

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - EAST RIVER  
EMBEDDED CLASS COST OF SERVICE STUDY  
COST OF SERVICE BY COMPONENT  
PRO FORMA 2005**

Cost of Service By Component	Total	Residential			Firm General		
	South Dakota	Demand	Energy	Customer	Demand	Energy	Customer
Pro Forma Rate Base	6,581,796	1,776,509	0	2,139,000	1,920,702	0	745,585
Operating Income for Proposed Return	652,979	176,247	0	212,210	190,553	0	73,969
Pro Forma Operating Income	(506,739)	(228,141)	345,474	(579,699)	(246,653)	396,058	(193,778)
Increase in Operating Income	1,159,718	404,388	(345,474)	791,909	437,206	(396,058)	267,747
Related Taxes for Increase							
Federal Income	624,463	217,747	(186,025)	426,413	235,419	(213,262)	144,171
South Dakota Gross Receipts Tax	2,681	935	(798)	1,830	1,010	(915)	619
Total Increase in Revenue	1,786,862	623,070	(532,297)	1,220,152	673,635	(610,235)	412,537
Pro Forma Revenues before Increase	6,700,853	457,816	2,511,528	145,986	529,929	3,023,783	31,811
Total Cost of Service Required From Rates	8,487,715	1,080,886	1,979,231	1,366,138	1,203,564	2,413,548	444,348
Less Projected Cost of Gas	5,322,719	446,676	1,963,717	0	517,862	2,394,464	0
Net Distribution Costs	3,164,996	634,210	15,514	1,366,138	685,702	19,084	444,348
Billing Units at Customer							
Dk Throughput		310,028	310,028	0	380,153	380,153	0
Bills		0	0	59,556	0	0	10,068
Unit Cost of Service							
\$ Per Dk		2.046	0.050	0.000	1.804	0.050	0.000
\$ Per Customer Per Month		0.000	0.000	22.939	0.000	0.000	44.135

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - EAST RIVER  
 EMBEDDED CLASS COST OF SERVICE STUDY  
 SUMMARY REPORT  
 PRO FORMA 2005**

<b>Pro Forma Operating Income and Rate of Return</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
Operating Revenues	6,700,853	3,115,330	3,585,523
Operating Expenses			
O&M Cost of Purchased Gas	5,322,719	2,410,393	2,912,326
Other O&M Expense	1,649,848	1,102,637	547,211
Total Operation & Maint. Exp.	6,972,567	3,513,030	3,459,537
Depreciation	435,061	264,901	170,160
Taxes Other Than Income Taxes	199,461	124,117	75,344
Fed. & State Inc. Taxes - Current	(488,735)	(368,533)	(120,202)
Deferred Income Taxes	89,238	44,181	45,057
Total Operating Expenses	7,207,592	3,577,696	3,629,896
Operating Income	(506,739)	(462,366)	(44,373)
Rate Base	6,581,796	3,915,509	2,666,287
Rate of Return	-7.699%	-11.809%	-1.664%

**MONTANA-DAKOTA UTILITIES  
 GAS UTILITY - EAST RIVER  
 EMBEDDED CLASS COST OF SERVICE STUDY  
 PRO FORMA CHANGES IN OPERATING INCOME**

<b>Pro Forma Changes in Operating Income</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
<b>Revenue @ Current Rates</b>			
Sales Revenue	851,765	410,465	441,300
Unbilled Revenue	(218,992)	(100,852)	(118,140)
Late Payment Penalty Revenue	3,868	1,782	2,086
<b>Total Revenue</b>	<b>636,641</b>	<b>311,395</b>	<b>325,246</b>
<b>Cost of Gas</b>	<b>581,700</b>	<b>263,423</b>	<b>318,277</b>
<b>Labor/Training Expense</b>			
Other Gas Supply	(580)	(388)	(192)
Distribution	(34,705)	(20,751)	(13,954)
Customer Accounts	(11,678)	(9,990)	(1,688)
Customer Service & Information Sales	(166)	(142)	(24)
Administrative & General	(3,378)	(2,890)	(488)
<b>Total Labor/Training Expense</b>	<b>(65,494)</b>	<b>(44,175)</b>	<b>(21,319)</b>
<b>Benefits &amp; Insurance Expense</b>	<b>149,447</b>	<b>99,858</b>	<b>49,589</b>
<b>Communication Expense</b>			
Distribution	3,554	2,125	1,429
Customer Accounts	972	831	141
Sales	833	713	120
Administrative & General	2,684	1,793	891
<b>Total Communication</b>	<b>8,043</b>	<b>5,462</b>	<b>2,581</b>
<b>Advertising Expense</b>	<b>(3,025)</b>	<b>(2,588)</b>	<b>(437)</b>
<b>Uncollectible Accounts</b>	<b>5,992</b>	<b>5,126</b>	<b>866</b>
<b>Regulatory Commission Expense</b>	<b>3,470</b>	<b>2,319</b>	<b>1,151</b>
<b>All Other O&amp;M</b>	<b>8,261</b>	<b>5,520</b>	<b>2,741</b>
<b>Total Other O&amp;M</b>	<b>106,694</b>	<b>71,522</b>	<b>35,172</b>

**MONTANA-DAKOTA UTILITIES  
 GAS UTILITY - EAST RIVER  
 EMBEDDED CLASS COST OF SERVICE STUDY  
 PRO FORMA CHANGES IN OPERATING INCOME**

<b>Pro Forma Changes in Operating Income</b>	Total South Dakota	Residential	Firm General
Depreciation Expense	(89,202)	(53,438)	(35,764)
Taxes Other than Income			
Ad Valorem Tax	1,237	741	496
Other Taxes - Payroll, Franchise, Other	980	655	325
Gross Receipts Tax	2,282	1,051	1,231
Total Taxes Other than Income	<u>4,499</u>	<u>2,447</u>	<u>2,052</u>
Current Income Taxes			
Interest Annualization	(70,068)	(41,737)	(28,331)
Tax Depreciation on Plant Additions	<u>14,562</u>	<u>8,724</u>	<u>5,838</u>
Net Pro Forma Adjustments to Income	88,456	60,454	28,002
Taxes on Pro Forma Adjustments	30,960	21,159	9,801
Eliminate Closing/Filing & Prior Year	<u>58,533</u>	<u>35,065</u>	<u>23,468</u>
Total Current Income Tax Adjustments	89,493	56,224	33,269
Deferred Income Taxes			
Tax Depreciation on Plant Additions	5,097	3,054	2,043
Closing/Filing, Out of Period	<u>(53,206)</u>	<u>(31,874)</u>	<u>(21,332)</u>
Total Deferred Income Tax	(48,109)	(28,820)	(19,289)
Total Adjustments to Income	<u>(8,434)</u>	<u>37</u>	<u>(8,471)</u>

