

MONTANA-DAKOTA UTILITIES CO.
SUMMARY OF DEPRECIATION EXPENSE
GAS UTILITY - EAST RIVER
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2004

<u>Function</u>	<u>2004</u> <u>Per Books</u>	<u>Pro Forma 1/</u>	<u>Pro Forma</u> <u>Adjustment</u>
Distribution	\$397,854	\$314,025	(\$83,829)
General	52,488	45,723	(6,765)
General Intangible	198	199	1
Common	38,373	39,276	903
Common Intangible	35,351	35,841	490
CWIP in Service	<u> </u>	<u> 2/</u>	<u> 2/</u>
Total	<u>\$524,264</u>	<u>\$435,064</u>	<u>(\$89,200)</u>
Pro Forma Adjustment to Accumulated Reserve			<u>\$526,432</u>

1/ Average Annual depreciation expense on pro forma plant in service.

2/ Included in the above functions.

MONTANA-DAKOTA UTILITIES CO.
DEPRECIATION RATES
GAS UTILITY - EAST RIVER
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2004
PRO FORMA ADJUSTMENT NO. 19

Acct. No.	Account	Pro Forma Average Plant 1/	Depreciation Rate	Annual Depreciation	Accumulated Reserve
<u>Distribution Plant</u>					
374.1	Land	\$16,686			
374.2	Rights of Way	913	0.75%	\$7	\$7
375	Structures&Improve	84,351	2.57%	2,168	2,168
376	Mains	6,841,631	1.92%	131,359	131,359
378	Measuring&Reg, Equip-General	8,452	2.96%	250	250
379	Measuring&Reg. Equip-City Gate	589,162	3.54%	20,856	20,856
380	Services	2,413,268	5.66%	136,591	136,591
381	Positive Meters	619,537	3.19%	19,763	19,763
383	Service Regulators	79,541	2.59%	2,060	2,060
387.1	Cathodic Protection Equip.	2,304	5.75%	132	132
387.2	Other Distribution Equip.	6,038	1.42%	86	86
	Total Distribution Plant	<u>\$10,661,883</u>		<u>\$313,272</u>	<u>\$313,272</u>
<u>General Plant</u>					
389	Land	\$86,270			
390	Structures&Improvement - General	545,644	3.73%	\$20,353	\$20,353
391.1	Office Furniture and Equipment	41,419	4.97%	2,059	2,059
391.3	Computer Equip. - PC	68,629	26.13%	17,933	17,933
392.1	Transportation Equip, Non-Unitized	4,593	4.36% 2/		200
392.2	Transportation Equip, Unitized	300,353	21.13% 2/		63,465
394.1	Miscellaneous Tools-Non-Unitized	49,142	6.62%	3,253	3,253
394.2	Miscellaneous Tools-Unitized	2,922	2.40% 2/		70
395	Laboratory Equipment	520	7.67%	40	40
396.1	Work Equipment Trailers	10,526	5.76% 2/		606
396.2	Power Operated Equipment	176,596	0.00% 2/		0
397.1	Radio Comm. Equip.-Fixed	13,588	7.37%	1,001	1,001
397.2	Radio Comm. Equip.-Mobile	4,841	7.34%	355	355
397.3	General Tele. Comm. Equip.	780	9.88%	77	77
397.8	Network Equipment	0	26.26%	0	0
398	Miscellaneous Equipment	346	1.27%	4	4
	Total General Plant	<u>\$1,306,169</u>		<u>\$45,075</u>	<u>\$109,416</u>
303	Intangible Plant - General	\$11,229	1.77% 3/	\$199	\$199
<u>Common Plant</u>					
389	Land	\$15,761			
390	Structures&Improvements-General	223,752	2.93%	\$6,556	\$6,556
391.1	Office Furniture and Equipment	51,185	4.95%	2,534	2,534
391.2	Computer Equip.- Honeywell	1,357	1.52%	21	21
391.3	Computer Equip. - PC	105,450	23.29%	24,559	24,559
391.4	Tools, Shop & Gar. Equip.	131	0.00%	0	0
391.5	Computer Equip. - Other	1,789	0.46%	0	0
392.1	Transportation Equip, Non-Unitized	5,960	0.00% 2/		0

