

**MONTANA-DAKOTA UTILITIES CO.**  
**INCOME STATEMENT**  
**GAS UTILITY - EAST RIVER**  
**TWELVE MONTHS ENDED DECEMBER 31, 2004**

	<u>Total Company</u>	<u>East River</u>	<u>Other</u>	<u>Reference</u>
Operating Revenues				
Sales	\$274,531,521	\$6,006,140	\$268,525,381	Statement I
Transportation	2,775,723	0	2,775,723	Statement I
Other	1,218,113	58,074	1,160,039	Statement I
Total Revenues	<u>278,525,357</u>	<u>6,064,214</u>	<u>272,461,143</u>	
Operating Expenses				
Operation and Maintenance				
Cost of Gas	221,327,999	4,741,019	216,586,980	Statement H
Other O&M	41,928,622	1,543,156	40,385,466	Statement H
Total O&M	<u>263,256,621</u>	<u>6,284,175</u>	<u>256,972,446</u>	
Depreciation	7,646,418	524,264	7,122,154	Statement J
Taxes Other Than Income	4,926,232	194,961	4,731,271	Statement L
Current Income Taxes	(2,810,986)	(578,226)	(2,232,760)	Statement K
Deferred Income Taxes	999,134	137,346	861,788	Statement K
Total Expenses	<u>274,017,419</u>	<u>6,562,520</u>	<u>267,454,899</u>	
Operating Income	<u>\$4,507,938</u>	<u>(\$498,306)</u>	<u>\$5,006,244</u>	
Rate Base	<u>\$81,947,690</u>	<u>\$7,020,910</u>	<u>\$74,926,780</u>	
Rate of Return	<u>5.501%</u>	<u>-7.097%</u>	<u>6.682%</u>	

**MONTANA-DAKOTA UTILITIES CO.**  
**AVERAGE RATE BASE**  
**GAS UTILITY - EAST RIVER**  
**TWELVE MONTHS ENDED DECEMBER 31, 2004**

	Total Company	East River	Other	Reference
Gas Plant in Service	\$213,092,315	\$13,091,890	\$200,000,425	Statement D
Accumulated Reserve for Depreciation	130,210,153	5,428,612	124,781,541	Statement E
Net Gas Plant in Service	<u>82,882,162</u>	<u>7,663,278</u>	<u>75,218,884</u>	
CWIP in Service Pending Reclassification	1,598,720	45,943	1,552,777	Statement D
Total Gas Plant in Service	<u>84,480,882</u>	<u>7,709,221</u>	<u>76,771,661</u>	
Additions				
Materials and Supplies	1,260,361	21,293	1,239,068	Statement F
Fuel Stocks	23,878	0	23,878	
Gas in Underground Storage	6,685,679	0	6,685,679	
Prepayments	1,444,011	10,483	1,433,528	Statement F
Other	179,975	0	179,975	Statement F
Total Additions	<u>9,593,904</u>	<u>31,776</u>	<u>9,562,128</u>	
Total Before Deductions	\$94,074,786	\$7,740,997	\$86,333,789	
Deductions				
Accumulated Deferred Income Taxes	10,998,526	712,630	10,285,896	Statement K
Accumulated Investment Tax Credits	370,783	3,057	367,726	Statement K
Customer Advances	757,787	4,400	753,387	Statement F
Total Deductions	<u>12,127,096</u>	<u>720,087</u>	<u>11,407,009</u>	
Total Rate Base	<u><u>\$81,947,690</u></u>	<u><u>\$7,020,910</u></u>	<u><u>\$74,926,780</u></u>	

**MONTANA-DAKOTA UTILITIES CO.  
 SUMMARY OF PRO FORMA ADJUSTMENTS  
 GAS UTILITY - EAST RIVER**

	Adjustment No.	Amount
<b>REVENUE</b>		
Sales at Current Rates	1	\$106,148
Weather Normalization	2	367,041
Annualization	3	159,583
Other Revenue	4	3,868
Total Adjustments to Revenue		<u>636,640</u>
<b>OPERATION &amp; MAINTENANCE EXPENSES</b>		
Cost of Gas	5	581,700
Labor Expense	6	(72,940)
Benefits Expense	7	144,614
Insurance Expense	8	4,833
Software Maintenance	9	2,569
Communication Expense	10	8,042
Office Supplies Expense	11	1,441
Company Consumption	12	1,516
Uncollectible Accounts	13	5,992
Advertising Expense	14	(3,025)
Regulatory Commission Expense	15	3,470
Depreciation Study Expense	16	906
Employee Training	17	7,444
Rent	18	1,828
Total Adjustments to Other O&M		<u>106,690</u>
<b>DEPRECIATION EXPENSE</b>		
Average Annual Depreciation	19	(89,200)
<b>TAXES OTHER THAN INCOME</b>		
Ad Valorem Taxes	20	1,237
Payroll Taxes	21	980
South Dakota Gross Receipts Tax	22	2,282
Total Adjustments to Taxes Other than Income		<u>4,499</u>
<b>CURRENT INCOME TAXES</b>		
Interest Annualization	23	(70,068)
Tax Depreciation on Plant Additions	24	14,562
Income Taxes on Pro Forma Adjustments	25	30,960
Elimination of Closing/Filing and Reserve Adjustment	26	58,532
Total Adjustments to Current Income Taxes		<u>89,492</u>
<b>DEFERRED INCOME TAXES</b>		
Elimination of Closing/Filing	26	(53,206)
Deferred Income Taxes on Plant Additions	24	5,097
Total Adjustments to Deferred Taxes		<u>(48,109)</u>
Net Adjustments to Operating Income		<u><u>(\$8,432)</u></u>

