

**MONTANA-DAKOTA UTILITIES CO.
COMMON PLANT**

Depreciation Study
as of December 31, 2014

Earl M. Robinson, Principal
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April 30, 2015

Mr. Paul Bienek
Montana-Dakota Utilities Company
400 North Fourth Street
Bismarck, ND 58501

Dear Mr. Bienek:

Re: MDU Common Plant Depreciation Study

In accordance with your authorization, we have prepared a depreciation study related to the utility plant in service of Montana-Dakota Utilities Company - Common Plant as of December 31, 2014. Our findings and recommendations, together with supporting schedules and exhibits, are set forth in the accompanying report.

Summary schedules have been prepared to illustrate the impact of instituting the recommended annual depreciation rates as a basis for the Company's annual depreciation expense as compared to the rates presently utilized. The application of the present rates to the depreciable plant in service as of December 31, 2014 results in an annual depreciation expense of \$2,649,018. In comparison the application of the proposed amortization/depreciation rates to the depreciable plant in service at December 31, 2014 results in an annual amortization/depreciation expense of \$2,924,572, which is an increase of \$275,554 from current rates. The composite annual depreciation rate under present rates is 3.89 percent, while the proposed pro forma composite depreciation rate is 4.30 percent.

Section 2 of our report contains the summary schedules showing the results of our service life and salvage studies and summaries of presently utilized depreciation rates. The subsequent sections of the report present a detailed outline of the methodology and procedures used in the study together with supporting calculations and analyses used in the development of the results. A detailed table of contents follows this letter.

Respectfully submitted,

A handwritten signature in black ink that reads 'Earl M. Robinson'.

EARL M. ROBINSON, CDP
&

A handwritten signature in black ink that reads 'D.A. Sheffer'.

DAVID A. SHEFFER