**MONTANA-DAKOTA UTILITIES  
 GAS UTILITY - EAST RIVER  
 EMBEDDED CLASS COST OF SERVICE STUDY  
 PRO FORMA ADJUSTMENTS TO RATE BASE**

<b>Pro Forma Changes in Rate Base</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
Plant in Service			
Distribution Plant	(14,197)	(8,505)	(5,692)
General Plant	49,596	29,712	19,884
Common Plant	115,767	69,352	46,415
Total Plant	<u>151,166</u>	<u>90,559</u>	<u>60,607</u>
Accumulated Reserve			
Distribution Plant	300,903	180,261	120,642
General Plant	130,476	78,164	52,312
Common Plant	85,849	51,429	34,420
Total Accumulated Res	<u>517,228</u>	<u>309,854</u>	<u>207,374</u>
Additions to Rate Base:			
Materials & Supplies	3,119	1,868	1,251
Prepayments	9,222	5,524	3,698
Total Additions	<u>12,341</u>	<u>7,392</u>	<u>4,949</u>
Deductions to Rate Base:			
Accumulated Deferred Income Taxes	86,471	51,802	34,669
Accumulated Investment Tax Credits	(2,088)	(1,251)	(837)
Customer Advances	1,009	863	146
Total Adjustments	<u>85,392</u>	<u>51,414</u>	<u>33,978</u>
Total Rate Base	<u>(439,113)</u>	<u>(263,317)</u>	<u>(175,796)</u>

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - EAST RIVER  
 EMBEDDED CLASS COST OF SERVICE STUDY  
 SUMMARY REPORT  
 TWELVE MONTHS ENDED DECEMBER 31, 2004**

<b>Per Books Operating Income and Rate of Return</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
Operating Revenues	6,064,212	2,803,935	3,260,277
Operating Expenses			
Cost of Gas	4,741,019	2,146,970	2,594,049
Other O&M Expense	1,543,154	1,031,115	512,039
Total Operation & Maint. Exp.	6,284,173	3,178,085	3,106,088
Depreciation	524,263	318,339	205,924
Taxes Other Than Income Taxes	194,962	121,670	73,292
Fed. & State Inc. Taxes - Current	(578,228)	(424,757)	(153,471)
Deferred Income Taxes	137,347	73,001	64,346
Total Operating Expenses	6,562,517	3,266,338	3,296,179
Operating Income	(498,305)	(462,403)	(35,902)
Rate Base	7,020,909	4,178,826	2,842,083
Rate of Return	-7.097%	-11.065%	-1.263%

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - EAST RIVER**  
**EMBEDDED CLASS COST OF SERVICE STUDY**  
**RATE BASE REPORT**  
**TWELVE MONTHS ENDED DECEMBER 31, 2004**

<b>Per Books Rate Base</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
Gas Plant in Service	13,091,891	7,842,911	5,248,980
Less: Accumulated Depreciation	<u>5,428,615</u>	<u>3,278,136</u>	<u>2,150,479</u>
Net Gas Plant in Service	7,663,276	4,564,775	3,098,501
CWIP in Service	<u>45,944</u>	<u>27,523</u>	<u>18,421</u>
Total Plant	7,709,220	4,592,298	3,116,922
Additions			
Materials & Supplies	21,293	12,756	8,537
Prepaid Insurance	<u>10,483</u>	<u>6,280</u>	<u>4,203</u>
Total Additions	<u>31,776</u>	<u>19,036</u>	<u>12,740</u>
Total Before Deductions	7,740,996	4,611,334	3,129,662
Deductions			
Accumulated Deferred Income Tax	(712,630)	(426,913)	(285,717)
Investment Tax Credit Balance	(3,057)	(1,831)	(1,226)
Customer Advances For Constr.	<u>(4,400)</u>	<u>(3,764)</u>	<u>(636)</u>
Total Deductions	<u>(720,087)</u>	<u>(432,508)</u>	<u>(287,579)</u>
Total Rate Base	<u><u>7,020,909</u></u>	<u><u>4,178,826</u></u>	<u><u>2,842,083</u></u>

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - EAST RIVER  
 EMBEDDED CLASS COST OF SERVICE STUDY  
 OPERATING REVENUES  
 TWELVE MONTHS ENDED DECEMBER 31, 2004**

<b>Per Books Operating Revenues</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
Residential	2,665,146	2,665,146	0
Firm General	3,122,001	0	3,122,001
Unbilled Revenue	218,992	100,852	118,140
Total Gas Sales and Transport Revenue	<u>6,006,139</u>	<u>2,765,998</u>	<u>3,240,141</u>
Other Operating Revenue			
Miscellaneous			
Reconnect Fees	1,162	994	168
NSF Check Fees	960	821	139
Miscellaneous	213	127	86
Rent From Gas Property	17,216	10,255	6,961
Other Gas Revenues			
Miscellaneous	<u>38,522</u>	<u>25,740</u>	<u>12,782</u>
Total Other Operating Revenue	<u>58,073</u>	<u>37,937</u>	<u>20,136</u>
Total Gas Operating Revenues	<u><u>6,064,212</u></u>	<u><u>2,803,935</u></u>	<u><u>3,260,277</u></u>

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - EAST RIVER**  
**EMBEDDED CLASS COST OF SERVICE STUDY**  
**OPERATION & MAINTENANCE EXPENSES**  
**TWELVE MONTHS ENDED DECEMBER 31, 2004**

