

SECTION 4

MONTANA-DAKOTA UTILITIES CO. - COMMON PLANT

Study Analysis & Results

ACCOUNT – 390.00 Structures And Improvements

Historical Experience

Plant Statistics Plant Balance = \$49,299,196
Average Age of Survivors = 11.2 years.
Original Gross Additions = \$58,376,038
Oldest Surviving Vintage = 1953
Retirements - \$3,717,530, or 6.4% of historical additions.
Average Age of Retirements = 30.8 years

Experience Bands 1977 – 2014 (Full Depth) 38-R3

Historic Net Salvage: (68-14)

<u>Three Year Average Net Salvage Percent</u>			<u>Full Depth</u>
<u>2010-12</u>	<u>2011-13</u>	<u>2012-14</u>	<u>1968-2014</u>
8%	8%	1%	-6%

<u>Gross Salvage Trend Analysis</u>			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	5%	9%	3%

Forecasted Net Salvage: -20%

Plant Considerations/Future Expectations

This investment is related to cost of various General related structures and improvements. Ongoing changes occur due to required upgrades as well as changes in business environment conditions. In this regard, during the recent 15 plus years the Company has been consolidating offices plus got out of the service and repair business including the selling of appliances so there was less need for facilities.

Further future activity can be anticipated as the Company continues to make changes to meet ever changing business conditions.

Life Analysis Method: Retirement Rate Method (Actuarial)

Current Depreciation Parameters

ASL/Curve: 35-R3
Net Salv: -10%

Proposed Depreciation Parameters

ASL/Curve: 38-R3
Future Net Salv: 0%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	2.31%	2.18%
Average Remaining Life	28.2 years	N/A

ACCOUNT – 392.10 Transportation Equipment - Trailers

Historical Experience

Plant Statistics Plant Balance = \$2,482
Average Age of Survivors = 1.5 years.
Original Gross Additions = \$426,161
Oldest Surviving Vintage = 2013
Retirements - \$261,809, or 61.4% of historical additions.
Average Age of Retirements = 16.7 years

Experience Bands 1977 – 2014 (Full Depth) 25-L1

Historic Net Salvage: (77-14)

Three Year Average Net Salvage Percent			Full Depth
<u>2010-12</u>	<u>2011-13</u>	<u>2012-14</u>	<u>1977-2014</u>
24%	23%	29%	50%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
21%	15%	26%	34%

Forecasted Net Salvage: 34%

Plant Considerations/Future Expectations

This property group contains investments principally related to trailers used by the Company's workforce. The minor investment in this property account is currently fully depreciated, therefore, no further accruals should be recorded until such time that significant additional plant is added and/or the fully accrued status is significantly reduced.*The proposed depreciation is currently set to zero percent.

Life Analysis Method: Retirement Rate Method (Actuarial)

Current Depreciation Parameters

ASL/Curve: 20-L2

Net Salv: 15%

Proposed Depreciation Parameters

ASL/Curve: 25-L1

Future Net Salv: 20%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	0.00% *	4.17%
Average Remaining Life	23.6 years	N/A

ACCOUNT – 392.20 Transportation Equipment – Cars & Trucks

Historical Experience

Plant Statistics Plant Balance = \$7,053,425
Average Age of Survivors = 5.9 years.
Original Gross Additions = \$23,694,568
Oldest Surviving Vintage = 1987
Retirements - \$16,559,465, or 69.9% of historical additions.
Average Age of Retirements = 9.0 years

Experience Bands 2005 – 2014 (Full Depth) 9-R3

Historic Net Salvage: (68-14)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2010-12</u>	<u>2011-13</u>	<u>2012-14</u>	<u>1968-2014</u>
21%	22%	24%	24%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
29%	24%	24%	23%

Forecasted Net Salvage: 23%

Plant Considerations/Future Expectations

This property group contains investments is related to vehicles which are used in constructing and maintaining distribution and transmission lines. The Company's general replacement policy is 8 years or 95,000 miles.

Life Analysis Method: Retirement Rate Method (Actuarial)

Current Depreciation Parameters

ASL/Curve: 7-R3

Net Salv: 20%

Proposed Depreciation Parameters

ASL/Curve: 9-R3

Future Net Salv: 20%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	6.65%	4.11%
Average Remaining Life	4.9 years	N/A