

**MONTANA-DAKOTA UTILITIES CO.
DESCRIPTION OF UTILITY OPERATIONS**

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. (Montana-Dakota) is an operating public utility engaged in the distribution and sale of natural gas and propane and the production, transmission, distribution and sale of electricity in North Dakota, eastern Montana, northern and western South Dakota and northern Wyoming.

Montana-Dakota has a four-state natural gas system serving markets in North Dakota, including Bismarck, Dickinson, Jamestown, Minot and Williston; eastern Montana, including Billings, Glendive, Miles City and Wolf Point; western and central South Dakota, including Rapid City and Pierre; and several communities in northern Wyoming, including Sheridan. Montana-Dakota operates a propane vaporization distribution system in Hettinger, North Dakota. It also has an interconnected electric system serving markets in North Dakota, including Bismarck, Dickinson and Williston; eastern Montana, including Glendive, Miles City and Wolf Point; and northern South Dakota. The Company also has a separate electric system serving Sheridan, Wyoming and areas adjacent thereto. As of December 31, 2004, the Company supplied natural gas at retail to approximately 224,500 customers located in 144 communities and adjacent rural areas. As of the same date, Montana-Dakota supplied electricity to approximately 118,100 customers located in 180 communities and adjacent

rural areas. Montana-Dakota has obtained and holds valid and subsisting franchises authorizing it to carry on the utility business in all of the municipalities in which it is engaged where such franchises are required. Montana-Dakota's service area has historically been primarily agricultural, including a number of irrigated areas. The important industries among the Company's customers are oil refining, sugar refining, cement and bentonite manufacturing, coal mining and clay products manufacturing. There has been a significant increase in oil and natural gas exploration and development and lignite coal mining in the Company's service territory.

Please refer to FERC Form 1, Annual Report for Electric Utilities, pages 402-403, 410-411, and 422-425 for the electric generating stations and miles of line.

The last general gas rate case for East River was to establish initial rates for the East River system, filed on March 8, 1993 with the South Dakota Public Utilities Commission in Docket No. NG93-003. The Commission issued an Order on July 12, 1993 approving a Settlement Agreement and establishing initial rates for the East River system.