

# MONTANA-DAKOTA UTILITIES CO. - GAS

## Study Analysis & Results

### ACCOUNT – 374.20 Land Rights

#### Historical Experience

Plant Statistics      Plant Balance = \$322,678  
Original Gross Additions = \$275,515  
Oldest Surviving Vintage = 1977  
Retirements = \$36,507 or 13.3% of historical additions.

Experience Bands      1977-08 (Simulated) 65-R3

Historic Net Salvage: (85-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1977-2008</u>
23%	0%	0%	1%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
9%	10%	9%	0%

Forecasted Net Salvage: 0%

#### Plant Considerations/Future Expectations

The investments in this limited account are related to rights of way acquired by the Company for the purpose of installing components of its utility plant.

**Life Analysis Method:** Simulated Plant Analysis Method

**Average Remaining Life Development:** Full Mortality

#### Current Depreciation Parameters

ASL/Curve: 65-R2.5  
Net Salv: 0%

#### Proposed Depreciation Parameters

ASL/Curve: 65-R3  
Future Net Salv: 0%

New Rate @New Parameters      Old Rate @ Old Parameters

Rate	1.39%	0.75%
Average Remaining Life	57.2 years	N/A

**ACCOUNT – 375.00 Distr. Meas. & Reg. Structures And Improvements**

**Historical Experience**

Plant Statistics      Plant Balance = \$609,311  
 Original Gross Additions = \$896,007  
 Oldest Surviving Vintage = 1918  
 Retirements = \$145,619 or 16.3% of historical additions.

Experience Bands      1918- 08 (Simulated) 60-R3

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
-54%	-61%	-40%	-26%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
3%	0%	0%	0%

Forecasted Net Salvage: -82%

**Plant Considerations/Future Expectations**

The costs included in this account investment are related to various distribution related structures. Ongoing changes occur due to required component upgrades as well as changes in business environment conditions. End of life costs relative to rehabilitation or disposal is routinely experience within this property class.

**Life Analysis Method:** Simulated Plant Analysis Method

**Current Depreciation Parameters**

Interim Retirement ASL/Curve: 55-R2.5  
 Net Salv: -50%

**Proposed Depreciation Parameters**

Interim Retirement ASL/Curve: 60-R3  
 Future Net Salv: -50%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	2.77%	2.57 %
Average Remaining Life	33.0 years	N/A

## ACCOUNT – 376.10 Distribution Mains – Steel

### Historical Experience

Plant Statistics      Plant Balance = \$41,975,049  
Original Gross Additions = \$113,372,232 (Total Account)  
Oldest Surviving Vintage = 1904  
Retirements = \$6,061,120 (Total Account) or 5.3% of historical additions.

Experience Bands      1916 – 2008 (Simulated) 47-R4

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent			Full Depth
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
-27%	-35%	-25%	-32%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
2%	0%	0%	0%

Forecasted Net Salvage: -92%

### Plant Considerations/Future Expectations

This property group is comprised of the Company's investment and related experience of Steel Distribution Mains. While portions of this property class (bare steel) were originally installed during earlier years, coated and wrapped steel has continue to be installed for higher pressure and larger size requirements. The earlier vintage assets in this account have aged considerably. Likewise, due to the lack of serviceability of the older vintaged property (which are Bare Steel Mains) contained within the Steel Mains category, they are being replaced.

**Life Analysis Method:** Simulated Plant Analysis Method

**Average Remaining Life Development:** Full Mortality

### Current Depreciation Parameters

ASL/Curve: 45-R3

Net Salv: -60%

### Proposed Depreciation Parameters

ASL/Curve: 47-R4

Future Net Salv: -50%

	<u>New Rate @ New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	2.84%	1.92%
Average Remaining Life	22.3 years	N/A

**ACCOUNT – 376.20 Distribution Mains – Plastic**

**Historical Experience**

Plant Statistics      Plant Balance = \$63,935,959  
Original Gross Additions = \$113,372,232 (Total Account)  
Oldest Surviving Vintage = 1969  
Retirements = \$6,061,120 (Total Account) or 5.3% of historical additions.

