> | <b>\$21,854,215</b> | <b>\$30,806,720</b> | <b>\$28,778,710</b> |

1/ Average Liberalized Depreciation balances based on monthly proration methodology.

**MONTANA-DAKOTA UTILITIES CO.  
 INVESTMENT TAX CREDITS  
 ELECTRIC UTILITY - NORTH DAKOTA  
 FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2015  
 PROJECTED 2016-2017**

**WIND - RENEWABLE RIDER**

|                        | Per Books   | Projected<br>2016 | Average<br>2016 | Projected<br>2017 | Average<br>2017 |
|------------------------|-------------|-------------------|-----------------|-------------------|-----------------|
| Investment Tax Credits | \$1,752,301 | \$1,662,439       | 1/ \$1,707,370  | \$1,572,577       | 1/ \$1,617,508  |

1/ Amortizable life extended to 25 years to match related Cedar Hill Wind plant's depreciable life. No ITC is projected to be utilized in 2016 or 2017.

\$1,752,301 Book Balance / 19.5 years remaining = \$89,862 annual amortization.

**MONTANA-DAKOTA UTILITIES CO.  
 PROJECTED OPERATING INCOME AND RATE OF RETURN  
 REFLECTING ADDITIONAL REVENUE REQUIREMENTS  
 ELECTRIC UTILITY - NORTH DAKOTA  
 PROJECTED 2017**

|                                | Before<br>Additional<br>Revenue<br>Requirements 1/ | <b>Additional<br/>Revenue<br/>Requirements</b> | Reflecting<br>Additional<br>Revenue<br>Requirements |
|--------------------------------|--|--|---|
| <b>Operating Revenues</b>      |  |  |   |
| Sales                          | \$182,637,355                                      | <b>\$14,111,438</b>                            | \$196,748,793                                       |
| Sales for Resale               | -  |  | -   |
| Other                          | 3,671,067  |  | 3,671,067   |
| Total Revenues                 | <u>186,308,422</u>                                 | <u>14,111,438</u>                              | <u>200,419,860</u>                                  |
| <b>Operating Expenses</b>      |  |  |   |
| Operation and Maintenance      |  |  |   |
| Cost of Fuel & Purchased Power | 54,200,344   |  | 54,200,344  |
| Other O&M                      | 55,385,070   |  | 55,385,070  |
| Total O&M                      | <u>109,585,414</u>                                 |  | <u>109,585,414</u>                                  |
| Depreciation                   | 26,860,910   |  | 26,860,910  |
| Taxes Other Than Income        | 7,040,894  |  | 7,040,894   |
| Current Income Taxes           | 11,187,983   | 5,334,335 2/                                   | 16,522,318  |
| Deferred Income Taxes          | 0  |  | 0   |
| Total Expenses                 | <u>154,675,201</u>                                 | <u>5,334,335</u>                               | <u>160,009,536</u>                                  |
| Operating Income               | <u>\$31,633,221</u>                                | <u>\$8,777,103</u>                             | <u>\$40,410,324</u>                                 |
| <br>                           |  |  |   |
| Rate Base                      | <u>\$541,765,976</u>                               |  | <u>\$541,765,976</u>                                |
| <hr/>                          |  |  |   |
| <b>Rate of Return</b>          | <b>5.839%</b>                                      |  | <b>7.459%</b>                                       |

1/ Statement K, Page 1.

2/ Reflects state and federal taxes at 37.8015%.

**MONTANA-DAKOTA UTILITIES CO.  
 PROJECTED OPERATING INCOME AND RATE OF RETURN  
 REFLECTING ADDITIONAL REVENUE REQUIREMENTS  
 ELECTRIC UTILITY - NORTH DAKOTA  
 PROJECTED 2017**

**WIND RENEWABLE RIDER**

|                                | Before<br>Additional<br>Revenue<br>Requirements 1/ | <b>Additional<br/>Revenue<br/>Requirements</b> | Reflecting<br>Additional<br>Revenue<br>Requirements |
|--------------------------------|--|--|---|
| <b>Operating Revenues</b>      |  |  |   |
| Sales                          | \$13,923,093                                       | <b>(\$1,399)</b>                               | \$13,921,694  |
| <b>Operating Expenses</b>      |  |  |   |
| Operation and Maintenance      |  |  |   |
| Cost of Fuel & Purchased Power | 0  |  | 0   |
| Other O&M                      | 2,214,736  |  | 2,214,736   |
| Total O&M                      | 2,214,736  |  | 2,214,736   |
| Depreciation                   | 9,290,281  |  | 9,290,281   |
| Taxes Other Than Income        | 682,781  |  | 682,781   |
| Current Income Taxes           | (9,999,638)  | (529) 2/                                       | (10,000,167)  |
| Deferred Income Taxes          | 0  |  | 0   |
| Total Expenses                 | 2,188,160  | (529)  | 2,187,631   |
| Operating Income               | <u>\$11,734,933</u>                                | <u>(\$870)</u>                                 | <u>\$11,734,063</u>                                 |
| Rate Base                      | <u>\$157,314,155</u>                               |  | <u>\$157,314,155</u>                                |
| <b>Rate of Return</b>          | <b>7.460%</b>                                      |  | <b>7.459%</b>                                       |

1/ Statement K, Page 2.