<b>Per Books Operation and Maintenance Expenses</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
Cost of Purchased Gas	4,741,019	2,146,970	2,594,049
Production Expenses			
Other Gas Supply Expenses	8,158	3,665	4,493
Total Production Expense	8,158	3,665	4,493
Distribution Expenses			
Operation			
Load Dispatch	10,569	4,748	5,821
Mains and Services	109,508	65,295	44,213
Measuring Stations - General	4,683	2,706	1,977
Measuring Stations - City Gate	33,510	19,368	14,142
Meters & House Regulators	586	380	206
Customer Installations	28,654	18,595	10,059
Other Gas Distribution	139,406	83,785	55,621
Rents	8,476	5,094	3,382
Supervision & Engineering	191,141	114,879	76,262
Total Operation Expense	526,533	314,850	211,683
Maintenance			
Structures & Improvements	0	0	0
Mains	43,791	25,310	18,481
Measuring Stations - General	122	70	52
Measuring Stations - City Gate	6,435	3,719	2,716
Services	5,355	3,475	1,880
Meters & House Regulators	14,093	9,146	4,947
Other Equipment	4,818	2,880	1,938
Supervision & Engineering	32,221	19,259	12,962
Total Maintenance Expense	106,835	63,859	42,976
Total Distribution Expenses	633,368	378,709	254,659
Customer Accounts	16,344	13,981	2,363
Meter Reading	44,460	28,852	15,608
Customer Records & Collection	130,199	111,372	18,827
Uncollectible Accounts	7,590	6,492	1,098
Miscellaneous Customer Accounts	11,956	10,227	1,729

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - EAST RIVER  
EMBEDDED CLASS COST OF SERVICE STUDY  
OPERATION & MAINTENANCE EXPENSES  
TWELVE MONTHS ENDED DECEMBER 31, 2004**

<b>Per Books Operation and Maintenance Expenses</b>	<b>Total</b>		<b>Firm</b>
	<b>South Dakota</b>	<b>Residential</b>	<b>General</b>
Customer Service & Information	5,388	4,609	779
Sales Expenses	80,329	68,713	11,616
Administration & General Expenses	605,362	404,495	200,867
<b>Total Gas O&amp;M Expenses</b>	<b>6,284,173</b>	<b>3,178,085</b>	<b>3,106,088</b>
O&M Excl. Gas Cost and A&G	937,792	626,620	311,172
O&M Excl. Cost of Gas	1,543,154	1,031,115	512,039

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - EAST RIVER  
 EMBEDDED CLASS COST OF SERVICE STUDY  
 DEPRECIATION EXPENSE  
 TWELVE MONTHS ENDED DECEMBER 31, 2004**

<b>Per Books Depreciation Expense</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
Distribution Plant			
Mains	192,022	110,983	81,039
Structures	2,591	1,498	1,093
Meas. & Reg. Sta. General	272	157	115
Meas. & Reg. Sta. - City Gate	24,347	14,072	10,275
Services	156,723	101,705	55,018
Meters	19,459	12,628	6,831
Service Regulators	2,213	1,436	777
Other Property on Cust. Prem.	0	0	0
Cathodic Protection & Other Equipment	219	127	92
Land Rights	7	4	3
Total Distribution Plant	397,853	242,610	155,243
General Plant	52,686	31,563	21,123
Common Plant	73,724	44,166	29,558
Total Depreciation Expense	524,263	318,339	205,924

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - EAST RIVER  
EMBEDDED CLASS COST OF SERVICE STUDY  
TAXES OTHER THAN INCOME TAXES  
TWELVE MONTHS ENDED DECEMBER 31, 2004**

<b>Per Books Taxes Other Than Income</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
Ad Valorem Taxes	124,443	74,550	49,893
Other Taxes - Payroll, Franchise, Other	70,519	47,120	23,399
<b>Total Taxes Other Than Income</b>	<b>194,962</b>	<b>121,670</b>	<b>73,292</b>

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - EAST RIVER  
 EMBEDDED CLASS COST OF SERVICE STUDY  
 DEFERRED INCOME TAXES  
 TWELVE MONTHS ENDED DECEMBER 31, 2004**

<b>Per Books Deferred Income Taxes</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
Other Deferred Income Tax Charges	20,679	12,388	8,291
Unrecovered Purchased Gas Costs	63,462	28,739	34,723
Closing/Filing and Out of Period	53,206	31,874	21,332
 Total Gas Charges	 <u>137,347</u>	 <u>73,001</u>	 <u>64,346</u>
 Accumulated Balance - Average	 <u>(712,630)</u>	 <u>(426,913)</u>	 <u>(285,717)</u>

**MONTANA-DAKOTA UTILITIES CO.**  
**GAS UTILITY - EAST RIVER**  
**EMBEDDED CLASS COST OF SERVICE STUDY**  
**INCOME TAXES**  
**TWELVE MONTHS ENDED DECEMBER 31, 2004**

<b>Per Books Income Taxes</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
Operating Revenue	6,064,212	2,803,935	3,260,277
Operation & Maintenance Expense	6,284,173	3,178,085	3,106,088
Depreciation Expense	524,263	318,339	205,924
Taxes Other Than Income	194,962	121,670	73,292
Total Operating Expense	7,003,398	3,618,094	3,385,304
Interest Expense	305,262	181,835	123,427
Total Expenses	7,308,660	3,799,929	3,508,731
Taxable Income Before Adjustments	(1,244,448)	(995,994)	(248,454)
Tax Deductions			
Purchased Gas Cost Adjustment	181,317	82,110	99,207
Other Income Tax Charges	54,068	32,390	21,678
Preferred Dividend Paid Deduction	4,230	2,534	1,696
Total Deductions & Adjustments	239,615	117,034	122,581
Taxable Income (Before State Income Tax)	(1,484,063)	(1,113,028)	(371,035)
Less: State Income Tax	0	0	0
Federal Taxable Income	(1,484,063)	(1,113,028)	(371,035)
Federal Income Tax @ Current Rate	(519,423)	(389,560)	(129,863)
Plus: State Income Tax	0	0	0
Plus: Credits & Adjustments	(272)	(132)	(140)
Federal and State Income Taxes	(519,695)	(389,692)	(130,003)
Rounding & Prior Year Adjustments	(58,533)	(35,065)	(23,468)
Federal Income Tax Computed	(578,228)	(424,757)	(153,471)