Experience Bands      1916 – 2008 (Simulated) 47-R4

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
-27%	-35%	-25%	-32%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
2%	0%	0%	0%

Forecasted Net Salvage: -92%

**Plant Considerations/Future Expectations**

This property group investment is comprised of the Company’s investment and related experience of Plastic Distribution Mains and are typically related to the more recently installed portions of Mains. Studies of this class of property, in numerous completed depreciation studies, have identified that Plastic Mains routinely experience shorter lives than their metal counterparts. Such shorter lives are the product of higher levels of physical issues (e.g. physical damage, etc) impacting the mains as well as the fact that the Plastic mains have often been installed in areas that experience higher growth and replacements.

**Life Analysis Method:** Simulated Plant Analysis Method

**Current Depreciation Parameters**

ASL/Curve: 45-R3  
Net Salv: -60%

**Proposed Depreciation Parameters**

ASL/Curve: 47-R4  
Future Net Salv: -50%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.05%	1.92%
Average Remaining Life	33.4 years	N/A

**ACCOUNT – 376.30 Mains – Valves**

**Historical Experience**

Plant Statistics      Plant Balance = \$447,328  
Original Gross Additions = \$113,372,232 (Total Account)  
Oldest Surviving Vintage = 1904  
Retirements = \$6,061,120 (Total Account) or 5.3% of historical additions.

Experience Bands      Estimated 40-R2.5

Historic Net Salvage: (68-08)

<u>Three Year Average Net Salvage Percent</u>			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
-27%	-35%	-25%	-32%

<u>Gross Salvage Trend Analysis</u>			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
2%	0%	0%	0%

Forecasted Net Salvage: -92%

**Plant Considerations/Future Expectations**

This account is comprised of costs related to recent vintage Valves installed in the distribution system. Given the mechanical nature of the property the class is anticipated to have a shorter life than Mains pipe.

**Life Analysis Method:** Simulated Plant Analysis Method

**Current Depreciation Parameters**

ASL/Curve: 40-R2.5  
Net Salv: -60%

**Proposed Depreciation Parameters**

ASL/Curve: 40-R2.5  
Future Net Salv: -50%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.54%	1.92%
Average Remaining Life	26.1 years	N/A

## ACCOUNT – 376.40 Mains – Manholes

### Historical Experience

Plant Statistics      Plant Balance = \$69,919  
Original Gross Additions = \$113,372,232 (Total Account)  
Oldest Surviving Vintage = 1960  
Retirements = \$6,061,120 (Total Account) or 5.3% of historical additions.

Experience Bands      1916-2008 (Simulated) 47-R4

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
-27%	-35%	-25%	-32%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
2%	0%	0%	0%

Forecasted Net Salvage: -92%

### Plant Considerations/Future Expectations

The investment in this property category is limited and is anticipated to experience a life generally similar to the overall Mains.

**Life Analysis Method:** Simulated Plant Analysis Method

### Current Depreciation Parameters

ASL/Curve: 45-R3  
Net Salv: -60%

### Proposed Depreciation Parameters

ASL/Curve: 47-R4  
Future Net Salv: -50%

	<u>New Rate @ New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	2.89%	1.92%
Average Remaining Life	24.6%	N/A

## ACCOUNT – 376.50 Bridge & River Crossings

### Historical Experience

Plant Statistics      Plant Balance = \$19,818  
Original Gross Additions = \$113,372,232 (Total Account)  
Oldest Surviving Vintage = 1995  
Retirements = \$6,061,120 (Total Account) or 5.3% of historical additions.

Experience Bands      1916-2008 (Simulated) 47-R4

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent			Full Depth
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
-27%	-35%	-25%	-32%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
2%	0%	0%	0%

Forecasted Net Salvage: -92%

### Plant Considerations/Future Expectations

The investment in this property category is limited and is anticipated to experience a life generally similar to the overall Mains.

**Life Analysis Method:** Simulated Plant Analysis Method

### Current Depreciation Parameters

ASL/Curve: 45-R3  
Net Salv: -60%

### Proposed Depreciation Parameters

ASL/Curve: 47-R4  
Future Net Salv: -50%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.13%	1.92%
Average Remaining Life	38.3%	N/A

**ACCOUNT – 378 .00 Measuring & Regulating Station Equipment - General**

**Historical Experience**

Plant Statistics      Plant Balance = \$2,140,309  
                                  Original Gross Additions = \$2,708,505  
                                  Oldest Surviving Vintage = 1920  
                                  Retirements = \$569,872 or 21.0% of historical additions.