2/ Reflects state and federal taxes at 37.8015%.

**MONTANA-DAKOTA UTILITIES CO.  
 PROJECTED OPERATING INCOME AND RATE OF RETURN  
 REFLECTING ADDITIONAL REVENUE REQUIREMENTS  
 ELECTRIC UTILITY - NORTH DAKOTA  
 PROJECTED 2017**

**TRANSMISSION COST ADJUSTMENT**

|                                | Before<br>Additional<br>Revenue<br>Requirements 1/ | <b>Additional<br/>Revenue<br/>Requirements</b> | Reflecting<br>Additional<br>Revenue<br>Requirements |
|--------------------------------|--|--|---|
| <b>Operating Revenues</b>      |  |  |   |
| Sales                          | \$6,183,536  | <b>(\$725,568)</b>                             | \$5,457,968   |
| Other                          | 14,473,223   |  | 14,473,223  |
| <b>Total Revenues</b>          | <u>20,656,759</u>                                  |  | <u>19,931,191</u>                                   |
| <b>Operating Expenses</b>      |  |  |   |
| Operation and Maintenance      |  |  |   |
| Cost of Fuel & Purchased Power | 0  |  | 0   |
| Other O&M                      | 19,931,191   |  | 19,931,191  |
| <b>Total O&amp;M</b>           | <u>19,931,191</u>                                  |  | <u>19,931,191</u>                                   |
| Depreciation                   | 0  |  | 0   |
| Taxes Other Than Income        | 0  |  | 0   |
| Current Income Taxes           | 0  |  | 0   |
| Deferred Income Taxes          | 0  |  | 0   |
| <b>Total Expenses</b>          | <u>19,931,191</u>                                  | <u>0</u>                                       | <u>19,931,191</u>                                   |
| <b>Operating Income</b>        | <u>\$725,568</u>                                   | <u>\$0</u>                                     | <u>\$0</u>  |

1/ Statement K, Page 3.

**MONTANA-DAKOTA UTILITIES CO.**  
**PROJECTED OPERATING INCOME AND RATE OF RETURN**  
**REFLECTING ADDITIONAL REVENUE REQUIREMENTS**  
**ELECTRIC UTILITY - NORTH DAKOTA**  
**PROJECTED 2017**  
**- INTERIM -**

|                                | Before<br>Additional<br>Revenue<br>Requirements 1/ | <b>Additional<br/>Revenue<br/>Requirements</b> | Reflecting<br>Additional<br>Revenue<br>Requirements |
|--------------------------------|--|--|---|
| <b>Operating Revenues</b>      |  |  |   |
| Sales                          | \$200,771,959                                      | <b>\$13,027,771</b>                            | \$213,799,730                                       |
| Sales for Resale               | -  |  | -   |
| Other                          | 18,141,923   |  | 18,141,923  |
| Total Revenues                 | <u>218,913,882</u>                                 | <u>13,027,771</u>                              | <u>231,941,653</u>                                  |
| <b>Operating Expenses</b>      |  |  |   |
| Operation and Maintenance      |  |  |   |
| Cost of Fuel & Purchased Power | 52,219,834   |  | 52,219,834  |
| Other O&M                      | 79,505,702   |  | 79,505,702  |
| Total O&M                      | <u>131,725,536</u>                                 |  | <u>131,725,536</u>                                  |
| Depreciation                   | 33,828,680   |  | 33,828,680  |
| Taxes Other Than Income        | 7,723,675  |  | 7,723,675   |
| Current Income Taxes           | 1,596,647  | 4,924,693 2/                                   | 6,521,340   |
| Deferred Income Taxes          | 0  |  | 0   |
| Total Expenses                 | <u>174,874,538</u>                                 | <u>4,924,693</u>                               | <u>179,799,231</u>                                  |
| Operating Income               | <u>\$44,039,344</u>                                | <u>\$8,103,078</u>                             | <u>\$52,142,422</u>                                 |
| Rate Base                      | <u>\$699,053,794</u>                               |  | <u>\$699,053,794</u>                                |
| <b>Rate of Return</b>          |  |  |   |
|                                | <u>6.300%</u>                                      |  | <u>7.459%</u>                                       |

1/ Page 2

2/ Reflects state and federal taxes at 37.8015%.



**State of North Dakota  
Electric Rate Schedule**

NDPSC Volume 4  
6<sup>th</sup> Revised Sheet No. 42  
Canceling 5<sup>th</sup> Revised Sheet No. 42

**FUEL AND PURCHASED POWER ADJUSTMENT Rate 58**

Page 1 of 3

**1. Applicability:**

This rate schedule sets forth the procedure to be used in calculating the Fuel and Purchased Power Adjustment (FPPA). It specifies the procedure to be utilized to adjust the rates for electricity sold under Montana-Dakota's rate schedules in order to reflect: (a) changes in Montana-Dakota's average cost of fuel and purchased power as allocated to North Dakota; and (b) amortization of the Deferred Fuel Cost Account.