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - EAST RIVER  
 EMBEDDED CLASS COST OF SERVICE STUDY  
 PLANT IN SERVICE  
 TWELVE MONTHS ENDED DECEMBER 31, 2004**

<b>Per Books Plant in Service</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
Distribution Plant			
Mains	6,795,117	3,927,391	2,867,726
Structures & Improvements	84,351	48,753	35,598
Meas. & Reg. Sta. Eqpt. - General	8,440	4,878	3,562
Meas. & Reg. Sta. Eqpt. - City Gate	589,162	340,519	248,643
Service Regulators	93,501	60,677	32,824
Services	2,357,939	1,530,172	827,767
Meters	721,628	468,297	253,331
Cathodic Protection & Other Equipment	8,342	4,821	3,521
Land & Land Rights	17,600	10,172	7,428
Total Distribution Plant	10,676,080	6,395,680	4,280,400
General Plant	1,267,801	759,497	508,304
Common Plant	1,148,010	687,734	460,276
Total Gas Plant in Service	13,091,891	7,842,911	5,248,980

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - EAST RIVER  
 EMBEDDED CLASS COST OF SERVICE STUDY  
 ACCUMULATED RESERVE FOR DEPRECIATION  
 TWELVE MONTHS ENDED DECEMBER 31, 2004**

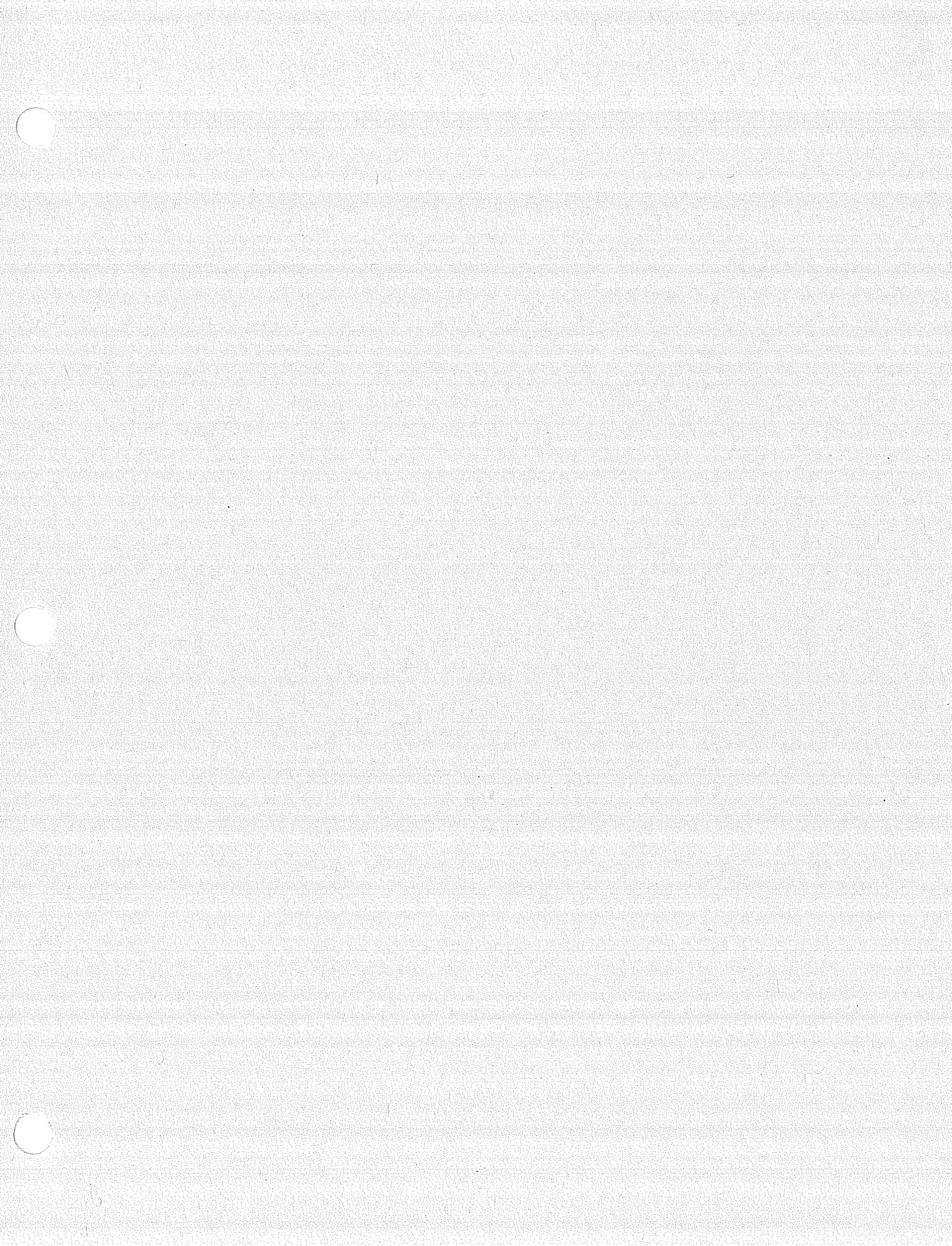
<b>Per Books Accumulated Reserve for Depreciation</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
Distribution Plant			
Mains	2,788,949	1,611,936	1,177,013
Structures & Improvements	21,492	12,422	9,070
Meas. & Reg. Sta. Equip. - General	1,933	1,117	816
Meas. & Reg. Sta. Equip. - City Gate	167,736	96,947	70,789
Services	1,465,546	951,058	514,488
Meters	280,825	182,240	98,585
Service Regulators	37,601	24,401	13,200
Other Property on Customer Prem.	0	0	0
Cathodic Protection & Other Equipment	3,811	2,203	1,608
Land Rights	219	127	92
Total Distribution Reserve	<u>4,768,112</u>	<u>2,882,451</u>	<u>1,885,661</u>
General Plant	181,803	108,912	72,891
Common Plant	<u>478,700</u>	<u>286,773</u>	<u>191,927</u>
Total Accumulated Reserve for Depreciation	<u><u>5,428,615</u></u>	<u><u>3,278,136</u></u>	<u><u>2,150,479</u></u>