Experience Bands      1920 – 2008 (Simulated) 40-R2

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
-22%	-10%	- 4%	- 7%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: -40%

**Plant Considerations/Future Expectations**

This account investment is applicable to the costs associated with measuring and regulating vaults and equipment located throughout the Company’s distribution system. This class of property is impacted by system pressure upgrades/changes as well as by manufacture discontinued properties.

**Life Analysis Method:** Simulated Plant Analysis Method

**Current Depreciation Parameters**

ASL/Curve: 40-R1

Net Salv: -30%

**Proposed Depreciation Parameters**

ASL/Curve: 40-R2

Future Net Salv: -30%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.14%	2.96%
Average Remaining Life	27.5 years	N/A

**379.00 Measuring & Regulating Station Equipment – City Gate**

**Historical Experience**

Plant Statistics      Plant Balance = \$1,028,822  
                                  Original Gross Additions = \$2,157,166  
                                  Oldest Surviving Vintage = 1951  
                                  Retirements = \$458,632 or 21.3% of historical additions.

Experience Bands      1951 – 2008 (Simulated) 27-L0

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
0%	0%	0%	21%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
1%	0%	0%	0%

Forecasted Net Salvage: -9%

**Plant Considerations/Future Expectations**

This account investment is applicable to the costs associated with measuring and regulating vaults and equipment located throughout the Company’s City Gate Stations. Similar to general M&R equipment, this class of property is impacted by system pressure upgrades/changes as well as by manufacture discontinued properties.

**Life Analysis Method:** Simulated Plant Analysis Method

**Current Depreciation Parameters**

ASL/Curve: 35-R2.5  
 Net Salv: -15%

**Proposed Depreciation Parameters**

ASL/Curve: 27-L0  
 Future Net Salv: -15%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.14	3.54%
Average Remaining Life	16.0 years	N/A

## ACCOUNT – 380.10 Services – Steel

### Historical Experience

Plant Statistics      Plant Balance = \$7,285,188  
Original Gross Additions = \$54,121,206 (Total Account)  
Oldest Surviving Vintage = 1928  
Retirements = \$3,625,013 (Total Account) or 6.7% of historical additions.

Experience Bands      1920– 2008 (Simulated) 40-R3

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
-234%	-240%	-243%	-88%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: -210%

### Plant Considerations/Future Expectations

This property group is comprised of the Company's investment and related experience of Steel Services. The older vintage investments within the property group are related to Bare Steel Service which routinely experience higher replacement rates.

**Life Analysis Method:** Simulated Plant Analysis Method

### Current Depreciation Parameters

ASL/Curve: 40-R2.5

Net Salv: -175%

### Proposed Depreciation Parameters

ASL/Curve: 40-R3

Future Net Salv: -200%

	<u>New Rate @ New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	9.65%	5.66%
Average Remaining Life	13.4 years	N/A

## ACCOUNT – 380.20 Services – Plastic

### Historical Experience

Plant Statistics      Plant Balance = \$42,690,273  
Original Gross Additions = \$54,121,206 (Total Account)  
Oldest Surviving Vintage = 1969  
Retirements = \$3,625,013 (Total Account) or 6.7% of historical additions.

Experience Bands      1920 – 2008 (Simulated) 40-R3

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent			Full Depth
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
-234%	-240%	-243%	-88%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: -210%

### Plant Considerations/Future Expectations

This property group is comprised of the Company's investment and related experience of Plastic Services. The future service life of this asset class is anticipated to generally be reflective the recent experience.

**Life Analysis Method:** Simulated Plant Analysis Method

### Current Depreciation Parameters

ASL/Curve: 40-R3

Net Salv: -175%

### Proposed Depreciation Parameters

ASL/Curve: 40-R3

Future Net Salv: -200%

	<u>New Rate @ New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	7.91%	5.66%
Average Remaining Life	29.0 years	N/A

## ACCOUNT – 380.30 Services – Farm & Fuel Lines

### Historical Experience

Plant Statistics      Plant Balance = \$248,640  
Original Gross Additions = \$54,121,206 (Total Account)  
Oldest Surviving Vintage = 1977  
Retirements = \$3,625,013 (Total Account) or 6.7% of historical additions.

Experience Bands      Estimated 30-R1.5

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
-234%	-240%	-243%	-88%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0	0%	0%	0%

Forecasted Net Salvage: -210%

### Plant Considerations/Future Expectations

This property group is comprised of the Company's investment in a limited amount of Farm and Fuel service lines. The future service life of this asset class is anticipated to generally be reflective the recent experience.