MONTANA-DAKOTA UTILITIES CO.
DEPRECIATION RATES
GAS UTILITY - EAST RIVER
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2004
PRO FORMA ADJUSTMENT NO. 19

Acct. <u>No.</u>	<u>Account</u>	Pro Forma Average Plant 1/	Depreciation Rate	Annual Depreciation	Accumulated Reserve
392.2	Transportation Equip, Unitized	149,045	13.33% 2/		19,868
392.3	Aircraft	110,049	2/ 3/		6,896
393	Stores Equipment	1,494	2.80%	42	42
394.1	Miscellaneous Tools, Non-Unitized	4,840	6.11%	296	296
394.3	Vehicle Maint. Equip.	2,636	4.75%	125	125
394.4	Vehicle Refueling Equip.	2,461	4.38%	108	108
396.2	Power Operated Equipment	9,784	2.69% 2/		263
397.1	Radio Comm. Equip.-Fixed	9,689	4.99%	483	483
397.2	Radio Comm. Equip.-Mobile	10,662	4.08%	435	435
397.3	General Tele. Comm. Equip.	10,602	8.72%	924	924
397.5	Supervisory & Tele. Equip.	52	0.35%	0	0
397.8	Network Equipment	9,704	17.95%	1,742	1,742
398	Miscellaneous Equipment	14,910	2.41%	359	359
	Total Common Plant	<u>\$741,313</u>		<u>\$38,184</u>	<u>\$65,211</u>
303	Intangible Plant - Common	\$522,461	6.86% 3/	\$35,841	\$35,841
	CWIP in Service 4/				
	Distribution	\$25,701	2.93%	\$753	\$753
	General	8,094	8.01%	648	648
	Common	12,148	8.99%	1,092	1,092
	Total CWIP	<u>\$45,943</u>		<u>\$2,493</u>	<u>\$2,493</u>
	Total Gas Plant in Service	<u><u>\$13,288,998</u></u>		<u><u>\$435,064</u></u>	<u><u>\$526,432</u></u>

1/ See Rule 20:10:13:54.

2/ Charged to a clearing account.

3/ Amortized.

4/ Composite rates by function.

**MONTANA DAKOTA UTILITIES CO.
DEPRECIATION AND AMORTIZATION EXPENSES**

See Pages 5 through 7 for Montana-Dakota's depreciation rates as set forth in a study performed by AUS Consultants as of December 31, 2001 for gas and common plant.

Montana-Dakota Utilities Company
Gas Division
SETTLEMENT POSITION
Summary or Original Cost of Utility Plant in Service as of December 31, 2001
and Related Annual Depreciation Expense Under Present and Proposed Rates