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - EAST RIVER  
EMBEDDED CLASS COST OF SERVICE STUDY  
CONSTRUCTION WORK IN PROGRESS  
TWELVE MONTHS ENDED DECEMBER 31, 2004**

<b>Per Books CWIP in Service Pending Classification</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
CWIP in Service Pending Classification	<u>45,944</u>	<u>27,523</u>	<u>18,421</u>
Total Construction Work in Progress in Service Pending Classification	<u><u>45,944</u></u>	<u><u>27,523</u></u>	<u><u>18,421</u></u>

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - EAST RIVER  
EMBEDDED CLASS COST OF SERVICE STUDY  
WORKING CAPITAL  
TWELVE MONTHS ENDED DECEMBER 31, 2004**

<b>Per Books Working Capital</b>	<b>Total South Dakota</b>	<b>Residential</b>	<b>Firm General</b>
Materials & Supplies	21,293	12,756	8,537
Prepaid Insurance	10,483	6,280	4,203



**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - EAST RIVER  
 ALLOCATION ASSIGNMENT REPORT  
 TWELVE MONTHS ENDED DECEMBER 31, 2004**

<u>LINE ITEM</u>	<u>ALLOCATION FACTOR</u>
<b><u>PLANT IN SERVICE:</u></b>	
375 Structures & Improvements	84,351 13 Distribution Mains
376 Mains	1,766,730 8 Average Customers
	5,028,387 2 Peak Day Throughput
378 Meas. & Reg. Sta. Equip. - General	8,441 13 Distribution Mains
379 Meas. & Reg. Sta. Equip. - City Gate	589,162 13 Distribution Mains
383 Service Regulators	93,501 10 Weighted Customers
380 Services	2,357,939 10 Weighted Customers
381 Meters	721,628 10 Weighted Customers
386 Other Property on Customer Premise	0 13 Distribution Mains
387 Cathodic Protection & Other Equipment	8,342 13 Distribution Mains
374 Land & Land Rights	17,599 13 Distribution Mains
389 Total General Plant	1,267,802 15 Distribution Plant
389 Total Common Plant	1,148,009 15 Distribution Plant

**ACCUMULATED RESERVE FOR DEPRECIATION REPORT:**

375 Structures & Improvements	21,491 17 Structures & Improvements
376 Mains	2,788,950 13 Distribution Mains
378 Meas. & Reg. Sta. Equip. - General	1,932 18 Meas. & Reg. Sta. Eqpt.- General
379 Meas. & Reg. Sta. Equip. - City Gate	167,736 19 Meas. & Reg. Eqpt.- City Gate
380 Services	1,465,546 10 Weighted Customers
381 Meters	280,825 10 Weighted Customers
383 Service Regulators	37,601 20 Service Regulators
386 Other Property on Customer's Premises	0 13 Distribution Mains
387 Cathodic Protection & Other Equipment	3,812 13 Distribution Mains
374 Land Rights	219 13 Distribution Mains
Total General Plant	181,803 15 Distribution Plant
Total Common Plant	478,700 15 Distribution Plant

**CONSTRUCTION WORK IN PROGRESS REPORT:**

CWIP in Service pending Classification	45,943 15 Distribution Plant
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**OPERATING REVENUE REPORT:**

Residential	408,316 Direct to Residential Demand
	2,140,814 Direct to Residential Energy
	116,016 Direct to Residential Customer
Firm General	464,813 Direct to Firm General Demand
	2,452,778 Direct to Firm General Energy
	23,112 Direct to Firm General Customer
	12,571 Direct to Firm General Demand
	168,679 Direct to Firm General Energy
	48 Direct to Firm General Customer
Unbilled Revenue	218,993 26 Sales Revenue

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - EAST RIVER  
 ALLOCATION ASSIGNMENT REPORT  
 TWELVE MONTHS ENDED DECEMBER 31, 2004**

LINE ITEM	ALLOCATION FACTOR	
Other Operating Revenue		
Reconnect Fees	1,162	8 Average Customers
NSF Check Fees	960	8 Average Customers
Miscellaneous	213	24 Net Gas Plant in Service
Rent From Gas Property	17,216	24 Net Gas Plant in Service
Other Gas Revenues		
Miscellaneous Revenues	38,522	31 O&M Excl. Cost of Gas
Transport & Sales Penalty Revenue - Net	0	23 Sales & Transportation Rev.

**OPERATION & MAINTENANCE EXPENSE REPORT:**

Cost of Purchased Gas	408,316	Direct to Residential Demand
	1,738,654	Direct to Residential Energy
	464,813	Direct to Firm General Demand
	1,963,903	Direct to Firm General Energy
	12,571	Direct to Firm General Demand
	152,762	Direct to Firm General Energy
813 Other Gas Supply Expenses	8,158	1 Dk Throughput
870 Operation Supervision & Maintenance	191,141	27 All Other Dist. Operation Exp.
871 Load Dispatch	10,569	1 Dk Throughput
874 Mains & Services	109,508	22 Mains & Services
875 Measuring Stations - General	4,683	18 Meas. & Reg. Sta. Eqpt.- General
877 Measuring Stations - City Gate	33,510	19 Meas. & Reg. Eqpt.- City Gate
878 Meters & House Regulators	586	16 Meters & Regulators
879 Customer Installations	28,654	10 Weighted Customers
880 Other Gas Distribution	139,406	27 All Other Dist. Operation Exp.
881 Rents	8,477	27 All Other Dist. Operation Exp.
885 Maintenance Supervision & Engineering	32,221	28 All Other Dist. Maintenance Exp.
886 Structures & Improvements		17 Structures & Improvements
887 Mains	43,792	13 Distribution Mains
889 Measuring Stations - General	121	18 Meas. & Reg. Sta. Eqpt.- General
890 Measuring Stations - Industrial		21 Ind. Meas. & Reg. Sta. Eqpt.
891 Measuring Stations - City Gate	6,436	19 Meas. & Reg. Eqpt.- City Gate
892 Services	5,355	10 Weighted Customers
893 Meters & House Regulators	14,093	16 Meters & Regulators
894 Other Equipment	4,818	28 All Other Dist. Maintenance Exp.
901 Customer Accounts	16,344	8 Average Customers
902 Meter Reading	44,460	10 Weighted Customers
903 Customer Records & Collection	130,199	8 Average Customers
904 Uncollectible Accounts	7,590	8 Average Customers
905 Miscellaneous Customer Accounts	11,956	8 Average Customers
907 Customer Service & Info.	5,388	8 Average Customers
911 Sales Expenses	80,329	8 Average Customers
920 Administration & General	605,361	30 O&M Excl. Gas Cost and A&G