**Life Analysis Method:** Simulated Plant Analysis Method

### Current Depreciation Parameters

ASL/Curve: 30-R1.5  
Net Salv: -175%

### Proposed Depreciation Parameters

ASL/Curve: 30-R1.5  
Future Net Salv: -200%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	11.01%	5.66%
Average Remaining Life	17.9 years	N/A

## ACCOUNT – 381 Meters

### Historical Experience

Plant Statistics      Plant Balance = \$55,172,050  
Original Gross Additions = \$63,302,194  
Oldest Surviving Vintage = 1956  
Retirements = \$7,690,772 or 12.1% of historical additions.

Experience Bands      1933 - 2008 (Simulated) 35-R4

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
-25%	-18%	-9%	7%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
10%	15%	16%	0%

Forecasted Net Salvage: -19%

### Plant Considerations/Future Expectations

While no specific consideration has been factored into the estimated average service life of meters, in future years the Company's Meter can be anticipated to be impacted by Automated Meter Reading technology. It is anticipated that the Company will investigate the benefits and cost of installing such a Meter system. Under a typical Meter upgrade model/program customer's Meters would routinely be replaced with new property to enhance the efficiency of the Meter reading task. Accordingly, the current service life being achieved by this property class can be anticipated to be materially impacted (shortened) in future years.

**Life Analysis Method:** Simulated Plant Analysis Method

### Current Depreciation Parameters

ASL/Curve: 35-R2.5  
Net Salv: 0%

### Proposed Depreciation Parameters

ASL/Curve: 35-R4  
Future Net Salv: -15%

	<u>New Rate @ New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.53%	3.19%
Average Remaining Life	24.1 years	N/A

**ACCOUNT – 383.00 House Regulators**

**Historical Experience**

Plant Statistics      Plant Balance = \$5,555,208  
Original Gross Additions = \$6,567,312  
Oldest Surviving Vintage = 1946  
Retirements = \$1,025,159 or 15.6% of historical additions.

Experience Bands      1946 – 2008 (Simulated) 40-R2

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
289%	866%	264%	20%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
285%	358%	481%	692%

Forecasted Net Salvage: 691%

**Plant Considerations/Future Expectations**

The account contains the Company's investments related to the residential gas regulators located at the customer's location. It is believed that in more recent years not all retirements may have been reported. Research is being completed to identify any such not reported retirements.

**Life Analysis Method:** Simulated Plant Analysis Method

**Current Depreciation Parameters**

ASL/Curve 35-R3  
Net Salv: 10%

**Proposed Depreciation Parameters**

ASL/Curve: 40-R2  
Future Net Salv: 10%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	1.77%	2.59%
Average Remaining Life	25.4 years	N/A

## ACCOUNT – 385.00 Ind. Meas. & Reg. Station Equipment

### Historical Experience

Plant Statistics      Plant Balance = \$875,377  
Original Gross Additions = \$895,516  
Oldest Surviving Vintage = 1951  
Retirements = \$120,608 or 13.5% of historical additions.

Experience Bands      Estimated 35-R2

Historic Net Salvage: (68-08)

#### Three Year Average Net Salvage Percent

<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>
0%	0%	0%

#### Full Depth

<u>1968-2008</u>
-36%

#### Gross Salvage Trend Analysis

<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
16%	12%	0%	0%

Forecasted Net Salvage: -13%

### Plant Considerations/Future Expectations

The account contains the Company's investments related to the residential gas regulators located at the customer's location. Future activity is not anticipated to be materially different than historical experience.

**Life Analysis Method:** Simulated Plant Analysis Method

### Current Depreciation Parameters

ASL/Curve: 35-R2

Net Salv: -15%

### Proposed Depreciation Parameters

ASL/Curve: 35-R2

Future Net Salv: -15%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.31%	3.04%
Average Remaining Life	23.3 years	N/A

**ACCOUNT – 386.10 Misc. Property on Customer Premise**

**Historical Experience**

Plant Statistics      Plant Balance = \$1,680  
                                 Original Gross Additions = \$1,680  
                                 Oldest Surviving Vintage = 1997  
                                 Retirements - \$0 or 0% of historical additions.

Experience Bands      Estimated 15-R3

Historic Net Salvage: N/A

Forecasted Net Salvage: N/A

**Plant Considerations/Future Expectations**

The account currently contains only a minimal investment.