Account No.	Description	Original Cost 12/31/01	Present Rates		Proposed Rates		Net Change Depr. Exp.
			Rate %	Annual Accrual	Rate %	Annual Accrual	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<u>DEPRECIABLE PLANT</u>							
<u>Distribution Plant</u>							
374.20	Rights of Way	89,641	2.58%	2,313	0.75%	672	-1,64
375.00	Distr. Meas & Reg Station Structures	521,210	2.40%	12,509	2.57%	13,395	88
376.00	Mains	78,334,154	4.05%	3,172,533	1.92%	1,504,016	-1,668,51
378.00	Meas & Reg Station Equip-General	1,367,334	2.30%	31,449	2.96%	40,473	9,02
379.00	Meas & Reg Station Equip-City Gate	1,009,137	2.74%	27,650	3.54%	35,723	8,07
380.00	Services	32,476,717	7.60%	2,468,231	5.66%	1,838,182	-630,04
381.00	Meters	30,462,008	2.58%	785,920	3.19%	971,738	185,81
383.00	Service Regulators	4,296,862	2.37%	101,836	2.59%	111,289	9,45
385.00	Industrial Meas. & Reg. Station Equipment	578,200	1.91%	11,044	3.04%	17,577	6,53
						4,533,066	
MISCELLANEOUS EQUIPMENT							
386.10	Miscellaneous Property on Customers Premise	1,680	9.35%	157	5.19%	87	-7
386.20	CNG Refueling station	432,811	9.35%	40,468	3.70%	16,014	-24,45
	TOTAL Account 386	434,491	9.35%	40,625	3.71%	16,101	-24,52
OTHER EQUIPMENT							
387.10	Cathodic Protection Equipment	1,450,657	5.21%	75,579	5.75%	83,413	7,83
387.20	Other Distribution Equipment	557,184	5.21%	29,029	1.42%	7,912	-21,11
	TOTAL Account 387	2,007,841	5.21%	104,609	4.55%	91,325	-13,28
	TOTAL Distribution Plant	151,577,594	4.46%	6,758,717	3.06%	4,640,492	-2,118,22
<u>General Plant</u>							
390.00	General Structures	1,922,983	2.34%	44,998	3.73%	71,727	26,72
OFFICE FURNITURE & EQUIPMENT							
391.10	Office Furniture & Equipment	544,275	4.05%	22,043	4.97%	27,034	4,99
391.30	Computer Equipment - PC	780,995	12.50%	97,624	26.13%	204,035	106,41
	TOTAL Account 391	1,325,269	9.03%	119,667	17.44%	231,069	111,40
TRANSPORTATION EQUIPMENT							
392.10	Transportation Equipment (Trailers)	147,187	5.74%	8,449	4.36%	6,417	-2,03
392.20	Transportation Equipment (Cars & Trucks)	6,080,561	5.74%	349,024	21.13%	1,284,823	935,79
	TOTAL Account 392	6,227,748	5.74%	357,473	20.73%	1,291,240	933,76
393.00	Stores Equipment	186,729	0.90%	1,681	2.49%	4,658	2,97
TOOLS, SHOP & GARAGE EQ.							
394.10	Tools, Shop & Garage Equip. (Non-Unitized)	2,495,422	3.57%	89,087	6.62%	165,153	76,06
394.20	Tools, Shop & Garage Equip. (Unitized)	299,810	4.83%	14,481	2.40%	7,201	-7,28
394.30	Vehicle Maintenance Equipment	31,177	4.21%	1,313	5.78%	1,803	45
394.40	Vehicle Refueling Equipment	361,344	9.35%	33,786	4.72%	17,065	-16,72
	TOTAL Account 394	3,187,752	4.35%	138,666	6.00%	191,222	52,55
395.00	Laboratory Equipment	271,033	2.32%	6,288	7.67%	20,801	14,51
POWER OPERATED EQUIPMENT							
10	Work Equipment (Trailers)	293,543	4.83%	14,178	5.76%	16,908	2,73
20	Power Operated Equipment	4,081,768	4.83%	197,149	0.00%	0	-197,14
	TOTAL Account 396	4,375,312	4.83%	211,328	0.39%	16,908	-194,41

Montana-Dakota Utilities Company
 Gas Division

SETTLEMENT POSITION

Summary of Original Cost of Utility Plant in Service as of December 31, 2001
 and Related Annual Depreciation Expense Under Present and Proposed Rates