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - EAST RIVER  
 ALLOCATION ASSIGNMENT REPORT  
 TWELVE MONTHS ENDED DECEMBER 31, 2004**

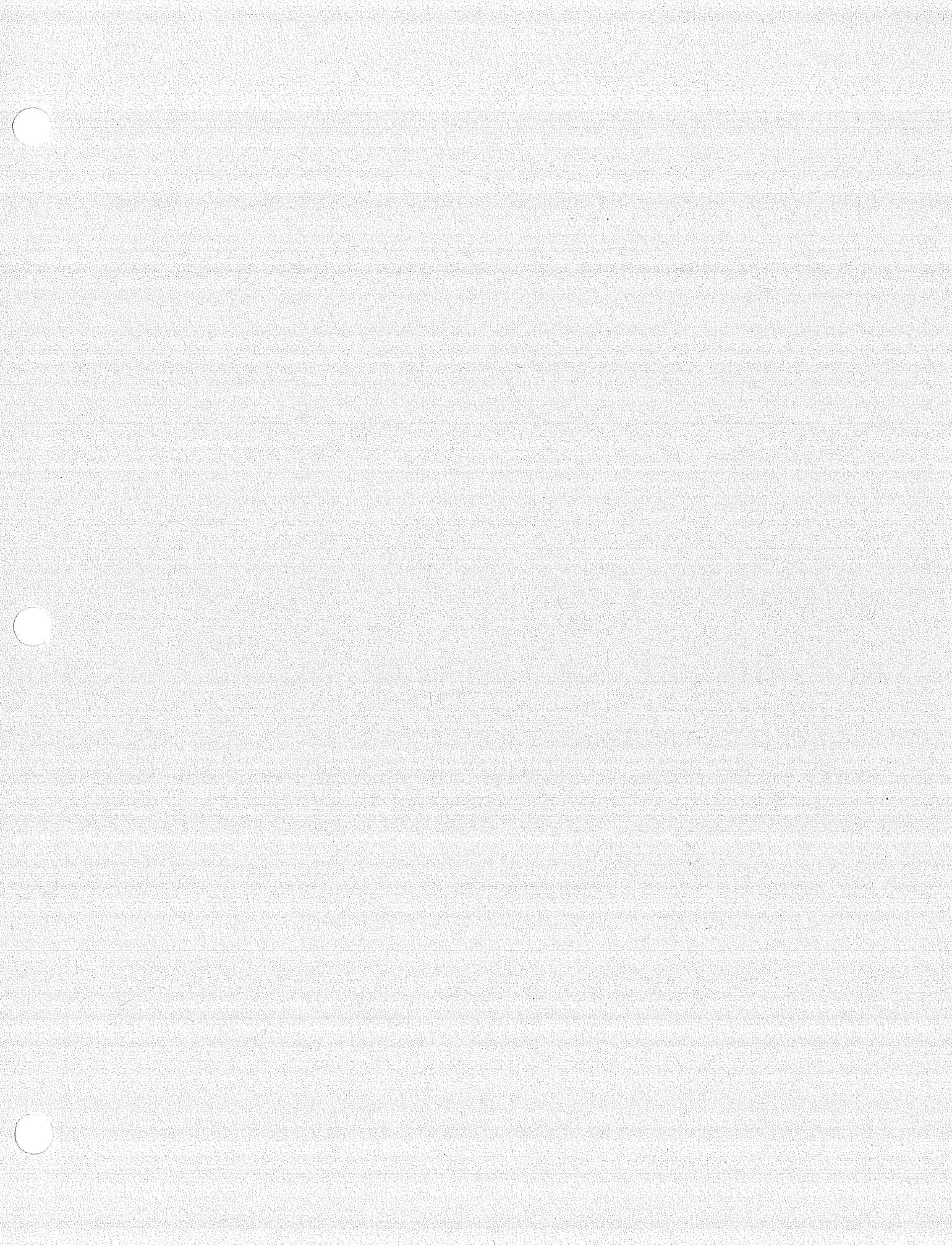
<u>LINE ITEM</u>	<u>ALLOCATION FACTOR</u>	
<b><u>DEPRECIATION EXPENSE REPORT:</u></b>		
376 Mains	192,022	13 Distribution Mains
375 Structures	2,592	17 Structures & Improvements
378 Meas. & Reg. Sta. - General	272	18 Meas. & Reg. Sta. Eqpt.- General
379 Meas. & Reg. Sta. - City Gate	24,347	19 Meas. & Reg. Eqpt.- City Gate
380 Services	156,723	10 Weighted Customers
381 Meters	19,459	10 Weighted Customers
383 Service Regulators	2,213	20 Service Regulators
386 Other Property on Customer's Premises		13 Distribution Mains
387 Cathodic Protection & Other Equipment	219	13 Distribution Mains
374 Land Rights	7	13 Distribution Mains
Total General Plant	52,686	15 Distribution Plant
Total Common Plant	73,724	15 Distribution Plant
<b><u>TAXES OTHER THAN INCOME REPORT:</u></b>		
Ad Valorem Taxes	124,443	15 Distribution Plant
Other Taxes - Payroll, Franchise, Other	70,518	31 O&M Excl. Cost of Gas
<b><u>DEFERRED INCOME TAXES REPORT:</u></b>		
Other Deferred Income Tax Charges	20,679	25 Total Gas Plant in Service
Unrecovered Purchased Gas Costs	63,461	33 Total Cost of Gas
Closing/Filing, Out of Period & Fed/State FAS 1(	53,206	25 Total Gas Plant in Service
Accumulated Balance - Average	(712,630)	25 Total Gas Plant in Service
<b><u>INCOME TAXES REPORT:</u></b>		
Interest Charges	305,262	24 Net Gas Plant in Service
Purchased Gas Cost Adjustment	181,317	33 Total Cost of Gas
Other Income Tax Charges	54,068	25 Total Gas Plant in Service
Preferred Dividend Paid Deduction	4,231	25 Total Gas Plant in Service
State Income Tax	0	35 Taxable Income
Rounding & Prior Year Adjustments	(58,532)	25 Total Gas Plant in Service
Taxable Income @ Federal Tax Rate	35.00%	Direct Input
Credits & Adjustments	(272)	40 Total Tax Deductions & Adjustments
<b><u>WORKING CAPITAL REPORT:</u></b>		
Materials & Supplies	21,293	15 Distribution Plant
Prepaid Insurance	10,483	25 Total Gas Plant in Service
<b><u>RATE BASE REPORT:</u></b>		
Investment Tax Credit Balance	(3,057)	25 Total Gas Plant in Service
Customer Advances for Const.	(4,400)	8 Average Customers