**Life Analysis Method:** Simulated Plant Analysis Method

**Average Remaining Life Development:** Full Mortality

**Current Depreciation Parameters**

ASL/Curve: 15-R3

Net Salv: 0%

**Proposed Depreciation Parameters**

ASL/Curve: 15-R3

Future Net Salv: 0%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	2.39%	5.19%
Average Remaining Life	5.1 years	N/A

## ACCOUNT – 386.20 CNG Refueling Station

### Historical Experience

Plant Statistics      Plant Balance = \$261,880  
Original Gross Additions = \$465,811  
Oldest Surviving Vintage = 1992  
Retirements - \$174,931 or 37.6% of historical additions.

Experience Bands      Estimated 15-R3

Historic Net Salvage: (06-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>2006-2008</u>
0%	0%	0%	0%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: 0%

### Plant Considerations/Future Expectations

The account contains the Company's investments related to CNG refueling equipment. The property was placed into service within the more recent years. While retirements have only occurred during one year they have aggregated more than 37 percent of the originally installed plant.

**Life Analysis Method:** Simulated Plant Analysis Method

### Current Depreciation Parameters

ASL/Curve: 15-R3  
Net Salv: 0%

### Proposed Depreciation Parameters

ASL/Curve: 15-R3  
Future Net Salv: 0%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	0.27%	3.70%
Average Remaining Life	3.3 years	N/A

## ACCOUNT – 387.10 Cathodic Protection Equipment

### Historical Experience

Plant Statistics      Plant Balance = \$1,737,818  
Original Gross Additions = \$2,437,225  
Oldest Surviving Vintage = 1969  
Retirements = \$714,543 or 29.3% of historical additions.

Experience Bands      Estimated 20-R1.5

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent		
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>
0%	-1%	-2%

<u>Full Depth</u> <u>1968-2008</u>
-1%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
1%	0%	1%	0%

Forecasted Net Salvage: -2%

### Plant Considerations/Future Expectations

This account includes the cost related to cathodic protection equipment used to control corrosion of the Company's plant.

**Life Analysis Method:** Simulated Plant Analysis Method

### Current Depreciation Parameters

ASL/Curve: 20-R1.5  
Net Salv: 0%

### Proposed Depreciation Parameters

ASL/Curve: 20-R1.5  
Future Net Salv: 0%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.21%	5.75%
Average Remaining Life	10.0 years	N/A

## ACCOUNT – 387.20 Other Distribution Equipment

### Historical Experience

Plant Statistics      Plant Balance = \$588,026  
Original Gross Additions = \$456,584  
Oldest Surviving Vintage = 1950  
Retirements = \$764,016 or N/A of historical additions.

Experience Bands      Estimated 25-R3

Historic Net Salvage: (77-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1977-2008</u>
0%	0%	0%	0.2%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
0%	0%	0%	0%

Forecasted Net Salvage: -0.3%

### Plant Considerations/Future Expectations

This account includes the limited cost of non specifically classified equipment related to the distribution plant.

**Life Analysis Method:** Simulated Plant Analysis Method

### Current Depreciation Parameters

AS/Curve: 25-R3  
Net Salv: 0%

### Proposed Depreciation Parameters

ASL/Curve: 25-R3  
Future Net Salv: 0%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	1.42%	0.99%
Average Remaining Life	13.8 years	N/A

## ACCOUNT – 390.00 Structures And Improvements

### Historical Experience

Plant Statistics      Plant Balance = \$5,835,295  
Original Gross Additions = \$7,544,536  
Oldest Surviving Vintage = 1928  
Retirements - \$2,183,743 or 28.9% of historical additions.

Experience Bands      1928-2008 (Simulated) 31-R4

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
-1%	108%	115%	62%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
80%	51%	100%	126%

Forecasted Net Salvage: 120%

### Plant Considerations/Future Expectations

This investment is related to cost of various General related structures and improvements. Ongoing changes occur due to required component upgrades as well as changes in business environment conditions. End of life costs relative to rehabilitation or disposal is routinely experienced within this property class.

**Life Analysis Method:** Simulated Plant Analysis Method

### Current Depreciation Parameters

ASL/Curve: 35-R3  
Net Salv: -10%

### Proposed Depreciation Parameters

ASL/Curve: 31-R4  
Future Net Salv: -10%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	3.46%	3.73%
Average Remaining Life	21.9 years	N/A

## ACCOUNT – 392.10 Transportation Equipment - Trailers

### Historical Experience

Plant Statistics      Plant Balance = \$397,060  
Original Gross Additions = \$265,847  
Oldest Surviving Vintage = 1992  
Retirements = \$23,062 or 8.7% of historical additions.