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - EAST RIVER  
 SUMMARY OF PRO FORMA RATE BASE ADJUSTMENTS**

<u>Plant</u>	<u>Adjustment</u>	<u>Amount</u>
Plant Additions	A	\$151,157
Accumulated Reserve for Depreciation on Plant additions	B	517,227
Adjustment To Net Plant		<u>(\$366,070)</u>
 <u>Additions:</u>		
Materials and Supplies	C	\$3,119
Prepaid Insurance	D	9,222
Total		<u>\$12,341</u>
 <u>Deductions:</u>		
Accumulated Def. Inc. Tax- Plant Additions	E	\$86,472
ITCs	F	(2,088)
Customer Advances for Construction	G	1,009
		<u>\$85,393</u>
 Total Pro Forma Adjustments		 <u><u>(\$439,122)</u></u>

**MONTANA-DAKOTA UTILITIES CO.**  
**INCOME STATEMENT**  
**GAS UTILITY - EAST RIVER**  
**TWELVE MONTHS ENDED DECEMBER 31, 2004**  
**PRO FORMA**

	<u>Per Books</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
Operating Revenues			
Sales	\$6,006,140	\$632,772	\$6,638,912
Other	58,074	3,868	61,942
Total Revenues	<u>6,064,214</u>	<u>636,640</u>	<u>6,700,854</u>
Operating Expenses			
Operation and Maintenance			
Cost of Gas	4,741,019	581,700	5,322,719
Other O&M	1,543,156	106,690	1,649,846
Total O&M	<u>6,284,175</u>	<u>688,390</u>	<u>6,972,565</u>
Depreciation	524,264	(89,200)	435,064
Taxes Other Than Income	194,961	4,499	199,460
Current Income Taxes	(578,226)	89,492	(488,734)
Deferred Income Taxes	137,346	(48,109)	89,237
Total Expenses	<u>6,562,520</u>	<u>645,072</u>	<u>7,207,592</u>
Operating Income	<u>(\$498,306)</u>	<u>(\$8,432)</u>	<u>(\$506,738)</u>
Average Rate Base	<u>\$7,020,910</u>	<u>(\$439,114)</u>	<u>\$6,581,796</u>
Rate of Return	<u>-7.097%</u>		<u>-7.699%</u>

**MONTANA-DAKOTA UTILITIES CO.**  
**AVERAGE RATE BASE**  
**GAS UTILITY - EAST RIVER**  
**TWELVE MONTHS ENDED DECEMBER 31, 2004**  
**PRO FORMA**

	2004	Pro Forma Adjustments	Pro Forma
Gas Plant in Service	\$13,091,890	\$151,165	\$13,243,055
Accumulated Reserve for Depreciation	5,428,612	517,227	5,945,839
Net Gas Plant in Service	<u>7,663,278</u>	<u>(366,062)</u>	<u>7,297,216</u>
CWIP in Service Pending Reclassification	45,943		45,943
Total Gas Plant in Service	<u>7,709,221</u>	<u>(366,062)</u>	<u>7,343,159</u>
<b>Additions</b>			
Materials and Supplies	\$21,293	\$3,119	\$24,412
Prepayments	10,483	9,222	19,705
Total Additions	<u>31,776</u>	<u>12,341</u>	<u>44,117</u>
Total Before Deductions	\$7,740,997	(\$353,721)	\$7,387,276
<b>Deductions</b>			
Accumulated Deferred Income Taxes	\$712,630	\$86,472	\$799,102
Accumulated Investment Tax Credits	3,057	(2,088)	969
Customer Advances	4,400	1,009	5,409
Total Deductions	<u>720,087</u>	<u>85,393</u>	<u>805,480</u>
Total Rate Base	<u><u>\$7,020,910</u></u>	<u><u>(\$439,114)</u></u>	<u><u>\$6,581,796</u></u>

**MONTANA-DAKOTA UTILITIES CO.  
 PROJECTED OPERATING INCOME AND RATE OF RETURN  
 REFLECTING ADDITIONAL REVENUE REQUIREMENTS  
 GAS UTILITY - EAST RIVER**

	Before Additional Revenue Requirements	<b>Additional Revenue Requirements</b>	Reflecting Additional Revenue Requirements
<b>Operating Revenues</b>			
Sales	\$6,638,912	<b>\$1,786,862</b>	\$8,425,774
Other	61,942		61,942
Total Revenues	<u>6,700,854</u>	<u>1,786,862</u>	<u>8,487,716</u>
<b>Operating Expenses</b>			
Operation and Maintenance			
Cost of Gas	5,322,719		5,322,719
Other O&M	1,649,846		1,649,846
Total O&M	<u>6,972,565</u>		<u>6,972,565</u>
Depreciation	435,064		435,064
Taxes Other Than Income	199,460	2,680 1/	202,140
Current Income Taxes	(488,734)	624,464 1/	135,730
Deferred Income Taxes	89,237		89,237
Total Expenses	<u>7,207,592</u>	<u>627,144</u>	<u>7,834,736</u>
Operating Income	<u>(\$506,738)</u>	<u>\$1,159,718</u>	<u>\$652,980</u>
Rate Base	<u>\$6,581,796</u>		<u>\$6,581,796</u>
<b>Rate of Return</b>	<u><b>-7.699%</b></u>		<u><b>9.921%</b></u>

1/ Reflects taxes at 35% after deducting South Dakota Gross Receipts of .15%.