Account No. (a)	Description (b)	Original Cost 12/31/01 (c)	Present Rates		Proposed Rates		Net Change Depr. Exp. (h)
			Rate % (d)	Annual Accrual (e)	Rate % (f)	Annual Accrual (g)	
COMMUNICATION EQUIPMENT							
397.10	Radio Communication Equip. (Fixed)	481,655	3.67%	17,677	7.37%	35,511	17,833
397.20	Radio Communication Equip. (Mobile)	401,528	3.67%	14,736	7.34%	29,469	14,736
397.30	General Telephone Communication Equip.	90,518	6.56%	5,938	9.88%	8,941	3,000
397.50	Supervisory & Telemetry Equip.	124,167	6.67%	8,282	0.25%	311	-7,977
397.60	SCADA System	30,894	15.07%	4,656	0.00%	0	-4,656
397.80	Network Equipment	30,338	12.50%	3,792	26.26%	7,968	4,176
	TOTAL Account 397	1,159,100	4.75%	55,081	7.09%	82,199	27,119
398.00	Miscellaneous Equipment	145,270	0.59%	82,199	1.27%	1,851	-80,344
	TOTAL General Plant	18,801,196	5.41%	1,017,380	10.17%	1,911,676	894,299
	TOTAL Depreciable Plant	170,378,791	4.56%	7,776,097	3.85%	6,552,168	-1,223,927
<u>NON-DEPRECIABLE PLANT</u>							
374.10	Land (Distribution)	108,920					
389.00	Land & Land Rights (General)	301,149					
	Total Land	410,069					
INTANGIBLE PLANT							
390.00	Miscellaneous Intangible Plant	477,530					
	Total Intangible Plant	477,530					
	TOTAL Non-Depreciable Plant	887,598					
	TOTAL Plant in Service	171,266,389					

Montana-Dakota Utilities Company
Common Plant
MDU Settlement

Docket No. _____
Rule 20:10:13:86
Statement J
Page 7 of 8

Summary of Original Cost of Utility Plant in Service as of December 31, 2001
and Related Annual Depreciation Expense Under Present and Proposed Rates

Account No. (a)	Description (b)	Original Cost	Present Rates		Proposed Rates		Net Change
		12/31/01 (c)	Rate % (d)	Annual Accrual (e)	Rate % (f)	Annual Accrual (g)	Depr. Exp. (h)
DEPRECIABLE PLANT							
General Plant							
390.0	General Structures	18,048,459.30	3.76%	678,622.07	2.93%	528,819.86	-149,802.21
OFFICE FURNITURE & EQUIPMENT							
391.1	Office Furniture & Equipment	3,716,416.91	1.48%	55,002.97	4.95%	184,032.14	129,029.17
391.2	Computer Equipment - Honeywell	93,392.30	14.17%	13,233.69	1.52%	1,416.58	-11,817.11
391.3	Computer Equipment - PC	4,212,743.17	12.50%	526,592.90	23.29%	981,147.88	454,554.98
391.5	Computer Equipment - Other	820,399.57	26.51%	217,487.93	0.46%	3,797.58	-213,690.35
	TOTAL Account 391	8,842,951.95	9.19%	812,317.49	13.24%	1,170,394.18	358,076.69
TRANSPORTATION EQUIPMENT							
392.1	Transportation Equipment (Trailers)	251,165.84	5.74%	14,416.92	0.00%	0.00	-14,416.92
392.2	Transportation Equipment (Cars & Trucks)	4,429,701.58	5.74%	254,264.87	13.33%	590,479.22	336,214.35
	TOTAL Account 392	4,680,867.42	5.74%	268,681.79	12.61%	590,479.22	321,797.43
393.0	Stores Equipment	47,385.55	3.36%	1,592.15	2.80%	1,327.61	-264.54
TOOLS, SHOP & GARAGE EQ.							
394.1	Tools, Shop & Garage Equip. (Non-Unitized)	235,026.00	3.44%	8,084.89	6.11%	14,362.50	6,277.61
394.3	Vehicle Maintenance Equipment	102,746.14	4.46%	4,582.48	4.75%	4,877.05	294.57
394.4	Vehicle Refueling Equipment	838,830.77	8.42%	70,629.55	4.38%	36,709.31	-33,920.24
	TOTAL Account 394	1,176,602.91	7.08%	83,296.92	4.76%	55,948.86	-27,348.06
396.2	Power Operated Equipment	157,572.62	4.83%	7,610.76	2.69%	4,238.70	-3,372.06
COMMUNICATION EQUIPMENT							
397.1	Radio Communication Equip. (Fixed)	646,187.02	4.33%	27,979.90	4.99%	32,241.83	4,261.93
397.2	Radio Communication Equip. (Mobile)	1,285,023.00	6.68%	85,839.54	4.08%	52,474.26	-33,365.28
397.3	General Telephone Communication Equip.	779,821.23	10.62%	82,817.01	8.72%	68,036.36	-14,780.65
397.5	Supervisory & Telemetering Equip.	48,295.94	0.59%	284.95	0.35%	170.00	-114.95
397.8	Network Equipment	824,948.21	12.50%	103,118.53	17.95%	148,037.04	44,918.51
	TOTAL Account 397	3,584,275.40	8.37%	300,039.93	8.40%	300,959.49	919.56
398.0	Miscellaneous Equipment	592,894.94	2.51%	14,881.66	2.41%	14,291.82	-589.84
	Sub-Total (General Plant) Amortization	10,031,367.58	6.83%	685,535.25	5.60%	561,774.08	-123,761.17
	TOTAL General Plant	37,131,010.09	5.84%	2,167,042.77	7.18%	2,666,459.74	499,416.97
	TOTAL Depreciable Plant	37,131,010.09	5.84%	2,167,042.77	7.18%	2,666,459.74	499,416.97
Amortizable Plant							
392.3	Aircraft Equipment	1,024,349.51					
	TOTAL Amortizable Plant	1,024,349.51					
NON-DEPRECIABLE PLANT							
389.0	Land & Land Rights (General)	1,547,408.83					
	Total Land	1,547,408.83					
INTANGIBLE PLANT							
J3.0	Miscellaneous Intangible Plant	13,553,859.20					
	Total Intangible Plant	13,553,859.20					
	TOTAL Non-Depreciable Plant	15,101,268.03					
	TOTAL Plant in Service	53,256,627.63					