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - EAST RIVER  
 ALLOCATION ASSIGNMENT REPORT  
 TWELVE MONTHS ENDED DECEMBER 31, 2004**

LINE ITEM	ALLOCATION FACTOR	
<b><u>COST OF SERVICE BY COMPONENT REPORT:</u></b>		
Operating Income for Proposed Return	9.921%	
<b><u>Related Taxes for Increase</u></b>		
Inverse Tax Rate for Federal & State Income	65.000%	
Effective Federal Tax Rate	35.000%	
Gross Receipts Tax Rate	0.15%	
Inverse of Combined Tax Rate	64.9025%	
<b>Billing Units @ Customer</b>		
Dk Throughput (Pro Forma 2005)	310,028	Direct to Residential Energy
	350,713	Direct to Firm General Energy
	29,440	Direct to Firm General Energy
Bills (Average Customers * 12)	59,556	Direct to Residential Customer
	10,056	Direct to Firm General Customer
	12	Direct to Firm General Customer
<b><u>ADJUSTMENTS TO OPERATING INCOME:</u></b>		
<b>Revenue:</b>		
Pro Forma 2005 @ Current Rates		
Residential	38,360	Direct to Residential Demand
	368,937	Direct to Residential Energy
	3,168	Direct to Residential Customer
Firm General	40,479	Direct to Firm General Demand
	386,330	Direct to Firm General Energy
	672	Direct to Firm General Customer
	(1)	Direct to Firm General Demand
	13,820	Direct to Firm General Energy
	0	Direct to Firm General Customer
Unbilled Revenues	(218,993)	26 Sales Revenue
Late Payment Penalty Revenue	3,868	26 Sales Revenue
<b>Cost of Gas</b>		
Pro Forma Cost of Purchased Gas	38,360	Direct to Residential Demand
	225,063	Direct to Residential Energy
	40,479	Direct to Firm General Demand
	257,513	Direct to Firm General Energy
	(1)	Direct to Firm General Demand
	20,286	Direct to Firm General Energy
<b>Other O&amp;M Expense</b>		
Labor/Training Expense		
Other Gas Supply	(581)	30 O&M Excl. Cost of Gas and A&G
Distribution	(34,706)	39 Distribution O&M
Customer Accounts	(11,678)	38 Customer Expense Accounts O&M
Customer Service & Information	(166)	8 Average Customers
Sales	(3,378)	8 Average Customers
Administrative & General	(14,987)	30 O&M Excl. Cost of Gas and A&G

**MONTANA-DAKOTA UTILITIES CO.  
 GAS UTILITY - EAST RIVER  
 ALLOCATION ASSIGNMENT REPORT  
 TWELVE MONTHS ENDED DECEMBER 31, 2004**

<u>LINE ITEM</u>	<u>ALLOCATION FACTOR</u>	
Benefits & Insurance Expense	149,447	30 O&M Excl. Cost of Gas and A&G
Communication Expense		
Distribution	3,554	39 Distribution O&M
Customer Accounts	972	38 Customer Expense Accounts O&M
Sales	833	8 Average Customers
Administrative & General	2,683	30 O&M Excl. Cost of Gas and A&G
Advertising Expense	(3,025)	8 Average Customers
Uncollectible Accounts	5,992	8 Average Customers
Regulatory Commission Expense	3,470	30 O&M Excl. Cost of Gas and A&G
All Other O&M	8,260	31 O&M Excl Cost of Gas
<b>Depreciation Expense</b>	(89,202)	15 Distribution Plant
<b>Taxes Other Than Income</b>		
Ad Valorem Taxes	1,237	15 Distribution Plant
Other Taxes - Payroll, Franchise, Other	980	31 O&M Excl Cost of Gas
Gross Receipts Tax	2,282	26 Sales Revenue
<b>Current Income Taxes</b>		
Interest Expense	(70,068)	24 Net Gas Plant in Service
Tax Depreciation on Plant Additions	14,562	25 Total Gas Plant in Service
Eliminate Closing/Filing & Prior Year Adjustments	58,532	25 Total Gas Plant in Service
<b>Deferred Income Taxes</b>		
Closing/Filing, Out of Period	(53,206)	25 Total Gas Plant in Service
Tax Depreciaton on Plant Additions	5,097	25 Total Gas Plant in Service
<b><u>ADJUSTMENTS TO RATE BASE:</u></b>		
Plant in Service		
Distribution Plant	(14,197)	15 Distribution Plant
General Plant	49,596	15 Distribution Plant
Common Plant	115,766	15 Distribution Plant
Accumulated Reserve		
Distribution Plant	300,903	15 Distribution Plant
General Plant	130,476	15 Distribution Plant
Common Plant	85,848	15 Distribution Plant
Additions to Rate Base:		
Materials & Supplies	3,119	15 Distributin Plant
Prepayments	9,222	25 Total Gas Plant in Service
Deductions to Rate Base:		
Accumulated Deferred Income taxes	86,472	25 Total Gas Plant in Service
Accumulated Investment Tax Credits	(2,088)	25 Total Gas Plant in Service
Customer Advances	1,009	8 Average Customers