Experience Bands      Estimated 8-R0.5

Historic Net Salvage: (96-08)

Three Year Average Net Salvage Percent		
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>
5%	32%	35%

<u>Full Depth</u> <u>1996-2008</u>
20%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
13%	13%	27%	38%

Forecasted Net Salvage: 38%

### Plant Considerations/Future Expectations

This account includes the cost related to trailers use by the Company's workforce.

**Life Analysis Method:** Simulated Plant Analysis Method

### Current Depreciation Parameters

ASL/Curve: 8-R3  
Net Salv: 15%

### Proposed Depreciation Parameters

ASL/Curve: 8-R0.5  
Future Net Salv: 15%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	9.67%	4.36%
Average Remaining Life	5.6 years	N/A

**ACCOUNT – 392.20 Transportation Equipment – (Cars & Trucks)**

**Historical Experience**

Plant Statistics      Plant Balance = \$8,775,094  
Original Gross Additions = \$11,097,752  
Oldest Surviving Vintage = 1997  
Retirements = \$7,705,514 or 69.4% of historical additions.

Experience Bands      1995-2008 (Simulated) 7-R3

Historic Net Salvage: (95-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1995-2008</u>
20%	21%	21%	19%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
19%	19%	20%	22%

Forecasted Net Salvage: 22%

**Plant Considerations/Future Expectations**

This investment is related to investments in automobiles & trucks used to maintain the Company’s operating property. The Company general vehicle policy is to replace transportation equipment in the 7-8 year life range.

**Life Analysis Method:** Simulated Plant Analysis Method

**Current Depreciation Parameters**

ASL/Curve: 6-R3  
Net Salv: 15%

**Proposed Depreciation Parameters**

ASL/Curve: 7-R3  
Future Net Salv: 20%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	0.00%	21.13%
Average Remaining Life	3.5 years	N/A

**ACCOUNT – 396.10 Work Equipment - Trailers**

**Historical Experience**

Plant Statistics      Plant Balance = \$530,576  
                                 Original Gross Additions = \$550,630  
                                 Oldest Surviving Vintage = 1992  
                                 Retirements = \$63,724 or 11.6% of historical additions.

Experience Bands      Estimated 10-R2

Historic Net Salvage: (96-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1996-2008</u>
3%	42%	19%	35%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
32%	32%	10%	29%

Forecasted Net Salvage: 29%

**Plant Considerations/Future Expectations**

This investment is related to investments in work trailers.

**Life Analysis Method:** Simulated Plant Analysis Method

**Current Depreciation Parameters**

ASL/Curve: 10-R2  
Net Salv: 35%

**Proposed Depreciation Parameters**

ASL/Curve: 10-R2  
Future Net Salv: 20%

	<u>New Rate @ New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	6.02%	5.76%
Average Remaining Life	4.8 years	N/A

## ACCOUNT – 396.20 Power Operated Equipment

### Historical Experience

Plant Statistics      Plant Balance = \$6,142,234  
Original Gross Additions = \$28,265,694  
Oldest Surviving Vintage = 1996  
Retirements = \$23,046,715 or 81.5% of historical additions.

Experience Bands      1963-2008 (Simulated) 4-L1

Historic Net Salvage: (68-08)

Three Year Average Net Salvage Percent			<u>Full Depth</u>
<u>2004-06</u>	<u>2005-07</u>	<u>2006-08</u>	<u>1968-2008</u>
84%	86%	88%	81%

Gross Salvage Trend Analysis			
<u>20 Year</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>
87%	79%	83%	93%

Forecasted Net Salvage: 93%

### Plant Considerations/Future Expectations

This investment is related to investments in Power Operated equipment such as backhoes and other power equipment. Historic equipment vendor practices and trade in values have resulted in the Company replacing its equipment on quicker than usual basis.

**Life Analysis Method:** Simulated Plant Analysis Method

### Current Depreciation Parameters

ASL/Curve: 7-R2

Net Salv: 60%

### Proposed Depreciation Parameters

ASL/Curve: 4-L1

Future Net Salv: 80%

	<u>New Rate @New Parameters</u>	<u>Old Rate @ Old Parameters</u>
Rate	0.95%	0%
Average Remaining Life	2.6 years	N/A