MONTANA-DAKOTA UTILITIES CO.
RECONCILIATION OF DEPRECIABLE GAS PLANT
GAS UTILITY - EAST RIVER
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004

	Balance @ 12/31/03	Balance @ 12/31/04	Average Balance
<u>Depreciable Plant</u>			
Distribution	\$10,680,309	\$10,638,479	\$10,659,394
General	719,772	720,899	720,335
General - Amortized	11,714	11,229	11,472
	<u>\$11,411,795</u>	<u>\$11,370,607</u>	<u>\$11,391,201</u>
<u>Depreciable Plant Charged to a Clearing Account</u>			
Transportation Equipment	\$249,001	\$287,350	\$268,176
Tools, Shop & Garage Equipment - Unitized	2,922	2,922	2,922
Power Operated Equipment	10,526	10,526	10,526
Work Equipment	164,220	170,630	167,425
	<u>\$426,669</u>	<u>\$471,428</u>	<u>\$449,049</u>
<u>Non-Depreciable Plant</u>			
Distribution	\$16,686	\$16,686	\$16,686
General	87,622	86,270	86,946
	<u>\$104,308</u>	<u>\$102,956</u>	<u>\$103,632</u>
<u>Common Plant in Service - Gas</u>			
Depreciable	\$440,627	\$442,681	\$441,654
Charged to Clearing Account	234,548	262,281	248,415
Depreciable - Amortized	368,665	515,495	442,080
Non-Depreciable	15,958	15,761	15,859
	<u>\$1,059,798</u>	<u>\$1,236,218</u>	<u>\$1,148,008</u>
 Total Gas Plant in Service	 <u>\$13,002,570</u>	 <u>\$13,181,209</u>	 <u>\$13,091,890</u>

**MONTANA-DAKOTA UTILITIES CO.
DEPRECIATION EXPENSE CHARGED TO OTHER THAN
PRESCRIBED DEPRECIATION AND AMORTIZATION EXPENSE**

The Company charges all depreciation and amortization expense to prescribed accounts, with the exception of the following:

1. Depreciation of transportation and work equipment in FERC plant accounts 392 and 396 are charged to FERC clearing account 184 through cost center 184.00.
2. Depreciation of aircraft in FERC plant account 392 is charged to FERC clearing account 184 through cost center 184.01.
3. Depreciation of a portion of general plant structures in FERC account 390 is charged to FERC account 416 for merchandise operations.