**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - EAST RIVER  
EMBEDDED CLASS COST OF SERVICE STUDY  
ALLOCATION FACTOR REPORT  
TWELVE MONTHS ENDED DECEMBER 31, 2004**

	Total East River	Residential			Firm General		
		Demand	Energy	Customer	Demand	Energy	Customer
1. Dk Throughput	690,181 100.000000%	0 0.000000%	310,028 44.919811%	0 0.000000%	0 0.000000%	380,153 55.080189%	0 0.000000%
2. Peak Day Throughput	6,571 100.000000%	3,157 48.050000%	0 0.000000%	0 0.000000%	3,414 51.950000%	0 0.000000%	0 0.000000%
8. Average Customers	5,802 100.000000%	0 0.000000%	0 0.000000%	4,963 85.539469%	0 0.000000%	0 0.000000%	839 14.460531%
10. Weighted Customers	7,648 100.000000%	0 0.000000%	0 0.000000%	4,963 64.894479%	0 0.000000%	0 0.000000%	2,685 35.105521%
13. Distribution Mains	6,795,117 100.000001%	2,416,140 35.557004%	0 0.000000%	1,511,251 22.240250%	2,612,247 38.443003%	0 0.000000%	255,479 3.759744%
15. Distribution Plant	10,676,080 99.999999%	2,667,846 24.989003%	0 0.000000%	3,727,834 34.917629%	2,884,384 27.017257%	0 0.000000%	1,396,016 13.076110%
16. Meters & Regulators	815,129 100.000000%	0 0.000000%	0 0.000000%	528,974 64.894514%	0 0.000000%	0 0.000000%	286,155 35.105486%
17. Structures & Improvements	84,351 99.999999%	29,993 35.557372%	0 0.000000%	18,760 22.240400%	32,427 38.442935%	0 0.000000%	3,171 3.759292%
18. Meas. & Reg. Sta. Eqpt.- General	8,440 99.999999%	3,001 35.556872%	0 0.000000%	1,877 22.239336%	3,245 38.447867%	0 0.000000%	317 3.755924%
19. Meas. & Reg. Eqpt.- City Gate	589,162 100.000000%	209,488 35.556943%	0 0.000000%	131,031 22.240233%	226,492 38.443077%	0 0.000000%	22,151 3.759747%

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - EAST RIVER  
EMBEDDED CLASS COST OF SERVICE STUDY  
ALLOCATION FACTOR REPORT  
TWELVE MONTHS ENDED DECEMBER 31, 2004**

	Total East River	Residential			Firm General		
		Demand	Energy	Customer	Demand	Energy	Customer
20. Service Regulators	93,501 100.000000%	0 0.000000%	0 0.000000%	60,677 64.894493%	0 0.000000%	0 0.000000%	32,824 35.105507%
22. Mains & Services	9,153,056 100.000000%	2,416,140 26.397085%	0 0.000000%	3,041,423 33.228498%	2,612,247 28.539616%	0 0.000000%	1,083,246 11.834801%
23. Sales & Transportation Rev.	6,006,139 100.000000%	423,767 7.055564%	2,221,825 36.992567%	120,406 2.004716%	495,449 8.249043%	2,720,656 45.297919%	24,036 0.400191%
24. Net Gas Plant in Service	7,663,276 100.000001%	2,045,409 26.691053%	0 0.000000%	2,519,366 32.875835%	2,211,427 28.857463%	0 0.000000%	887,074 11.575650%
25. Total Gas Plant in Service	13,091,891 100.000000%	3,271,533 24.989003%	0 0.000000%	4,571,378 34.917630%	3,537,070 27.017258%	0 0.000000%	1,711,910 13.076109%
26. Sales Revenue	5,787,147 100.000000%	408,316 7.055567%	2,140,814 36.992563%	116,016 2.004718%	477,384 8.249039%	2,621,457 45.297916%	23,160 0.400197%
27. All Other Dist. Operation Exp.	176,941 100.000000%	42,487 24.011959%	0 0.000000%	63,857 36.089431%	45,936 25.961196%	0 0.000000%	24,661 13.937414%
28. All Other Dist. Maintenance Exp.	69,796 99.999999%	17,902 25.649033%	0 0.000000%	23,818 34.125165%	19,356 27.732248%	0 0.000000%	8,720 12.493553%
30. O&M Excl. Gas Cost and A&G	937,792 100.000000%	151,295 16.133109%	8,413 0.897107%	466,912 49.788439%	163,578 17.442887%	10,314 1.099817%	137,280 14.638641%
31. O&M Excl. Cost of Gas	1,543,154 100.000000%	248,959 16.133127%	13,844 0.897124%	768,312 49.788420%	269,170 17.442848%	16,972 1.099825%	225,897 14.638656%

**MONTANA-DAKOTA UTILITIES CO.  
GAS UTILITY - EAST RIVER  
EMBEDDED CLASS COST OF SERVICE STUDY  
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	Total East River	Residential			Firm General		
		Demand	Energy	Customer	Demand	Energy	Customer
33. Total Cost of Gas	4,741,019 100.000000%	408,316 8.612410%	1,738,654 36.672580%	0 0.000000%	477,384 10.069228%	2,116,665 44.645782%	0 0.000000%
35. Taxable Income	(1,484,063) 99.999999%	(486,399) 32.774821%	402,546 -27.124590%	(1,029,175) 69.348471%	(525,896) 35.436231%	505,717 -34.076518%	(350,856) 23.641584%
38. Customer Account Expense O&M	16,344 100.000000%	0 0.000000%	0 0.000000%	13,981 85.542095%	0 0.000000%	0 0.000000%	2,363 14.457905%
39. Distribution O&M	633,368 100.000000%	151,295 23.887377%	4,748 0.749643%	222,666 35.155865%	163,578 25.826692%	5,821 0.919055%	85,260 13.461368%
40. Total Tax Deductions & Adjustments	239,615 100.000001%	30,184 12.596874%	66,494 27.750350%	20,356 8.495295%	34,008 14.192768%	80,950 33.783361%	7,623 3.181353%