**2. Effective Date and Limitation on Adjustments:**

- a. Unless otherwise ordered by the Commission, the effective dates of the Fuel and Purchased Power Adjustment shall be service rendered on and after the first day of each month. The effective date of the adjustment for amortization of the Deferred Fuel Cost Account shall be April 1 of each year.
- b. Montana-Dakota shall file an adjustment to reflect changes in its average cost of electric supply only when the amount of change in such adjustment is at least .001 cents per Kwh. The adjustment to be effective April 1 shall be filed each year, regardless of the amount of the change.

**3. Fuel and Purchased Power Adjustment:**

- a. The monthly Fuel and Purchased Power Adjustment shall be calculated separately for primary service and secondary service customers and shall reflect the changes in Montana-Dakota's cost of fuel and purchased power as compared to the cost of fuel and purchased power approved in its base rates plus the annual Surcharge Adjustment. The base fuel and purchased power cost shall be 2.454¢ per Kwh for primary service and 2.536¢ per Kwh for secondary service as established in the most recent general rate case.
- b. The cost of fuel and purchased power shall be calculated separately for primary service customers and secondary service customers, and shall be the sum of the following costs for the most recent four month period, as allocated to North Dakota and to the primary and secondary customer classes:
  1. The cost of fossil and other fuels and reagents, including sand, recorded in Account Nos. 501, 502 and 547.

**Date Filed:** October 14, 2016

**Effective Date:**

**Issued By:** Tamie A. Aberle  
Director- Regulatory Affairs

**Case No.:**



**State of North Dakota  
Electric Rate Schedule**

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NDPSC Volume 4  
5<sup>th</sup> Revised Sheet No. 42.1  
Canceling 4<sup>th</sup> Revised Sheet No. 42.1

**FUEL AND PURCHASED POWER ADJUSTMENT Rate 58**

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Page 2 of 3

2. Natural gas and pipeline reservation charges recorded in Account No. 547
  3. The net cost of purchases and costs linked to the utility's load serving obligation associated with participation in the wholesale electric energy markets as recorded in Account No. 555
  4. Capacity purchases as recorded in Account No. 555.
  5. Regional Market Administration expenses recorded in Account No. 575.
  6. Less 100 percent of the wholesale sales revenue.
  7. Less the revenue from the sales of Renewable Energy Credits (RECs).
- c. The cost per Kwh for the month is the sum of 3(b) above divided by retail sales volumes for the most recent four month period for the primary and secondary service classes.

**4. Surcharge Adjustment:**

All sales rate schedules shall be subject to a Surcharge Adjustment to be effective on April 1 each year. The Surcharge Adjustment per Kwh sold shall reflect the amortization of the applicable balance in the Deferred Fuel Cost Account calculated by dividing the applicable balance by the estimated Kwh sales for the twelve months following the effective date of the adjustment.

- a. The balance in the Deferred Fuel Cost Account (Account 182.3) includes:
1. The current month over or under recovery, determined as follows:
    - i. Montana-Dakota shall determine each month the cost for that month's fuel and purchased power.
    - ii. Montana-Dakota shall subtract from the month's cost the cost reflected in rates for that month.

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**Date Filed:** October 14, 2016

**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 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Electric Rate Schedule

NDPSC Volume 4  
55<sup>th</sup> Revised Sheet No. 42.2  
Canceling 54th Revised Sheet No. 42.2

### FUEL AND PURCHASED POWER ADJUSTMENT Rate 58

Page 3 of 3

- iii. The resulting difference (positive or negative) shall be included that month under each rate schedule.
- 2. Refunds from supplier(s) and market operators with respect to fuel and purchased power costs.
- 3. Carrying charges or credits at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.
- 4. The balance in the Deferred Fuel Cost Account shall be decreased each month by the amount of the Surcharge Adjustment multiplied by the Kwh sales for the month.
- 5. **Manner of Filing:**  
The Company shall file a monthly statement showing the calculation of the Fuel and Purchased Power Adjustment with the Commission prior to implementing the monthly adjustment. The adjustment in rates shall be effective with service rendered on and after the first day of each month, unless the Commission shall otherwise order.

#### 6. Fuel and Purchased Power Adjustment:

|                                     | Primary | Secondary |
|-------------------------------------|---------|-----------|
| Base Fuel                           | 2.454¢  | 2.536¢    |
| Fuel and Purchased Power Adjustment | 0.000   | 0.000     |
| Total FPPA                          | 2.454¢  | 2.536¢    |

Date Filed: October 14, 2016

Effective Date:

Issued By: Tamie A. Aberle  
Director- Regulatory Affairs

Case No.: